新濠環彩
MelcoLot

Annual Report 2014

MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

A Hong Kong Listed Company (Stock Code: 8198)

www.melcolot.com

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This report, for which the directors of MelcoLot Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry#
(Chief Executive Officer)
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

\# *Executive Director*
* *Non-executive Director*
\+ *Independent Non-executive Director*

EXECUTIVE COMMITTEE

Mr. Ko Chun Fung, Henry *(Chairman)*
Mr. Tsang Yuen Wai, Samuel
Mr. Tam Chi Wai, Dennis

AUDIT COMMITTEE

Mr. Tsoi, David *(Chairman)*
Mr. Tsui Che Yin, Frank
Mr. Pang Hing Chung, Alfred
Ms. Chan Po Yi, Patsy

REMUNERATION COMMITTEE

Mr. Tsoi, David *(Chairman)*
Mr. Tam Chi Wai, Dennis
Ms. Chan Po Yi, Patsy

NOMINATION COMMITTEE

Ms. Chan Po Yi, Patsy *(Chairman)*
Mr. Ko Chun Fung, Henry
Mr. Tsoi, David
Mr. Pang Hing Chung, Alfred

COMPLIANCE OFFICER

Mr. Ko Chun Fung, Henry

COMPANY SECRETARY

Ms. Chan Yuen Mei, Claudia

AUTHORISED REPRESENTATIVES

Mr. Ko Chun Fung, Henry
Mr. Tam Chi Wai, Dennis

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3701, 37th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Michael Li & Co.
Zhong Lun Law Firm

STOCK CODE

The Stock Exchange of Hong Kong Limited: 8198

WEBSITE

www.melcolot.com

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board of directors (the "Board") of MelcoLot Limited (the "Company"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

During the year, the Company successfully completed an open offer (the "Open Offer") on the basis of three offer shares for every ten existing shares that provided equitable means for all shareholders to participate in the future development of the Group. A total of HK$652.7 million had been raised, before expenses. Part of the funds raised was applied towards repaying a loan due to the immediate holding company, amounting to HK$251.6 million with the remaining proceeds reserved for supporting continuing development of the Group's lottery projects as well as pursuing new business opportunities. As a result of the repayment, finance costs for the year under review had significantly reduced.

The Group is a supplier of high quality lottery terminals and parts to the China Sports Lottery Association ("CSLA"). During the year, the terminal upgrade and replacement cycle of the sports lottery under CSLA had been slower than expected. As a result, the Group was compelled to adopt a low margin strategy to maintain market share thus impacting profitability.

Lottery sales nationwide achieved another record year in 2014 with total lottery sales exceeding RMB382.4 billion. This growth trend is expected to continue over the next few years. With the Chinese government continuing to consolidate and improve regulation of the lottery markets, the Group will leverage on its established reputation as a high end lottery terminals and services provider to focus on areas where it excels.

The Group embraces a broad leisure and entertainment corporate philosophy, in line with the parent company, and is actively pursuing a few investment opportunities outside of the Greater China Region. The Group is at an advanced stage of establishing a high end casino project in Tbilisi, the capital city of The Republic of Georgia which is strategically located at the Black Sea area. At the same time, it is also making progress in the strategic move of conceiving, planning and developing a premium integrated resort in Spain adjacent to Barcelona City.

As a subsidiary of Melco International Development Limited ("Melco"), a company listed on the main board of the Hong Kong Stock Exchange, the Group will continue to leverage on Melco's expertise and extensive networks in the gaming and entertainment field to substantiate its development strategy for its existing and future gaming businesses.

IN APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our stakeholders. I would also like to give our genuine thanks to our shareholders for their continued support and confidence. To my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for your hard work and dedicated commitment. To our business partners, we are grateful for your trust and confidence in us and look forward to many more years of support.

Tsui Che Yin, Frank
Chairman and Non-executive Director

Hong Kong, 19 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the provision of lottery-related technologies, systems and solutions for two state-run lottery operators in the People's Republic of China (the "PRC"), namely the China Welfare Lottery and the China Sports Lottery. We are a distributor of high quality, versatile lottery terminals and parts for the CSLA, which is the exclusive sports lottery operator in the PRC. The Group provides game upgrading technology and system maintenance service for the rapid draw game, "Shi Shi Cai" in the Chongqing Municipality. The Group has also developed a wide presence by managing a network of retail outlets in the PRC.

FINANCIAL REVIEW

The Group continues to be engaged in a single operating segment which is the lottery business. During the year, total revenue of the Group decreased by 17.0% to HK$45.3 million (2013: HK$54.6 million) and comprised of:

(1) Sales of lottery terminals and parts

Revenues generated from the sales of lottery terminals and parts for the Sports Lottery amounted to HK$40.8 million for the year 2014, representing a decrease of 17.4% (2013: HK$49.4 million). The Group had adopted a low margin strategy in order to maintain market share.

(2) Provision of management services for the distribution of lottery products

Revenue derived from the provision of management services for the distribution of lottery products in 2014 amounted to HK$4.5 million, decreasing by 13.5% compared with HK$5.2 million in 2013.

Operating results

The Group recorded a loss of HK$66.5 million for the year ended 31 December 2014 against a loss of HK$13.0 million for the year 2013, which was mainly attributable to the combined effect of:

(i) the increase in employee benefits costs from HK$18.9 million in 2013 to HK$56.7 million in 2014. The increase was primarily due to the non-cash share-based payments of HK$46.4 million in 2014 (2013: HK$6.5 million);

(ii) the increase in other expenses from HK$7.9 million in 2013 to HK$15.2 million in 2014 mainly attributable to the Group incurring a net foreign exchange loss of HK$7.0 million (2013: exchange gain of HK$6.3 million) resulting from the depreciation of Renminbi against Hong Kong dollars during 2014; and

(iii) the decrease in revenue of the Group for the year ended 31 December 2014 by HK$9.3 million and decrease in gross margin of the Group from 15.5% in 2013 to 12.5% in 2014.

The Group has fully repaid the amount due to immediate holding company during 2014, which led to the decrease of finance costs from HK$7.2 million in 2013 to HK$3.1 million in 2014.

Surplus funds were placed in interest-bearing deposits with banks, which led to the increase in bank interest income from HK$0.1 million in 2013 to HK$3.6 million in 2014.

Excluding the aforementioned non-cash share-based payments and net foreign exchange difference, the Group would have recorded a loss comparable and in line with the operating results from 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2014, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK$499.7 million (2013: HK$56.2 million), representing an increase of HK$443.5 million from last year. Of the cash and cash equivalents at 31 December 2014, 81% (2013: 87%) was denominated in Hong Kong dollar, with the remaining balance in Renminbi and United States dollar ("USD"). The increase in net cash generated from financing activities of HK$436.7 million in 2014 was mainly attributable to proceeds from the Open Offer. In respect of the Open Offer and share options exercised during 2014, the Company issued 725,224,723 and 12,279,116 new shares, respectively, and the share capital of the Company increased to HK$31.5 million (2013: HK$24.1 million).

The Group did not have any bank borrowings in 2014 (2013: Nil) and generally financed its operations with internal resources.

The Group has current assets which exceed current liabilities by HK$420.1 million as at 31 December 2014 (2013: current liabilities exceed current assets by HK$204.5 million). The year-on-year improvement was mainly due to receipt of proceeds from the Open Offer. During the year, the Company issued 725,224,723 shares at a price of HK$0.90 per share and raised HK$652.7 million for the repayment of the loan due to immediate holding company with a carrying amount of HK$251.6 million. The remaining proceeds will be reserved for the development of existing lottery projects as well as new investment opportunities. These transactions had the effect of turning our capital deficiency of HK$201.4 million as at 31 December 2013 into a capital surplus of HK$421.0 million as at 31 December 2014.

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was nil as at 31 December 2014 (31 December 2013: approximately 118%).

The Group anticipates to spend approximately HK$140 million on its new casino project in Tbilisi, Georgia and approximately HK$15.5 million on its new integrated resort project in Spain adjacent to Barcelona City during the period from April 2015 to March 2016. The expenditure on the Tbilisi project includes advance rent payments and rental deposits for leasing casino premises, payments for gaming equipment and system, furniture and fittings and pre-opening and preliminary expenses. The expenditure on the Spain project is for architectural design and modelling fees and professional fees in connection with the preparation of the second-phase tender for casino licence. Of the said sums, approximately HK$58 million and HK$3 million will be spent on the Tbilisi project and Spain project respectively in the first half of 2015.

OUTLOOK

The lottery market has expanded greatly in China over the past 20 years. The proceeds from lottery products have come to constitute a significant part of the government's social welfare fund. According to the data from the Ministry of Finance, lottery sales in China amounted to RMB382.4 billion for the year 2014, representing an increase of 23.6%. We believe the China lottery market will continue to grow very quickly. This situation is backed by rising disposable incomes in China, together with a low lottery penetration rate and low sales rates compared to other more developed nations in per capita terms. As the market is increasingly regulated by the government, the Group will focus on actively pursuing selected lottery projects in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the Open Offer in 2014, the Group has strengthened its capital base and provided sufficient surplus capital to support future business growth and any potential asset acquisitions or growth opportunities within or beyond the Company's existing principal business. The Group intends to examine potential investments where the Group can leverage its and Melco's strengths in the gaming, leisure and entertainment industries, including integrated resorts, casinos, hotels and lotteries located in emerging or frontier gaming destinations.

The Group is engaged in discussions to launch a high end casino project in the Republic of Georgia. The casino will be strategically located in Tbilisi, the capital city, to attract visitors from the Black Sea area. Concurrently, the Group is making progress in the strategic move of conceiving, planning, and developing a premium integrated resort near Barcelona in Spain. The Group has been actively exploring these investment opportunities that are aimed at enhancing shareholders' returns and are within the core expertise of the Directors. We believe that it is in the interests of the Group and its shareholders to diversify the business and to actively pursue new business opportunities to regain the Group's growth momentum.

With a solid financial foundation, a focused line of principal business, together with planned new investment, the Group remains confident in delivering attractive returns to the Company's shareholders in the long run.

CHARGE ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2014 and 2013.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2014, all assets and liabilities of the Group were denominated in Hong Kong dollar, Renminbi and USD. For the year ended 31 December 2014, the business activities of the Group were mainly denominated in Hong Kong dollar and Renminbi. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2014, the Group had a total of 23 full-time employees (2013: 35). For the year ended 31 December 2014, the Directors received total emoluments of approximately HK$42.5 million (2013: HK$8.5 million), including non-cash share-based payments to Directors of HK$37.9 million in 2014 (2013: HK$5.0 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training programs. These other staff costs of the Group amounted to approximately HK$14.2 million (2013: HK$10.4 million), bringing the total employee benefit expenses to HK$56.7 million (2013: HK$18.9 million).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and also did not have any significant contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Tsui Che Yin, Frank, aged 57, has been the Chairman and Non-executive Director of the Company since July 2013. He is also a member of the audit committee of the Company and a director of certain subsidiaries of the Company. Mr. Tsui is currently an executive director of Melco International Development Limited ("Melco"), a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the parent company of the Company. He is also a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Prior to joining Melco, Mr. Tsui was the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong. Mr. Tsui graduated with a bachelor's and a master's degree in business administration from The Chinese University of Hong Kong and with a law degree from the University of London. He also holds a doctoral degree in Business Administration from The University of Newcastle, Australia. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

EXECUTIVE DIRECTORS

Mr. Ko Chun Fung, Henry, aged 55, is the Chief Executive Officer and Executive Director of the Company. He is also the chairman of executive committee and a member of the nomination committee of the Company and a director of certain subsidiaries of the Company. Mr. Ko was appointed as a Director of the Company in January 2008. He is a seasoned professional with a strong track record of successful senior positions in Asia. He has led various high profile ventures in the telecom industry. Prior to entering the lottery industry, he was a founder of iAsia Online Systems Limited, and in his capacity as chief executive officer and executive director, nurtured its growth into a leading financial trading solutions vendor in Hong Kong and mainland China. Mr. Ko then went on to set up the lottery business which was subsequently acquired by the Group in late 2007, in his capacity as chief executive officer and executive director of PAL Development Limited. Upon the acquisition of the lottery business, Mr. Ko was appointed to the Board and as Chief Executive Officer of the Company and continues to lead the lottery business of the Group. Mr. Ko obtained a Bachelor of Engineering degree (first class honours) in 1982. In 1990 he received an Australian Postgraduate Course Award to study at the Australian Graduate School of Management, where he obtained his Master of Business Administration degree.

Mr. Tsang Yuen Wai, Samuel, aged 60, has been an Executive Director of the Company since July 2013. He is also a member of the executive committee of the Company. Mr. Tsang is Group Legal Counsel and Company Secretary of Melco, a company listed on the Hong Kong Stock Exchange and the parent company of the Company. In that capacity, Mr. Tsang oversees the legal, corporate and compliance matters of Melco Group. Mr. Tsang has worked as a lawyer with major law firms and listed conglomerates in Hong Kong for over 30 years. He holds a master of laws degree from University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management. Mr. Tsang is a director of Melco's subsidiary, Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States, and a director of Alpha Peak Leisure Inc. and Maple Peak Investments Inc., both listed on the TSX Venture Exchange of Canada.

Mr. Tam Chi Wai, Dennis, aged 45, has been an Executive Director of the Company since July 2013. He is also a member of both the executive committee and remuneration committee of the Company and a director of certain subsidiaries of the Company. Mr. Tam oversees the strategic investment, financial control, treasury and corporate finance of the Group. Mr. Tam is currently Group Finance Director and Head of Human Resources and Administration of Melco, a company listed on the Hong Kong Stock Exchange and the parent company of the Company. He is also a director of Melco's subsidiary, Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States, and a director of Alpha Peak Leisure Inc. and Maple Peak Investments Inc., both listed on the TSX Venture Exchange of Canada. Mr. Tam has more than 20 years of experience in corporate finance, accounting, financial control and mergers & acquisitions. Prior to joining Melco, Mr. Tam held senior management positions with various local listed and multinational companies.

Mr. Tam obtained his Master Degree in Accounting from Monash University, completed his PhD program at Washington Intercontinental University and was trained at Harvard Business School in Cambridge, Massachusetts. He is the chairman of the board for Greater China for the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of the Institute of Public Accountants, a member of CPA Australia, a member of the Institute of Administrative Management in United Kingdom and advisor of the General Education Development Committee in Peking University Shenzhen Graduate School. Mr. Tam is a former member of Chinese People's Political Consultative Conference, Nan Kang City, Jiang Xi Province. In 2014, Mr. Tam was awarded "Asia's Best CFO (Investor Relations)" at the Asian Excellence Awards by Corporate Governance Asia Magazine.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsoi, David, aged 67, has been an Independent Non-executive Director of the Company since October 2001. He is also the chairman of both the audit committee and remuneration committee and a member of the nomination committee of the Company. Being a Certified Public Accountant by profession, Mr. Tsoi currently practises as managing director of Alliott, Tsoi CPA Limited. He is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Certified General Accountants of Canada and Institute of Chartered Accountants of England & Wales. He is also a fellow member of the Hong Kong Institute of Directors and a member of CPA Australia. Mr. Tsoi holds a master's degree in business administration from the University of East Asia, Macau. Mr. Tsoi is currently an independent non-executive director of Enviro Energy International Holdings Limited and Universal Technologies Holdings Limited, both listed on the Hong Kong Stock Exchange. Between March 2008 and June 2014, he was an independent non-executive director of CSR Corporation Limited, a company listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Pang Hing Chung, Alfred, aged 53, has been an Independent Non-executive Director of the Company since March 1999. He is also a member of both the audit committee and nomination committee of the Company. Mr. Pang is currently the Chairman of Standard Advisory Asia Limited ("Standard") and a member of Standard's Asia Executive Committee. He is also an independent non-executive director of Summit Ascent Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Pang has over 25 years of financial, management and investment banking experience in China, Asia and the United States. Before joining Standard, Mr. Pang was the managing director and vice chairman, Investment Banking Division, at BOC International Holdings Ltd. ("BOCI") where he was also the chairman of BOCI's commitment committee. Prior to joining BOCI, he was the managing director and president, Asia at Donaldson Lufkin & Jenrette, the United States investment banking firm. Mr. Pang holds dual Bachelor of Arts (in Economics) & Bachelor of Science (in Electrical Engineering) degrees from Cornell University, and Master of Business Administration degree from Stanford University Graduate School of Business in the United States.

Ms. Chan Po Yi, Patsy, aged 50, has been an Independent Non-executive Director of the Company since November 2013. She is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. Ms. Chan is currently the chief operating officer of Richemont Asia Pacific Limited, Hong Kong and Macau. She has been working with Richemont Luxury Group, one of the world leading luxury goods groups, for over 10 years. With more than 20 years of experience in several prestigious multinational corporations, Ms. Chan leads the company in maximizing operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning and performance measurement development. Prior to joining Richemont Luxury Group, she held various management positions in Piaget, Marsh & McLennan and other multinational companies. Ms. Chan holds a Bachelor's degree of Commerce in Accounting from University of New South Wales in Sydney, Australia and participated in the Luxury Brand Management Executive Program at ESSEC Business School. She is a member of CPA Australia, a member of Institute of Certified Management Accountants and a member of the Institute of Public Accountants, Australia.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The board of directors of the Company (the "Directors" or "Board") is conscientious of the need for accountability, transparency, fairness and integrity of the operations of the Company for the benefit of its shareholders and the investing public.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2014. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

SECURITIES TRANSACTIONS OF DIRECTORS AND EMPLOYEES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions for the year 2014.

The Board has also established written guidelines for the relevant employees to regulate their dealings in the Company's securities.

BOARD OF DIRECTORS

Board Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for the effective leadership of the Company. The Board currently comprises a total of seven Directors, being three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules.

The Board members were made up of the following Directors who served throughout the year:

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry# *(Chief Executive Officer)*
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

Executive Director
* *Non-executive Director*
\+ *Independent Non-executive Director*

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the GEM Listing Rules.

All Directors entered into formal letters of appointment with the Company which set out the key terms and conditions of their appointments. Each Non-executive Director and Independent Non-executive Director was appointed for a term of two years. Every Director will retire once every three years. This year, Mr. Tsui Che Yin, Frank, Mr. Ko Chun Fung, Henry and Mr. Pang Hing Chung, Alfred will retire and will offer themselves for re-election at the forthcoming annual general meeting.

Among the retiring Directors, Mr. Pang Hing Chung, Alfred, Independent Non-executive Director, has served the Board for 16 years. The Board has received written confirmation from Mr. Pang regarding his independence in accordance with the GEM Listing Rules. In view of this and in view of the fact that Mr. Pang is a very seasoned and experienced director and professional, the Board considers Mr. Pang as having the necessary character, integrity and experience to remain independent notwithstanding his long length of service and will continue to bring invaluable independent advice and perspectives to the Company and its business. The Board therefore recommends Mr. Pang be re-elected as Independent Non-executive Director of the Company at the annual general meeting.

The biographies of Mr. Tsui, Mr. Ko and Mr. Pang have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Board Meetings

The Board meets regularly over the Company's affairs and operations. At the Board meetings, the Directors considered and approved the financial results and budget, discussed the overall strategy as well as the operation and financial performance of the Group. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations.

The Directors either participated in person or through electronic means of communication. At least 14 days' notice of the meetings was given. The Chairman met the Non-executive Directors once without the presence of the Executive Directors.

Supply of and Access to Information

Board papers were provided to Directors in advance to enable them to prepare for the meetings and keep the Directors appraised of the latest developments and financial position of the Company. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable rules and regulations are followed. Directors are also entitled to seek independent professional advice in performing their duties at the Company's expense, where necessary.

Draft and final versions of minutes of Board meetings have been circulated to all Directors for comment within a reasonable time after the Board meeting was held. The Company Secretary keeps full records of the meetings in accordance with applicable laws and regulations.

The Board met five times during 2014. The attendance records of the Directors at board meetings and the annual general meeting are set out below:

	Attendance (rate)	
Name of Director	**Board Meeting**	**Annual General Meeting**
Mr. Tsui Che Yin, Frank*	5 (100%)	1 (100%)
Mr. Ko Chun Fung, Henry#	5 (100%)	1 (100%)
Mr. Tsang Yuen Wai, Samuel#	5 (100%)	1 (100%)
Mr. Tam Chi Wai, Dennis#	5 (100%)	1 (100%)
Mr. Tsoi, David+	5 (100%)	1 (100%)
Mr. Pang Hing Chung, Alfred+	5 (100%)	1 (100%)
Ms. Chan Po Yi, Patsy+	5 (100%)	1 (100%)

Executive Director
* *Non-executive Director*
\+ *Independent Non-executive Director*

Directors' Training

The Company Secretary is responsible for keeping directors informed of changes in laws and regulations and organising continuing development programme. Every director will receive a comprehensive orientation package on appointment.

CORPORATE GOVERNANCE REPORT

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. The Company has also sent information on external training courses and articles to Directors. A summary of training received by Directors during 2014 is set out below:

Name of Director	Type of Continuous Professional Development: Attending seminars/ workshops/conferences relevant to the business of the Company or directors' duties	Type of Continuous Professional Development: Reading regulatory updates
Mr. Tsui Che Yin, Frank*	✓	✓
Mr. Ko Chun Fung, Henry#	✓	✓
Mr. Tsang Yuen Wai, Samuel#	✓	✓
Mr. Tam Chi Wai, Dennis#	✓	✓
Mr. Tsoi, David+	✓	✓
Mr. Pang Hing Chung, Alfred+	✓	✓
Ms. Chan Po Yi, Patsy+	✓	✓

\# *Executive Director*
* *Non-executive Director*
\+ *Independent Non-executive Director*

All Directors have been informed of the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements regularly to ensure compliance and enhance their awareness of good corporate governance practices. Also, all Directors were provided with monthly updates on the Company's performance, position and prospects with sufficient explanation and information to enable the Board as a whole and each Director to make an informed assessment of financial and other information put before it for approval.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company. In 2014, no claims under the insurance policy were made.

Board Diversity Policy

The Board has adopted a board diversity policy. The Company considers diversity can be achieved from different age, gender, cultural and educational background, ethnicity, professional experience, skills and knowledge. All board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee is in charged with implementation of this policy and reports annually on board appointment process in the corporate governance report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the roles of Chairman and Chief Executive Officer were segregated and not exercised by the same individual in order to maintain independence and a balance of views and judgement. The responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing.

Mr. Tsui Che Yin, Frank, Non-executive Director, is the Chairman of the Board. He ensures that all Directors were properly briefed on issues arising at board meetings and received adequate, complete and reliable information in a timely manner. Mr. Tsui provides leadership for the Board and ensures that good corporate governance practices and procedures are established. He encourages all Directors, including Independent Non-executive Directors, to actively contribute to the Board's affairs and ensures that the Board acts in the best interests of the Company. The Chairman also ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

Mr. Ko Chun Fung, Henry, Executive Director and Chief Executive Officer, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and coordinating overall business operations.

The Chairman and the Chief Executive Officer do not have any financial, business, family or other material or relevant relationships with each other.

BOARD COMMITTEES

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out on page 3 of this annual report.

Each committee has its defined terms of reference and has power to decide on matters within its terms of reference. The board committees' terms of reference have been posted on the Company's website under the section "Corporate Governance".

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) Executive Committee

The Executive Committee was established in May 2014. The Executive Committee is made up of the Company's Executive Directors. The Executive Committee holds monthly meetings to discuss the Company's business and new projects. It oversees the implementation of the Group's strategic objectives and risk management policies and the Group's business and operations.

(2) Audit Committee

The Audit Committee is made up of three Independent Non-executive Directors and a Non-executive Director. The primary duties of the Audit Committee are (a) to review the Group's financial statements and published reports; (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

The roles and functions of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants and are published on the Company's website under the section "Corporate Governance".

In 2014, the Audit Committee met four times with attendance as shown below:

Audit Committee Members	Attendance (rate)
Mr. Tsoi, David	4 (100%)
Mr. Tsui Che Yin, Frank	4 (100%)
Mr. Pang Hing Chung, Alfred	4 (100%)
Ms. Chan Po Yi, Patsy	4 (100%)

During the year, the Audit Committee reviewed the Group's financial statements on a quarterly basis, and reviewed the effectiveness of the internal control system and the continuing connected transactions. The Audit Committee also reviewed the external auditor's audit scope, approved the audit fees and monitored the external auditor's independence and engagement in performing non-audit services.

(3) Remuneration Committee

The Remuneration Committee is made up of one Executive Director and two Independent Non-executive Directors. It reviews the remuneration package of Directors and Management having regard to the Company's goals and objectives.

During the year, the Remuneration Committee met twice with attendance as shown below:

Remuneration Committee Members	Attendance (rate)
Mr. Tsoi, David	2 (100%)
Mr. Tam Chi Wai, Dennis	2 (100%)
Ms. Chan Po Yi, Patsy	2 (100%)

In 2014, the Remuneration Committee approved the proposal on salary revision of and discretionary bonus distribution to the management and employees of the Group, reviewed and approved remuneration of Directors, considered and made recommendations to the Board on grant of share options to directors, substantial shareholder, employees and consultants of the Group.

Details of the remuneration of Directors and senior management for the year ended 31 December 2014 are set out in notes 10 and 31(b) to the consolidated financial statements. Details of the Company's share option scheme are set out in note 24 to the consolidated financial statements.

(4) Nomination Committee

The Nomination Committee is made up of one Executive Director and three Independent Non-executive Directors. It reviews the structure, size and composition of the Board, and makes recommendations to the Board on appointment and re-appointment of directors.

In 2014, the Nomination Committee met once with attendance as shown below:

Nomination Committee Members	Attendance (rate)
Ms. Chan Po Yi, Patsy	1 (100%)
Mr. Ko Chun Fung, Henry	1 (100%)
Mr. Tsoi, David	1 (100%)
Mr. Pang Hing Chung, Alfred	1 (100%)

During the year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of the Independent Non-executive Directors, considered and made recommendation to the Board on the re-election of Mr. Tsoi, David, who has served for more than nine years on the Board and made recommendations to the Board on the re-election of retiring Directors at the annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in compliance with the legal and regulatory requirements; and (iv) reviewing the Company's compliance with the code provisions in the CG Code.

MANAGEMENT FUNCTIONS

The overall management of the Company's business is vested in the Board, which assumes responsibility for its leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board has delegated the day-to-day operation responsibility to the management under the supervision of the Chief Executive Officer and various Board committees. Whenever appropriate, management is required to report back and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. Directors have full and ready access to management on the Company's business and operations.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on 8 May 2014, Messrs. Deloitte Touche Tohmatsu were re-appointed as the external auditor of the Company and the Group until the conclusion of the next annual general meeting.

On the recommendation of the Audit Committee, the Board has agreed to the fee of HK$1,030,000 for the audit of the Group's accounts for the year ended 31 December 2014 (2013: HK$1,000,000).

The external auditor was not engaged to provide non-audit services, except for taxation services and other consultancy services amounting to HK$971,000, for the year (2013: HK$143,000).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the consolidated financial statements and the reporting responsibilities of the independent auditor are set out on page 35 of this annual report. In particular, the Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. It is also the Board's responsibility to oversee the preparation of the annual accounts which provide a reflective and fair view of the Group's state of affairs, results and cash flow for the year. To fulfill this responsibility, the Board regularly reviewed the reports prepared by management on the Group's financial and operational performance as well as the development of major projects during the year.

INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining a reliable and thorough system of internal controls and risk management measures to safeguard the shareholders' investments and the Group's assets. The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2014. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

COMPANY SECRETARY

The Company Secretary supports the Board and Board Committees and facilitates good information flow between them and the Company's management. All Directors have access to the Company Secretary's advice and services. The Company Secretary reports to the Chief Executive Officer of the Company. During the year, the Company Secretary has complied with the training requirement of the GEM Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene extraordinary general meeting

Under Article 58 of the Company's Articles, any one or more shareholders holding not less than one-tenth of the paid up capital of the Company and carrying the right of voting at the general meeting of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such a requisition, specifying the shareholding information of the shareholder who made the requisition, must be signed by the shareholder and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong, the details of which are provided in the "Corporate Information" section of this annual report. Shareholders should follow the requirements and procedures as set out in the Company's Articles for convening an extraordinary general meeting.

Procedures for nomination of Directors for election

Under Article 88 of the Company's Articles, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for nomination of Directors for election are available on the Company's website at www.melcolot.com.

Enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries should be in writing and sent to the Company Secretarial Department at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong or by email to information@melcolot.com.

COMMUNICATION WITH SHAREHOLDERS

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed.

The Board Chairman, Board Committees' chairmen and the Company's auditor attended the 2014 AGM and were on hand to answer questions.

The Group's Company Secretarial Department respond to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors may contact the Company by email via information@melcolot.com or by mail to the Company Secretary at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at www.melcolot.com also provides a medium to make information of the Group available to shareholders.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and a joint venture are set out in notes 32, 15 and 16 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

The directors do not recommend the payment of a dividend for the year ended 31 December 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 102 of this annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements during the year in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to the shareholders of the Company are approximately HK$327,834,000 (2013: Nil) as calculated in accordance with statutory provisions applicable in Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, the Group's largest supplier accounted for 97% (2013: 98%) of total purchases. The five largest suppliers in 2014 comprised 100% (2013: 100%) of the Group's total purchases.

In 2014, the Group's largest customer accounted for 89% (2013: 72%) of the Group's total revenue. The five largest customers of the Group in 2014 comprised 100% (2013: 100%) of the Group's total revenue.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry# *(Chief Executive Officer)*
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

Executive Director
* *Non-executive Director*
+ *Independent Non-executive Director*

In accordance with Article 87 of the Company's Articles of Association (the "Articles") and Paragraph A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules, Mr. Tsui Che Yin, Frank, Mr. Ko Chun Fung, Henry and Mr. Pang Hing Chung, Alfred shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of the directors as at the date of this report are set out on pages 8 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests of the directors, chief executive of the Company and their respective close associates in the shares and underlying shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(I) Long position in the shares and underlying shares of the Company

(a) Ordinary shares of the Company ("Share(s)")

Name of Director	Capacity	Number of Shares held	Approximate percentage of total issued shares of the Company
			(Note 1)
Mr. Tsoi, David	Beneficial owner	130,806	0.00%
Mr. Pang Hing Chung, Alfred	Beneficial owner	1,590,000	0.05%

(b) Share options granted by the Company

Name of Director	Capacity	Number of underlying shares held pursuant to share options	Approximate percentage of total issued shares of the Company
		(Notes 2 & 3)	*(Note 1)*
Mr. Tsui Che Yin, Frank	Beneficial owner	22,386,400	0.71%
Mr. Ko Chun Fung, Henry	Beneficial owner	19,193,200	0.61%
Mr. Tsang Yuen Wai, Samuel	Beneficial owner	22,386,400	0.71%
Mr. Tam Chi Wai, Dennis	Beneficial owner	22,386,400	0.71%
Mr. Tsoi, David	Beneficial owner	1,248,000	0.04%
Mr. Pang Hing Chung, Alfred	Beneficial owner	1,805,872	0.06%
Ms. Chan Po Yi, Patsy	Beneficial owner	1,248,000	0.04%

Notes:

1. As at 31 December 2014, the total number of issued Shares was 3,145,545,326.

2. On 11 April 2014, the Company announced that it proposed to raise not less than approximately HK$652.7 million, before expenses, by way of an open offer of not less than 725,224,723 offer shares (i.e. new Shares to be issued pursuant to the open offer) (the "Offer Shares") at the subscription price of HK$0.90 per Offer Share on the basis of three Offer Shares for every ten Shares held by the qualifying shareholders of the Company (the "Open Offer"). Upon the completion of the Open Offer on 29 May 2014, the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.

3. Details of share options granted to the directors pursuant to the share option schemes of the Company are set out in the section headed "Share Options" of this report and note 24 to the consolidated financial statements.

(II) Long position in the shares and underlying shares of associated corporations of the Company

(A) Melco International Development Limited ("Melco") *(a listed holding company of the Company)*

(a) Ordinary shares of Melco

Name of Director	Number of ordinary shares held *(Note 2)*	Approximate percentage of total issued shares of Melco *(Note 1)*
Mr. Tsui Che Yin, Frank	4,547,660	0.29%
Mr. Ko Chun Fung, Henry	894,000	0.06%
Mr. Tsang Yuen Wai, Samuel	3,545,162	0.23%
Mr. Tam Chi Wai, Dennis	2,979,222	0.19%
Ms. Chan Po Yi, Patsy	4,000	0.00%

(b) *Share options granted by Melco*

Name of Director	**Number of underlying shares held pursuant to share options**	**Approximate percentage of total issued shares of Melco**
	(Notes 2 & 3)	*(Note 1)*
Mr. Tsui Che Yin, Frank	3,070,000	0.20%
Mr. Tsang Yuen Wai, Samuel	1,655,000	0.11%
Mr. Tam Chi Wai, Dennis	3,135,000	0.20%

Notes:

1. As at 31 December 2014, the total number of issued shares of Melco was 1,546,463,555.

2. This represents interests held by the relevant director as beneficial owner.

3. Details of the 3,070,000 share options are as follows:

   – 170,000 share options granted on 7 April 2010 at exercise price of HK$3.76 are exercisable from 7 April 2015 to 6 April 2020

   – 1,200,000 share options granted on 27 January 2012 at exercise price of HK$7.10 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022

   – 1,000,000 share options granted on 2 April 2013 at exercise price of HK$13.40 are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023

   – 700,000 share options granted on 3 April 2014 at exercise price of HK$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

   Details of the 1,655,000 share options are as follows:

   – 125,000 share options granted on 7 April 2010 at exercise price of HK$3.76 are exercisable from 7 April 2015 to 6 April 2020

   – 330,000 share options granted on 27 January 2012 at exercise price of HK$7.10 are exercisable from 27 January 2015 to 26 January 2022

   – 500,000 share options granted on 2 April 2013 at exercise price of HK$13.40 are divided into 2 tranches exercisable from 2 April 2015 and 2 April 2016 respectively to 1 April 2023

   – 700,000 share options granted on 3 April 2014 at exercise price of HK$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

Details of the 3,135,000 share options are as follows:

- 30,000 share options granted on 1 April 2008 at exercise price of HK$10.804 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018
- 85,000 share options granted on 7 April 2010 at exercise price of HK$3.76 are exercisable from 7 April 2015 to 6 April 2020
- 1,320,000 share options granted on 27 January 2012 at exercise price of HK$7.10 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022
- 1,000,000 share options granted on 2 April 2013 at exercise price of HK$13.40 are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023
- 700,000 share options granted on 3 April 2014 at exercise price of HK$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

(B) Entertainment Gaming Asia Inc. ("EGT") *(a listed subsidiary of Melco)*

(a) Shares of EGT

Name of Director	Number of shares held	Approximate percentage of total issued shares of EGT
	(Note 2)	*(Note 1)*
Mr. Tsang Yuen Wai, Samuel	30,000	0.05%

(b) Stock options granted by EGT

Name of Director	Number of underlying shares held pursuant to stock options	Approximate percentage of total issued shares of EGT
	(Notes 2 & 3)	*(Note 1)*
Mr. Tsang Yuen Wai, Samuel	137,500	0.24%

Notes:

1. As at 31 December 2014, the total number of issued shares of EGT was 57,879,835.

2. This represents interests held by the relevant director as beneficial owner.

3. Details of the 137,500 stock options are as follows:

   – 25,000 stock options granted on 11 December 2008 at exercise price of US$0.32 may be exercised from 12 June 2009 to 11 December 2018

   – 12,500 stock options granted on 12 February 2009 at exercise price of US$0.52 may be exercised from 13 August 2009 to 12 February 2019

   – 12,500 stock options granted on 7 January 2010 at exercise price of US$1.16 may be exercised from 8 July 2010 to 7 January 2020

   – 12,500 stock options granted on 3 February 2011 at exercise price of US$1.44 may be exercised from 4 August 2011 to 3 February 2021

   – 25,000 stock options granted on 3 January 2012 at exercise price of US$0.924 may be exercised from 4 July 2012 to 3 January 2022

   – 25,000 stock options granted on 2 January 2013 at exercise price of US$1.965 may be exercised from 3 July 2013 to 2 January 2023

   – 25,000 stock options granted on 2 January 2014 at exercise price of US$1.211 may be exercised from 3 July 2014 to 2 January 2024

Save as disclosed above, none of the directors or chief executive of the Company and their respective close associates had any interests or short position in any Shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2014.

SHARE OPTIONS

The share option scheme adopted on 20 April 2002 (the “Old Share Option Scheme”) had expired on 20 April 2012. No options may be and have been granted under that scheme after the expiry date, but the options granted before the expiry date continue to be valid and exercisable in accordance with the terms of issue. Subject to the aforesaid, the provisions of the Old Share Option Scheme remain in full force and effect, notwithstanding the expiry of the scheme.

At the annual general meeting of the Company held on 18 May 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “2012 Share Option Scheme”), under which the directors may grant options to eligible persons to subscribe for the Shares, subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption.

A summary of the principal terms of the Old Share Option Scheme and 2012 Share Option Scheme are set out in note 24 to the consolidated financial statements.

Movements of share options granted under the Old Share Option Scheme and 2012 Share Option Scheme during the year are set out below:

	Number of share options											
		Before the Open Offer			After the Open Offer							
Type of participants	As at 1 January 2014	Exercised	Lapsed	Adjustment for the Open Offer *(Note 2)*	Granted	Exercised	Lapsed	Reclassified	As at 31 December 2014	Date of grant	Exercise price *(Note 2)*	Exercise period *(Note)*
											HK$	
(i) Old Share Option Scheme												
Director:												
Mr. Pang Hing Chung, Alfred	262,060	–	–	16,876	–	–	–	–	278,936	10.07.2009	0.263	6
	262,060	–	–	16,876	–	–	–	–	278,936	18.11.2010	0.109	7
Sub-total:	524,120	–	–	33,752	–	–	–	–	557,872			
Employees:	3,202,372	(1,834,420)	–	88,093	–	–	–	(1,255,214)	200,831	31.03.2008	0.638	4
	969,622	(719,400)	–	16,112	–	(41,840)	(1,346)	–	223,148	10.07.2009	0.263	6
	608,351	(385,600)	–	14,344	–	(69,734)	–	–	167,361	18.11.2010	0.109	7
Sub-total:	4,780,345	(2,939,420)	–	118,549	–	(111,574)	(1,346)	(1,255,214)	591,340			
Others:	583,082	–	–	37,548	–	(568,330)	–	–	52,300	12.01.2007	0.063	3
	1,768,905	–	–	113,914	–	(195,254)	–	1,255,214	2,942,779	31.03.2008	0.638	4
	3,380,574	(602,738)	–	178,892	–	–	–	–	2,956,728	16.02.2009	0.215	5
	5,241,200	(5,241,200)	–	–	–	–	–	–	–	10.07.2009	0.263	6
	3,930,900	(2,620,600)	–	84,383	–	–	(1,394,683)	–	–	18.11.2010	0.109	7
Sub-total:	14,904,661	(8,464,538)	–	414,737	–	(763,584)	(1,394,683)	1,255,214	5,951,807			
Total:	20,209,126	(11,403,958)	–	567,038	–	(875,158)	(1,396,029)	–	7,101,019			

Type of participants	As at 1 January 2014	Before the Open Offer: Exercised	Before the Open Offer: Lapsed	Adjustment for the Open Offer *(Note 2)*	After the Open Offer: Granted	After the Open Offer: Exercised	After the Open Offer: Lapsed	After the Open Offer: Reclassified	As at 31 December 2014	Date of grant	Exercise price *(Note 2)* HK$	Exercise period *(Note)*
(ii) 2012 Share Option Scheme												
Directors:												
Mr. Tsui Che Yin, Frank	6,000,000	–	–	386,400	–	–	–	–	6,386,400	02.07.2013	0.511	8
	–	–	–	–	16,000,000	–	–	–	16,000,000	11.08.2014	1.140	9
	6,000,000	–	–	386,400	16,000,000	–	–	–	22,386,400			
Mr. Ko Chun Fung, Henry	3,000,000	–	–	193,200	–	–	–	–	3,193,200	02.07.2013	0.511	8
	–	–	–	–	16,000,000	–	–	–	16,000,000	11.08.2014	1.140	9
	3,000,000	–	–	193,200	16,000,000	–	–	–	19,193,200			
Mr. Tsang Yuen Wai, Samuel	6,000,000	–	–	386,400	–	–	–	–	6,386,400	02.07.2013	0.511	8
	–	–	–	–	16,000,000	–	–	–	16,000,000	11.08.2014	1.140	9
	6,000,000	–	–	386,400	16,000,000	–	–	–	22,386,400			
Mr. Tam Chi Wai, Dennis	6,000,000	–	–	386,400	–	–	–	–	6,386,400	02.07.2013	0.511	8
	–	–	–	–	16,000,000	–	–	–	16,000,000	11.08.2014	1.140	9
	6,000,000	–	–	386,400	16,000,000	–	–	–	22,386,400			
Mr. Tsoi, David	–	–	–	–	1,248,000	–	–	–	1,248,000	11.08.2014	1.140	9
Mr. Pang Hing Chung, Alfred	–	–	–	–	1,248,000	–	–	–	1,248,000	11.08.2014	1.140	9
Ms. Chan Po Yi, Patsy	–	–	–	–	1,248,000	–	–	–	1,248,000	11.08.2014	1.140	9
Sub-total:	21,000,000	–	–	1,352,400	67,744,000	–	–	–	90,096,400			
Substantial shareholder:	6,939,000	–	–	446,871	–	–	–	–	7,385,871	02.07.2013	0.511	8
	–	–	–	–	4,384,000	–	–	–	4,384,000	11.08.2014	1.140	9
Sub-total:	6,939,000	–	–	446,871	4,384,000	–	–	–	11,769,871			
Employees:	–	–	–	–	1,216,000	–	–	–	1,216,000	11.08.2014	1.140	9
Others:	1,500,000	–	–	96,600	–	–	–	–	1,596,600	02.07.2013	0.511	8
	–	–	–	–	8,364,000	–	–	–	8,364,000	11.08.2014	1.140	9
Sub-total:	1,500,000	–	–	96,600	8,364,000	–	–	–	9,960,600			
Total:	29,439,000	–	–	1,895,871	81,708,000	–	–	–	113,042,871			

Notes:

1. As at 31 December 2014, the total number of issued Shares was 3,145,545,326.

2. Upon the completion of the Open Offer on 29 May 2014, the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.

3. The share options granted on 12 January 2007 were divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.

4. The share options granted on 31 March 2008 were divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.

5. The share options granted on 16 February 2009 were divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.

6. The share options granted on 10 July 2009 were divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.

7. The share options granted on 18 November 2010 were divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.

8. The share options granted on 2 July 2013 were divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.

9. The share options granted on 11 August 2014 were divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.

10. The category "Others" represents the former directors/employees or consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognizing their services similar to those rendered by other employees.

11. During the year ended 31 December 2014, the Company granted a total of 81,708,000 share options to the directors, a substantial shareholder, certain employees and consultants of the Company under the 2012 Share Option Scheme on 11 August 2014. The validity period of the options is ten years, from 11 August 2014 to 10 August 2024. The options will entitle the grantees to subscribe for a total of 81,708,000 new shares at an exercise price of HK$1.14 per share of the Company. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$1.04.

12. During the year ended 31 December 2014, no share options were cancelled under the Old Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing prices of the Shares immediately before and on the dates on which the share options were exercised were HK$1.17 and HK$1.24 respectively.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, none of the directors or their respective close associates had any interests in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

CONNECTED TRANSACTION

On 20 November 2014, the Company, Express Wealth Enterprise Limited ("Express Wealth"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Firich Enterprises Co., Ltd. ("Firich") and Oz Gaming Georgia, LLC ("Oz"). Express Wealth is a company formed for the purpose of carrying out a casino development project in Tbilisi, the Republic of Georgia (the "Casino Project").

Pursuant to the Subscription Agreement, Firich agrees to subscribe for 5,530 ordinary shares in Express Wealth at a consideration of US$50,000,000 (equivalent to approximately HK$389,000,000) and Oz agrees to subscribe for 200 ordinary shares in Express Wealth at a consideration of US$200 (equivalent to approximately HK$1,560) (the "Subscription"). Out of the 5,530 ordinary shares that Firich has agreed to subscribe for, Firich will endeavour to have 1,535 ordinary shares be allocated to and taken up by Rich Development Co. Ltd. ("RD") and 833 ordinary shares be allocated to and taken up by Syncmold Enterprise Corp. ("Syncmold").

Assuming Firich has allocated 1,535 and 833 ordinary shares in Express Wealth to RD and Syncmold respectively, the equity interests in Express Wealth will be held as to approximately 42.70% by the Company, approximately 31.62% by Firich, approximately 15.35% by RD, approximately 8.33% by Syncmold and approximately 2.00% by Oz.

Express Wealth will utilise the net proceeds from the Subscription of approximately US$49,890,000 (equivalent to approximately HK$388,144,000) to fund the costs and expenses related to securing the lease arrangements in respect of the project site of the Casino Project and payments under that lease, and the general development, implementation and running of the Casino Project.

Firich is a substantial shareholder (as defined in the GEM Listing Rules) of Beijing Telenet Information Technology Ltd. (北京電信達信息技術有限公司) ("BTI"), a subsidiary of the Company. Pursuant to the GEM Listing Rules, Firich is a connected person at the subsidiary level of the Company and the entering into of the Subscription Agreement and the transactions contemplated thereunder constituted a connected transaction of the Company.

Further details of the transaction were set out in the joint announcement of the Company and Melco dated 20 November 2014.

CONTINUING CONNECTED TRANSACTIONS

During the period from 7 March 2014 to 30 September 2014, BTI, a subsidiary of the Company, entered into two purchase orders (the "Purchase Orders") with Wu Sheng Computer Technology (Shanghai) Co., Ltd. (伍盛計算機科技（上海）有限公司) ("Wu Sheng"), involving the purchase of lottery terminals and parts (the "Products") of approximately HK$20 million by BTI from Wu Sheng.

On 22 October 2014, BTI further entered into an unconditional purchase agreement (the "Purchase Agreement") with Wu Sheng, pursuant to which, BTI agreed to purchase from Wu Sheng the Products for a term of three years commencing from 22 October 2014 and ending on 21 October 2017. Annual purchase caps of HK$50 million, HK$150 million, HK$200 million and HK$180 million have been set for each of the four years ending 31 December 2014, 2015, 2016 and 2017 respectively.

Since 7 March 2014, the shareholding of Wu Sheng has been restructured and Wu Sheng became a subsidiary of GoReward Limited ("GoReward"), which is owned as to 50.002% by Global Crossing Holdings Ltd. and 49.998% by Intralot International Limited ("Intralot"). Intralot also holds 49% of Precious Success Holdings Limited ("Precious Success"), a subsidiary of the Company. Intralot is therefore a connected person of the Company under the GEM Listing Rules by virtue of its being a substantial shareholder of Precious Success. Wu Sheng, being a subsidiary of GoReward, is an associate of Intralot and, therefore, is also a connected person of the Company under the GEM Listing Rules since 7 March 2014. The entering of the Purchase Orders, the Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company. Further details of the transactions were set out in the announcement of the Company dated 22 October 2014.

The aggregate amount of the transactions attributable to the Purchase Orders and the Purchase Agreement during the period from 7 March 2014 to 31 December 2014 was approximately HK$38.3 million (the "Continuing Connected Transactions") and is within the annual cap.

The Continuing Connected Transactions are set out in note 31(a)(iv) to the consolidated financial statements.

All the Independent Non-executive directors of the Company have reviewed the Continuing Connected Transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Purchase Orders and the Purchase Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the directors and chief executive of the Company, the following shareholders were interested in 5% or more of the issued shares of the Company:

Long position in the Shares and underlying shares of the Company

Name of shareholder	Capacity	Number of Shares held	Number of underlying shares held	Approximate percentage of total issued shares of the Company *(Note 1)*
Melco LottVentures Holdings Limited ("Melco LV")	Beneficial owner	1,278,714,329	–	40.65%
Melco Leisure and Entertainment Group Limited ("Melco Leisure") *(Note 2)*	Held by a controlled corporation	1,278,714,329	–	40.65%
Melco *(Note 3)*	Held by controlled corporations	1,278,714,329	–	40.65%
Mr. Ho, Lawrence Yau Lung ("Mr. Ho") *(Note 4)*	Held by controlled corporations	1,278,714,329	–	40.65%
	Beneficial owner	–	11,769,871	0.37%
Ms. Lo Sau Yan, Sharen *(Note 5)*	Held by spouse	1,278,714,329	11,769,871	41.03%

Notes:

1. As at 31 December 2014, the total number of issued Shares was 3,145,545,326.
2. Melco Leisure was deemed to be interested in 1,278,714,329 Shares through its controlled corporation, Melco LV.
3. Melco was deemed to be interested in 1,278,714,329 Shares through its controlled corporations, Melco LV and Melco Leisure.
4. Mr. Ho was deemed to be interested in 1,278,714,329 Shares through his controlled corporations, Melco LV, Melco Leisure and Melco. He was also interested in 11,769,871 underlying shares in respect of the share options granted by the Company.

5. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho and was deemed to be interested in 1,290,484,200 Shares through the interest of her spouse, Mr. Ho.

Save as disclosed above, the Company has not been notified of any other interests or short position in the Shares or underlying shares of the Company as at 31 December 2014.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands in relation to issue of shares by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 11 to 19 of this annual report.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors and senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market standards. Details of the remuneration of the directors are set out in note 10 to the consolidated financial statements.

The Company has adopted share option schemes as an incentive to directors and employees. Details of the schemes are set out in note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee, made up of a non-executive director and three independent non-executive directors, met four times during the year. At the meetings, the audit committee reviewed the accounting principles and practices, the quarterly reports, the interim report and the annual report of the Group, and discussed auditing, internal control and financial reporting matters with management.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable and other donations (2013: Nil).

AUDITOR

The financial statements of the Company for the year ended 31 December 2014 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ko Chun Fung, Henry
Chief Executive Officer and Executive Director

Hong Kong, 19 March 2015

Deloitte.
德勤

TO THE MEMBERS OF MELCOLOT LIMITED
新濠環彩有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of MelcoLot Limited (the "Company") and its subsidiaries (Collectively referred to as the "Group") set out on pages 37 to 101, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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.

Director's 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 our agreed terms of engagement, 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 as to 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair presentation 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.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its loss and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**45,284**	54,561
Purchase of inventories and service costs		**(39,609)**	(46,084)
Other income		**6,433**	15,324
Employee benefits costs		**(56,729)**	(18,873)
Depreciation of property, plant and equipment		**(1,176)**	(1,455)
Impairment losses on:			
– property, plant and equipment	13	**(1,348)**	–
– amount due from an associate		**(701)**	–
– trade and other receivables	17	**(99)**	(749)
Share of loss of an associate		**–**	(307)
Share of losses of joint ventures	16	**(3)**	–
Other expenses		**(15,168)**	(7,894)
Finance costs	7	**(3,084)**	(7,215)
Loss before taxation		**(66,200)**	(12,692)
Taxation	8	**(349)**	(278)
Loss for the year	9	**(66,549)**	(12,970)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation from deregistration of a subsidiary/disposal of subsidiaries/translation to presentation currency		**6,152**	(5,552)
Item that may be reclassified subsequently to profit or loss:			
Share of exchange difference of a joint venture	16	**(28)**	–
Total comprehensive expense for the year		**(60,425)**	(18,522)
(Loss) profit for the year attributable to:			
Owners of the Company		**(65,403)**	(17,117)
Non-controlling interests		**(1,146)**	4,147
		(66,549)	(12,970)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(59,260)**	(22,755)
Non-controlling interests		**(1,165)**	4,233
		(60,425)	(18,522)
			(Restated)
Loss per share	12		
– Basic		**HK(2.25) cents**	HK(0.69) cents
– Diluted		**HK(2.25) cents**	HK(0.69) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**578**	3,038
Intangible assets	14	**–**	–
Interest in an associate	15	**–**	–
Interests in joint ventures	16	**280**	–
		858	3,038
CURRENT ASSETS			
Trade and other receivables	17	**25,164**	44,167
Amount due from an associate	18	**–**	645
Bank deposits with original maturity over three months	20	**200,557**	–
Bank balances and cash	20	**299,190**	56,199
		524,911	101,011
CURRENT LIABILITIES			
Trade and other payables	21	**79,875**	26,536
Amount due to immediate holding company	22	**–**	248,492
Amounts due to related companies	19	**1,178**	889
Amount due to a shareholder of a joint venture	19	**2,334**	2,334
Amount due to a fellow subsidiary	19	**151**	90
Amount due to non-controlling interests	19	**–**	6,282
Tax payable		**21,240**	20,858
		104,778	305,481
NET CURRENT ASSETS (LIABILITIES)		**420,133**	(204,470)
		420,991	(201,432)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTE	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	23	**31,455**	24,081
Reserves		**384,435**	(234,819)
Equity (deficiency of equity) attributable to owners of the Company		**415,890**	(210,738)
Non-controlling interests		**5,101**	9,306
		420,991	(201,432)

The consolidated financial statements on pages 37 to 101 were approved and authorised for issue by the Board of Directors on 19 March 2015 and are signed on its behalf by:

TSUI CHE YIN, FRANK
DIRECTOR

KO CHUN FUNG, HENRY
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000 (Note)	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	22,886	851,771	30,832	(4,922)	3,677	(1,137,108)	(232,864)	11,907	(220,957)
Other comprehensive (expense) income for the year	–	–	–	–	(5,638)	–	(5,638)	86	(5,552)
(Loss) profit for the year	–	–	–	–	–	(17,117)	(17,117)	4,147	(12,970)
Total comprehensive (expense) income for the year	–	–	–	–	(5,638)	(17,117)	(22,755)	4,233	(18,522)
Dividend to non-controlling interests	–	–	–	–	–	–	–	(6,748)	(6,748)
Recognition of equity-settled share-based payments	–	–	6,525	–	–	–	6,525	–	6,525
Transfer of share-based payment reserve upon forfeiture of share options	–	–	(1,290)	–	–	1,290	–	–	–
Issue of ordinary shares upon exercise of share options	1,195	54,671	(17,510)	–	–	–	38,356	–	38,356
Acquisition of a subsidiary	–	–	–	–	–	–	–	10	10
Deregistration of a subsidiary	–	–	–	–	(371)	371	–	(96)	(96)
At 31 December 2013	**24,081**	**906,442**	**18,557**	**(4,922)**	**(2,332)**	**(1,152,564)**	**(210,738)**	**9,306**	**(201,432)**
Other comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**6,143**	**–**	**6,143**	**(19)**	**6,124**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(65,403)**	**(65,403)**	**(1,146)**	**(66,549)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**6,143**	**(65,403)**	**(59,260)**	**(1,165)**	**(60,425)**
Dividend to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,040)**	**(3,040)**
Recognition of equity-settled share-based payments	**–**	**–**	**46,383**	**–**	**–**	**–**	**46,383**	**–**	**46,383**
Transfer of share-based payment reserve upon forfeiture of share options	**–**	**–**	**(69)**	**–**	**–**	**69**	**–**	**–**	**–**
Issue of new shares upon Open Offer	**7,252**	**645,450**	**–**	**–**	**–**	**–**	**652,702**	**–**	**652,702**
Issue of ordinary shares upon exercise of share options	**122**	**5,321**	**(1,864)**	**–**	**–**	**–**	**3,579**	**–**	**3,579**
Transaction costs attributable to issue of new shares	**–**	**(16,776)**	**–**	**–**	**–**	**–**	**(16,776)**	**–**	**(16,776)**
At 31 December 2014	**31,455**	**1,540,437**	**63,007**	**(4,922)**	**3,811**	**(1,217,898)**	**415,890**	**5,101**	**420,991**

Note: Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(66,200)**	(12,692)
Adjustments for:		
Interest expenses	**3,084**	7,215
Equity-settled share-based payments	**46,383**	6,525
Reversal of provision of trade receivables	**(1,361)**	(2,673)
Depreciation of property, plant and equipment	**1,176**	1,455
Impairment losses on:		
– property, plant and equipment	**1,348**	–
– amount due from an associate	**701**	–
– trade and other receivables	**99**	749
Share of loss of an associate	**–**	307
Share of losses of joint ventures	**3**	–
Interest income	**(3,579)**	(62)
Loss (gain) on disposal and written off of property, plant and equipment	**67**	(560)
Net foreign exchange loss (gain)	**7,038**	(6,261)
Loss on deregistration of a subsidiary	**–**	257
Reversal of impairment on interest in an associate	**–**	(205)
Operating cash flows before movements in working capital	**(11,241)**	(5,945)
Decrease in trade and other receivables	**19,486**	27,019
Increase in amount due to a fellow subsidiary	**61**	90
Decrease in trade and other payables	**(4,187)**	(31,791)
Increase in amount due from an associate	**(56)**	(300)
Decrease in amount due from a fellow subsidiary	**–**	106
Cash generated from (used in) operations	**4,063**	(10,821)
Income taxes paid	**(187)**	(278)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**3,876**	(11,099)
INVESTING ACTIVITIES		
Placement of bank deposit with original maturity over three months	**(200,557)**	–
Purchase of property, plant and equipment	**(158)**	(94)
Interest received	**3,579**	62
Acquisition of a subsidiary	**–**	18
Proceeds from disposal of property, plant and equipment	**–**	18
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(197,136)**	4

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of new shares	**652,702**	–
Receipts of earnest money from a project partner	**58,350**	–
Proceeds from exercise of share options	**3,579**	38,356
Advance from related companies	**307**	230
Repayment to immediate holding company	**(251,576)**	–
Transaction costs attributable to issue of new shares	**(16,776)**	–
Dividend paid to non-controlling shareholders	**(9,835)**	–
Advance to an associate	**–**	(535)
NET CASH FROM FINANCING ACTIVITIES	**436,751**	38,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	**243,491**	26,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**56,199**	29,121
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	**(500)**	122
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**299,190**	56,199

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 May 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

Its immediate holding company is Melco LottVentures Holdings Limited ("Melco LV"), a private company incorporated in the British Virgin Islands ("BVI"), and its ultimate holding company is Melco International Development Limited, a company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The directors are of the opinion that the functional currency of the Company is Renminbi ("RMB"), after taking into consideration that the primary economic environment in which the Company's subsidiaries operate is the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in lottery business in the PRC and details of which are set out in note 32.

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

Application of new and revised HKFRSs

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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* are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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. 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The directors anticipate that the application of the other new and revised standards, amendments and interpretation issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Growth Enterprise Market of The Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); 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 re-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 acquire (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.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate or a joint venture are 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 joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

Revenue recognition

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

Revenue from provision of services and solutions for distribution of lottery products is recognised when the Group has the right to receive the income, which is calculated on a commission basis, has been established upon the sale of the lottery products by the lottery retail and other outlets.

Revenue from the sales of goods is recognised when the goods, including lottery terminals and parts, are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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.

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.

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 are recognised as expenses 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.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the 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 the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of 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, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are 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 joint arrangements 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.

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, including Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 the 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 asset 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 is realised, based on tax rate (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 is recognised in profit or loss except when they relate to items that are reorganised 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)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU) 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 a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits with original maturity over three months and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets 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 financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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.

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 credit period of 30 to 90 days, 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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 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.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies/a shareholder of a joint venture/a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Share options granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Shares granted to directors, employees and substantial shareholder

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment 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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Shares granted to directors, employees and substantial shareholder (Continued)

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

Share options granted to advisors

Share options issued in exchange for services are measured at the fair values of the 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, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables was HK$12,515,000, net of allowance for doubtful debts of HK$207,000 (2013: HK$40,438,000, net of allowance for doubtful debts of HK$1,734,000). As at 31 December 2014, the carrying amount of other receivables was HK$9,955,000, net of allowance for doubtful debts of HK$16,429,000 (2013: HK$2,482,000, net of allowance for doubtful debts of HK$18,089,000).

Estimated impairment of property, plant and equipment

If there is any indication of impairment, determining the extent to which property, plant and equipment are impaired requires an estimation of the value in use of the CGUs to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

As at 31 December 2014, the carrying amount of property, plant and equipment was HK$578,000 (2013: HK$3,038,000), net of accumulated impairment losses of HK$1,348,000 (2013: nil) and accumulated depreciation of HK$4,364,000 (2013: HK$4,365,000) respectively.

Share-based payments

The Group recognises share-based compensation expense on options granted. Share-based compensation expense is based on the estimated fair value of each option at its grant date, the estimation of which requires management to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. The fair value of the share options granted during the year was estimated at HK$64,316,000 (2013: HK$14,143,000) and the amount associated with share-based payments for the year ended 31 December 2014 is HK$46,383,000 (2013: HK$6,525,000).

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Trading of lottery terminals and parts	**40,814**	49,395
Provision of services and solutions for distribution of lottery products	**4,470**	5,166
	45,284	54,561

6. SEGMENT INFORMATION

The Group's revenue and results were solely derived from lottery business which comprises of the provision of services and solutions for distribution of lottery products, and the trading of lottery terminals and parts. The chief operating decision maker, the Chief Executive Officer, reviews the internally reported information for the lottery business as a whole and the consolidated financial information of the Group for purposes of resource allocation and performance assessment. Accordingly, the Group has only one operating segment, which is the lottery business. No segment analysis is presented other than entity-wide disclosures.

The revenue from products and services is set out in note 5.

Geographical information

The Group's operations are carried out in the PRC and revenue from external customers based on the location of goods and services delivered is derived in the PRC.

The following is an analysis of the non-current assets, analysed by the geographical area in which the assets are located:

	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**542**	3,004
Hong Kong	**316**	34
	858	3,038

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the total sales of the Group are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**N/A**	39,331
Customer B	**40,240**	10,064

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group for current year.

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on amount due to immediate holding company	**3,084**	7,215

8. TAXATION

	2014 HK$'000	2013 HK$'000
PRC Enterprise Income Tax		
– Current year	**349**	248
– Underprovision in respect of prior year	**–**	30
	349	278

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax was provided for since those Hong Kong subsidiaries have incurred losses from operations for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Loss before taxation	**(66,200)**	(12,692)
Tax at the domestic income tax rate of 25% *(Note)*	**(16,550)**	(3,173)
Tax effect of income not taxable for tax purposes	**(1,627)**	(3,782)
Underprovision in respect of prior year	**–**	30
Tax effect of expenses not deductible for tax purposes	**15,532**	3,117
Tax effect of tax losses not recognised	**2,993**	4,325
Utilisation of tax losses previously not recognised	**–**	(316)
Tax effect of share of results of joint ventures and associate	**1**	77
Taxation for the year	**349**	278

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

8. TAXATION *(Continued)*

At 31 December 2014, the Group had unused tax losses of HK$144,392,000 (2013: HK$132,421,000) available to offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of HK$53,908,000 (2013: HK$52,859,000) that are allowed to be carried forward and utilised against the income of subsequent years. The loss carry forward period shall not exceed 5 years and ranges from 2015 to 2019. Other losses may be carried forward indefinitely.

9. LOSS FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Directors' emoluments	**42,489**	8,479
Other staff costs:		
Salaries and other benefits	**4,424**	7,067
Bonus	**653**	470
Retirement benefit scheme contributions	**680**	1,290
Share-based payments	**8,483**	1,567
Total employee benefit expenses	**56,729**	18,873
Auditor's remuneration	**1,022**	1,154
Bank interest income	**(3,579)**	(62)
Loss (gain) on disposal and written off of property, plant and equipment	**67**	(560)
Loss on deregistration of subsidiary	**–**	257
Management fee paid to lottery operator (included in other expenses)	**1,287**	1,345
Net foreign exchange loss (gain)	**7,038**	(6,261)
Operating lease rentals in respect of land and buildings	**1,220**	2,255
Reversal of impairment on interest in an associate	**–**	(205)

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors and the chief executive of the Company were as follows:

	Tsui Che Yin, Frank *HK$'000*	Ko Chun Fung, Henry *HK$'000*	Tsang Yuen Wai, Samuel *HK$'000*	Tam Chi Wai, Dennis *HK$'000*	Tsoi, David *HK$'000*	Pang Hing Chung, Alfred *HK$'000*	Chan Po Yi, Patsy *HK$'000*	Total *HK$'000*
2014								
Fees	455	95	455	455	154	130	142	1,886
Other emoluments								
Salaries and other benefits	–	2,311	–	–	–	–	–	2,311
Bonus *(Note)*	–	374	–	–	–	–	–	374
Contributions to retirement benefit schemes	–	18	–	–	–	–	–	18
Share-based payments	9,120	8,635	9,120	9,120	635	635	635	37,900
Total emoluments	9,575	11,433	9,575	9,575	789	765	777	42,489

Note: Bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the individual's contribution to the Group.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Chan Sek Keung, Ringo	Tsui Che Yin, Frank	Ko Chun Fung, Henry	Tsang Yuen Wai, Samuel	Tam Chi Wai, Dennis	Wang, John Peter Ben	Tsoi, David	Pang Hing Chung, Alfred	So Lie Mo, Raymond	Chan Po Yi, Patsy	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*		*(Note b)*	*(Note b)*	*(Note e)*			*(Note c)*	*(Note d)*	
2013											
Fees	60	179	–	179	179	110	144	120	114	18	1,103
Other emoluments											
Salaries and other benefits	–	–	2,223	–	–	–	–	–	–	–	2,223
Bonus *(Note f)*	–	–	180	–	–	–	–	–	–	–	180
Contributions to retirement benefit schemes	–	–	15	–	–	–	–	–	–	–	15
Share-based payments	–	1,322	661	1,322	1,322	331	–	–	–	–	4,958
Total emoluments	60	1,501	3,079	1,501	1,501	441	144	120	114	18	8,479

Notes:

(a) Resigned on 2 July 2013.

(b) Appointed on 2 July 2013.

(c) Resigned on 13 November 2013.

(d) Appointed on 13 November 2013.

(e) Resigned on 2 December 2013.

(f) Bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the individual's contribution to the Group.

Mr. Ko Chun Fung, Henry is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2013: one) individual was as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**611**	738
Bonus	**50**	81
Retirement benefit scheme contributions	**17**	13
Share-based payments	**176**	–
	854	832

The emoluments were within the following bands:

	2014	2013
	No. of employee	No. of employee
Nil to HK$1,000,000	**1**	1

11. DIVIDEND

No dividend was declared or proposed for both reporting periods.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2014 HK$'000	2013 HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(65,403)**	(17,117)

	2014 '000	2013 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,911,965**	2,493,540

Upon completion of the Open Offer of the Company on 29 May 2014 (as defined in note 23), the exercise price per share and number of shares which may be issued in respect of the share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012. The loss per share and the weighted average number of ordinary shares for 2013 have been restated as the number of potential ordinary shares outstanding increased as a result of the Open Offer.

The computation of diluted loss per share in 2014 and 2013 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in diluted loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2013	8,241	1,204	1,148	10,593
Additions	26	–	68	94
Disposals and written off	(2,932)	(406)	(61)	(3,399)
Acquisition of a subsidiary	20	2	–	22
Exchange realignment	41	20	32	93
At 31 December 2013 and 1 January 2014	**5,396**	**820**	**1,187**	**7,403**
Additions	**85**	**73**	**–**	**158**
Disposals and written off	**(486)**	**(700)**	**–**	**(1,186)**
Exchange realignment	**(32)**	**(21)**	**(32)**	**(85)**
At 31 December 2014	**4,963**	**172**	**1,155**	**6,290**
DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	2,848	998	772	4,618
Provided for the year	1,255	102	98	1,455
Eliminated on disposals and written off	(1,360)	(360)	(58)	(1,778)
Exchange realignment	29	18	23	70
At 31 December 2013 and 1 January 2014	**2,772**	**758**	**835**	**4,365**
Provided for the year	**1,065**	**28**	**83**	**1,176**
Eliminated on disposals and written off	**(442)**	**(677)**	**–**	**(1,119)**
Impairment loss recognised	**1,348**	**–**	**–**	**1,348**
Exchange realignment	**(36)**	**(8)**	**(14)**	**(58)**
At 31 December 2014	**4,707**	**101**	**904**	**5,712**
CARRYING VALUES				
At 31 December 2014	**256**	**71**	**251**	**578**
At 31 December 2013	2,624	62	352	3,038

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values, if any, at the following rates per annum:

Machinery and equipment	20% – $33^1/_3$%
Furniture, fixtures and equipment	20% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%

During the year, the directors conducted a review of the Group's property, plant and equipment and the review led to the recognition of an impairment loss of approximately HK$1,348,000 (2013: nil), which has been recognised in profit or loss.

14. INTANGIBLE ASSETS

	Lottery software licences HK$'000 (note a)	License rights HK$'000 (note b)	Technology know-how HK$'000 (note c)	Total HK$'000
COST				
At 1 January 2013	75,619	114,267	25,448	215,334
Exchange realignment	2,146	3,243	723	6,112
At 31 December 2013 and 1 January 2014	**77,765**	**117,510**	**26,171**	**221,446**
Exchange realignment	**(1,909)**	**(2,885)**	**(643)**	**(5,437)**
At 31 December 2014	**75,856**	**114,625**	**25,528**	**216,009**
AMORTISATION AND IMPAIRMENT				
At 1 January 2013	75,619	114,267	25,448	215,334
Exchange realignment	2,146	3,243	723	6,112
At 31 December 2013 and 1 January 2014	**77,765**	**117,510**	**26,171**	**221,446**
Exchange realignment	**(1,909)**	**(2,885)**	**(643)**	**(5,437)**
At 31 December 2014	**75,856**	**114,625**	**25,528**	**216,009**
CARRYING AMOUNTS				
At 31 December 2014	–	–	–	–
At 31 December 2013	–	–	–	–

Notes:

(a) In September 2008, the Group acquired, inter alia, a perpetual license right, with 3-year exclusivity, to use and sublicense the software in connection with projects of China Sports Lottery Administration Centre and a perpetual, non-exclusive license right to use and sublicense the software in connection with projects of China Welfare Lottery Issuing Centre. The lottery software is a system platform to support and upgrade the lottery products and gaming operations.

A full impairment loss for the carrying amount of the lottery software licences was recognised in previous years.

14. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) The Group's license rights included certain rights of operating lottery games and sales of gaming products in the PRC. The license rights are amortised on a straight-line basis over their estimated useful life of 5 years. The carrying amount of the license rights, net of accumulated impairment, had been fully amortised during the year ended 31 December 2011.

(c) The Group's technology know-how represents online betting technology to be used for lottery business. A full impairment loss for the carrying amount of the technology know-how was recognised in previous years.

15. INTEREST IN AN ASSOCIATE

	2014	2013
	HK$'000	*HK$'000*
Costs of unlisted investments in an associate	**10,000**	10,000
Share of post-acquisition losses	**(10,000)**	(10,000)
	–	–

As at 31 December 2014 and 2013, the Group had interest in the following associate:

Name of associate	Place of incorporation/ establishment	Principal place of operations	Proportion of nominal value of issued share capital held indirectly by the Group 2014	2013	Principal activity
ChariLot Company Limited ("ChariLot") *(Note)*	Hong Kong	Hong Kong	**40%**	40%	Provision of services for distribution of lottery products

Note: On 21 June 2010, Rising Move International Limited ("Rising Move"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, Calo Investments Limited ("Calo"), for the formation of ChariLot. ChariLot is set up primarily to be a vehicle for the investment in and provision of services for distribution of lottery products in the PRC. ChariLot is beneficially owned as to 60% by Calo and 40% by Rising Move. The capital injection by Rising Move for the 40% shareholding in ChariLot is HK$10,000,000, all of which shares were issued to Rising Move in 2010.

15. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Current assets	**37**	37
Non-current assets	**2**	7
Current liabilities	**(849)**	(793)
Loss and total comprehensive expense for the year	**(62)**	(1,303)

The Group has discontinued the recognition of its share of loss of an associate. The amount of unrecognised share of loss of the associate for the year and cumulatively, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Unrecognised share of loss of an associate for the year	**(25)**	(214)
Accumulated unrecognised share of loss of an associate	**(239)**	(214)

16. INTERESTS IN JOINT VENTURES

	2014	2013
	HK$'000	*HK$'000*
Cost of unlisted investment in joint ventures	**15,871**	15,560
Share of post-acquisition losses	**(15,563)**	(15,560)
Share of other comprehensive expenses	**(28)**	–
	280	–

As at 31 December 2014 and 2013, the Group had interest in the following joint ventures:

Name of joint ventures	Place of incorporation and operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2014	2013	**2014**	2013	
PALTECH Company Limited ("PALTECH") *(Note a)*	Hong Kong	Ordinary	**60%**	60%	**60%**	60%	Inactive
BCN Integrated Resorts 2, S.A.U. ("BCN") *(Note b)*	Spain	Ordinary	**50%**	–	**50%**	–	Installation and exploitation of casinos in Spain

Notes:

(a) The Group indirectly owns a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the financial and operating policies of PALTECH require approval from 75% of the equity holders. PALTECH is jointly controlled by the Group and the other shareholder, as such, it is accounted for as a joint venture of the Group.

(b) The Group indirectly owns a 50% equity interest in BCN and the remainder is owned by Veremonte Espana, S.L.U. BCN was formed for the purpose of submitting an application for participation in the tender for the award of authorizations for installation and exploitation of casinos in the recreational tourist center of Vila-Seca and Salou, near Barcelona, Spain. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of BCN require unanimous consent of both shareholders and accordingly, BCN is classified as a joint venture of the Group.

16. INTERESTS IN JOINT VENTURES *(Continued)*

Aggregate information of joint ventures that are not individually material

	2014 HK$'000	2013 HK$'000
Current assets	560	–
Current liabilities	(1,900)	(1,898)
The Group's share of losses for the year	(3)	–
The Group's share of other comprehensive expenses	(28)	–
The Group's share of total comprehensive expenses	(31)	–
The unrecognised share of losses of joint ventures for the year	(1)	(1)
Cumulative unrecognised share of loss of joint ventures	(197)	(196)

17. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	12,722	42,172
Less: allowance for doubtful debts	(207)	(1,734)
	12,515	40,438
Other receivables	26,384	20,571
Less: allowance for doubtful debts	(16,429)	(18,089)
	9,955	2,482
Prepayments and deposits	2,694	1,247
	25,164	44,167

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows credit periods ranging from 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**12,515**	13,566
91 – 180 days	**–**	11,907
181 – 365 days	**–**	2,273
Over 365 days	**–**	12,692
	12,515	40,438

Before accepting any new customers, the Group reviews the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

The Group did not have trade receivable balance (2013: HK$14,965,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2014	2013
	HK$'000	*HK$'000*
181 – 365 days	**–**	2,273
Over 365 days	**–**	12,692
	–	14,965

As at 31 December 2013, the Group has not provided fully for all receivables over 180 days because those balances have been subsequently settled after the end of reporting period.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for trade receivables

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,734**	14,633
Impairment losses reversed	**(1,361)**	(2,673)
Reallocate to allowance for other receivables	**–**	(1,850)
Written off	**(138)**	(8,659)
Exchange realignment	**(28)**	283
Balance at end of the year	**207**	1,734

Included in trade receivables are amounts net of individually impaired receivables amounting to HK$207,000 (2013: HK$1,734,000). The directors of the Company take into consideration about the current financial position of the counterparties and their repayment history and consider that the chances of collection of the outstanding amounts are remote.

During the year ended 31 December 2014, the Company reversed the impairment losses on trade receivables amounted to HK$1,361,000 (2013: HK$2,673,000) upon settlement of such balances.

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of HK$138,000 (2013: HK$8,659,000) which have either been placed under liquidation or in severe financial difficulties.

Movement in the allowance for other receivables

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**18,089**	15,012
Relocate from allowance for trade receivables	**–**	1,850
Impairment losses recognised	**99**	749
Written off	**(1,339)**	–
Exchange realignment	**(420)**	478
Balance at end of the year	**16,429**	18,089

Included in other receivables are amounts of individually impaired receivables amounting to HK$16,429,000 (2013: HK$18,089,000). The amount represents the advances granted to an operator in respect of the lottery retail outlets in which some of them have been closed down during the year.

Included in the allowance for other receivables are individually impaired other receivables with an aggregate balance of HK$1,339,000 (2013: nil) which have either been placed under liquidation or in severe financial difficulties.

18. AMOUNT DUE FROM AN ASSOCIATE

As at 31 December 2013, the amount was unsecured, interest-free and denominated in the currency other than the functional currency of the relevant group entity. The amount was fully impaired during 2014.

The directors of the Company took into consideration the current financial position and repayment history of the associate and consider the chances of collection on the outstanding amounts are remote.

19. AMOUNTS DUE TO RELATED COMPANIES/A SHAREHOLDER OF A JOINT VENTURE/A FELLOW SUBSIDIARY/NON-CONTROLLING INTERESTS

The amount due to a fellow subsidiary is unsecured, interest-free and repayable on demand.

The amounts due to related companies represent balances due to a company beneficially owned by a substantial shareholder of the Company, which are unsecured, interest-free and repayable on demand.

The amount due to non-controlling interests represent the dividend payable to non-controlling interests of a subsidiary.

The amount due to a shareholder of a joint venture is unsecured, interest-free and repayable on demand.

The amounts due to related companies/a shareholder of a joint venture/a fellow subsidiary are denominated in currency other than the functional currency of the relevant group entity.

20. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ BANK BALANCES AND CASH

Bank deposits with original maturity over three months carry fixed interest rate at about 1.29% (2013: N/A) per annum. Bank balances and cash comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less carrying prevailing deposit interest rate at about 0.39% (2013: 0.35%) per annum.

As at 31 December 2014, HK$488,054,000 (2013: HK$49,247,000) of the balance was denominated in currency other than the functional currency of the relevant group entity.

21. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**10,157**	15,635
Advance of earnest money from a project partner *(Note)*	**58,350**	–
Other payables	**9,387**	9,294
Accruals	**1,981**	1,607
	79,875	26,536

The average credit period on purchases of goods is 30 days.

Note: The amount represents the first advance payment received from a project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("Express Wealth"), pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014, which was formed for the purpose of obtaining the gaming license and to undertake the proposed casino project situated in a project site wholly-owned by Dhabi Group Georgia, LCC and located in Tbilisi, Georgia. At the date of this report, the subscription has not yet completed and the parties have agreed to extend the deadline for satisfaction of the conditions precedent to completion of the subscription.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Within 30 days	**10,042**	–
91 – 180 days	**–**	11,128
181 – 365 days	**–**	–
Over 365 days	**115**	4,507
	10,157	15,635

As at 31 December 2014, an amount of HK$4,384,000 (2013: HK$4,706,000) included in other payables and an amount of HK$58,350,000 (2013: nil) included in advance of earnest money from a project partner, are denominated in currency other than the functional currency of the relevant group entity.

22. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 31 December 2013, the amount was unsecured, interest bearing at 3% per annum and repayable on 30 March 2015. The amount was fully repaid in 2014 by using part of the proceeds from the Open Offer (as defined in note 23).

The amount is denominated in HK$, a currency other than the functional currency of the relevant group entity.

23. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2013	2,288,565,269	22,886
Exercise of share options	119,476,218	1,195
At 31 December 2013 and 1 January 2014	**2,408,041,487**	**24,081**
Exercise of share options	**12,279,116**	**122**
Issue of new shares upon Open Offer	**725,224,723**	**7,252**
At 31 December 2014	**3,145,545,326**	**31,455**

On 29 May 2014, the Company raised gross proceeds of approximately HK$652,702,000 by issuing 725,224,723 new shares in the Company of HK$0.01 each in an open offer on the basis of three offer shares for every ten then existing shares at a subscription price of HK$0.90 per offer share ("Open Offer"). The closing price of the Company's shares was HK$1.18 per share on 11 April 2014, being the date on which the terms of the Open Offer were fixed. The net price per offer share was approximately HK$0.88. After deduction of related expenses, out of the net proceeds of HK$635,926,000, approximately HK$251,576,000 has been used to repay the loan from immediate holding company, and the remaining balance is intended to be applied to the development of the Group's existing lottery projects and financing of new investment opportunities.

24. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The share option scheme, which was adopted by the shareholders of the Company on 20 April 2002, had expired on 20 April 2012 (the "Old Share Option Scheme"). Following the expiry of the Old Share Option Scheme, the shareholders of the Company adopted a new share option scheme on 18 May 2012 (the "2012 Share Option Scheme"). Under the 2012 Share Option Scheme, the directors of the Company may, at their discretion, grant to any participants share options to subscribe for the Company's shares (each a "Share" or collectively the "Shares"), subject to the terms and conditions stipulated therein. Notwithstanding the expiry of the Old Share Option Scheme, the share options which had been granted during the life of the scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following is a summary of the principal terms of the Old Share Option Scheme and 2012 Share Option Scheme:

(i) Purpose of the schemes

The purpose of the Old Share Option Scheme is to encourage the eligible participants to achieve the long term performance targets set by the Group and at the same time allows its participants to enjoy the results of the Company attained through their efforts and contributions.

The purpose of the 2012 Share Option Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and to attract, retain and motivate high-caliber eligible participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(ii) Participants of the schemes

The participants of the Old Share Option Scheme shall be the directors, employees, advisors or business consultants of the Company or any of its subsidiaries.

The participants of the 2012 Share Option Scheme shall be (1) any full time or part time employees of the Group (including any executive or non-executive directors of the Company or any of its subsidiaries) and (2) any suppliers, consultants, agents and advisers.

(iii) Total number of shares available for issue under the schemes

The total number of Shares which may be issued upon exercise of all share options to be granted under the Old Share Option Scheme, 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders. Following the expiry of the Old Share Option Scheme, no further share options can be granted thereunder.

The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. As at the date of this annual report, the number of Shares available for issue under the 2012 Share Option Scheme is 109,962,383, representing approximately 3.50% of the issued Shares.

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(iv) Maximum entitlement of each participant under the schemes

The total number of Shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issued unless the same is approved by the Company's shareholders in general meeting.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the Shares in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval Company's shareholders in general meeting.

(v) The period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

Under the Old Share Option Scheme and 2012 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant and HK$1.00 is payable on acceptance of the grant of an option.

(viii) The basis of determining the exercise price

The exercise price is determined by the Board which shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of the Share.

(ix) The remaining life of the scheme

The Old Share Option Scheme had expired on 20 April 2012 and all the outstanding share options granted under the Old Share Option Scheme and yet to be exercised shall remain valid. The 2012 Share Options Scheme shall be valid and effective for a period of ten years from the date of adoption until 17 May 2022.

4. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) The Old Share Option Scheme

Movements of the share options under the Old Share Option Scheme during the year ended 31 December 2014 are set out below:

	Number of share options													
						Before the Open Offer		After the Open Offer						
Category of participant	Outstanding at 1.1.2013	Exercised during the year	Lapsed during the year	Reclassified during the year	Outstanding at 31.12.2013 & 1.1.2014	Exercised during the year	Adjustment for Open Offer	Exercised during the year	Lapsed during the year	Reclassified during the year	Outstanding at 31.12.2014	Date of grant of share options	Share price at date of grant of share options	Exercise price of share options
							(Note 1)							*(Note 1)*
													HK$	*HK$*
Directors[2]	1,572,360	(1,572,360)	-	-	-	-	-	-	-	-	-	20.2.2003	0.14	0.105
Directors[4]	10,744,459	(11,753,390)	-	1,008,931	-	-	-	-	-	-	-	31.3.2008	0.89	0.638
Directors[6]	13,627,120	(9,434,160)	-	(3,930,900)	262,060	-	16,876	-	-	-	278,936	10.7.2009	0.32	0.263
Directors[7]	17,295,960	(14,413,300)	-	(2,620,600)	262,060	-	16,876	-	-	-	278,936	18.11.2010	0.15	0.109
Sub-total	43,239,899	(37,173,210)	-	(5,542,569)	524,120	-	33,752	-	-	-	557,872			
Substantial shareholder[4]	5,705,046	(5,705,046)	-	-	-	-	-	-	-	-	-	31.3.2008	0.89	0.638
Substantial shareholder[6]	5,241,200	(5,241,200)	-	-	-	-	-	-	-	-	-	10.7.2009	0.32	0.263
Substantial shareholder[7]	6,551,500	(6,551,500)	-	-	-	-	-	-	-	-	-	18.11.2010	0.15	0.109
Sub-total	17,497,746	(17,497,746)	-	-	-	-	-	-	-	-	-			
Employee[4]	6,440,123	(327,575)	(1,992,966)	(917,210)	3,202,372	(1,834,420)	88,093	-	-	(1,255,214)	200,831	31.3.2008	0.89	0.638
Employee[5]	2,620,600	(2,620,600)	-	-	-	-	-	-	-	-	-	16.2.2009	0.30	0.215
Employee[6]	7,999,381	(6,813,560)	(216,199)	-	969,622	(719,400)	16,112	(41,840)	(1,346)	-	223,148	10.7.2009	0.32	0.263
Employee[7]	10,076,207	(9,441,650)	(26,206)	-	608,351	(385,600)	14,344	(69,734)	-	-	167,361	18.11.2010	0.15	0.109
Sub-total	27,136,311	(19,203,385)	(2,235,371)	(917,210)	4,780,345	(2,939,420)	118,549	(111,574)	(1,346)	(1,255,214)	591,340			
Others[3,8]	1,588,736	(1,005,654)	-	-	583,082	-	37,548	(568,330)	-	-	52,300	12.1.2007	0.09	0.063
Others[4,8]	10,424,746	(6,677,288)	(1,886,832)	(91,721)	1,768,905	-	113,914	(195,254)	-	1,255,214	2,942,779	31.3.2008	0.89	0.638
Others[5,8]	12,447,850	(9,067,276)	-	-	3,380,574	(602,738)	178,892	-	-	-	2,956,728	16.2.2009	0.30	0.215
Others[6,8]	12,094,069	(10,783,769)	-	3,930,900	5,241,200	(5,241,200)	-	-	-	-	-	10.7.2009	0.32	0.263
Others[7,8]	9,827,250	(8,254,890)	(262,060)	2,620,600	3,930,900	(2,620,600)	84,383	-	(1,394,683)	-	-	18.11.2010	0.15	0.109
Sub-total	46,382,651	(35,788,877)	(2,148,892)	6,459,779	14,904,661	(8,464,538)	414,737	(763,584)	(1,394,683)	1,255,214	5,951,807			
Total	134,256,607	(109,663,218)	(4,384,263)	-	20,209,126	(11,403,958)	567,038	(875,158)	(1,396,029)	-	7,101,019			
Share options exercisable at year end	134,256,607				20,209,126						7,101,019			

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) The Old Share Option Scheme *(Continued)*

Notes:

1. Upon the completion of the Open Offer, the exercise price per share and number of shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.

2. The share options granted on 20 February 2003 were divided into 4 tranches exercisable from 20 February 2004, 20 February 2005, 20 February 2006 and 20 February 2007 respectively to 19 February 2013.

3. The share options granted on 12 January 2007 were divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.

4. The share options granted on 31 March 2008 were divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.

5. The share options granted on 16 February 2009 were divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.

6. The share options granted on 10 July 2009 were divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.

7. The share options granted on 18 November 2010 were divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.

8. The category “Others” represents the former directors or consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognizing their services similar to those rendered by other employees.

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The 2012 Share Option Scheme

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2014 are set out below:

	Number of share options										
Category of participant	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Reclassified during the year	Outstanding at 31.12.2013 & 1.1.2014	Adjustment for Open Offer *(Note 2)*	Granted during the year *(Note 3)*	Outstanding at 31.12.2014	Date of grant of share options	Share price at date of grant of share options	Exercise price of share options
										HK$	*HK$*
Directors[1]	–	30,000,000	(7,500,000)	(1,500,000)	**21,000,000**	**1,352,400**	**–**	**22,352,400**	2.7.2013	0.54	0.511
Directors[3]	–	–	–	–	**–**	**–**	**67,744,000**	**67,744,000**	11.8.2014	1.14	1.140
Sub-total	–	30,000,000	(7,500,000)	(1,500,000)	**21,000,000**	**1,352,400**	**67,744,000**	**90,096,400**			
Substantial Shareholder[1]	–	9,252,000	(2,313,000)	–	**6,939,000**	**446,871**	**–**	**7,385,871**	2.7.2013	0.54	0.511
Substantial Shareholder[3]	–	–	–	–	**–**	**–**	**4,384,000**	**4,384,000**	11.8.2014	1.14	1.140
Sub-total	–	9,252,000	(2,313,000)	–	**6,939,000**	**446,871**	**4,384,000**	**11,769,871**			
Employee[3]	–	–	–	–	**–**	**–**	**1,216,000**	**1,216,000**	11.8.2014	1.14	1.140
Sub-total	–	–	–	–	**–**	**–**	**1,216,000**	**1,216,000**			
Others[1,4]	–	–	–	1,500,000	**1,500,000**	**96,600**	**–**	**1,596,600**	2.7.2013	0.54	0.511
Others[3,4]	–	–	–	–	**–**	**–**	**8,364,000**	**8,364,000**	11.8.2014	1.14	1.140
Sub-total	–	–	–	1,500,000	**1,500,000**	**96,600**	**8,364,000**	**9,960,600**			
Total	–	39,252,000	(9,813,000)	–	**29,439,000**	**1,895,871**	**81,708,000**	**113,042,871**			
Share options exercisable at year end	–			–				**51,272,957**			

Notes:

1. The share options granted on 2 July 2013 were divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.

2. Upon the completion of the Open Offer, the exercise price per share and number of shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.

3. The share options granted on 11 August 2014 were divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.

4. The category "Others" represents the former directors or consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognizing their services similar to those rendered by other employees.

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) 2012 Share Option Scheme *(Continued)*

During the year ended 31 December 2014, the Company granted a total of 81,708,000 share options at an estimated fair value of approximately HK$64,316,000 to the directors, a substantial shareholder, certain employees and consultants of the Company under the 2012 Share Option Scheme on 11 August 2014. The validity period of the options is ten years, from 11 August 2014 to 10 August 2024. The options will entitle the grantees to subscribe for a total of 81,708,000 new shares at an exercise price of HK$1.14 per share of the Company. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$1.14.

During the year ended 31 December 2014, no share options were cancelled under the Old Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares immediately before and on the dates on which the share options were exercised was HK$1.17 and HK$1.24, respectively.

The fair value of share options granted during the year ended 31 December 2014 were calculated using the binomial model. The inputs into the model were as follows:

	11 August 2014	2 July 2013
Number of options granted	81,708,000	39,252,000
Closing share price immediately before date of grant	HK$1.14	HK$0.54
Exercise price	HK$1.14	HK$0.544
Exercise multiplier	2.8 – 3.3	2.8
Expected volatility	86%	85%
Option life	10 years	10 years
Risk-free interest rate	1.97%	2.03%
Expected dividend yield	0%	0%
Fair value of an option	HK$0.7286 – HK$0.8267	HK$0.3300 – HK$0.3936

The model is one of the commonly used models to estimate the fair value of the share options which involves assumptions and variables based on the management's best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

Expected multiplier was determined by the Company's share options exercise history.

Expected volatility was determined by using the annualised historical volatility of the Company's share price over past years up to valuation date.

The Group recognised a total expense of HK$46,383,000 (2013: HK$6,525,000) for the year ended 31 December 2014 in relation to share options granted by the Company.

25. COMPANY'S FINANCIAL POSITION

Financial information of the Company at the end of the reporting period are set out as follows:

	2014	2013
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**33**	24
Investments in subsidiaries	**23,342**	1
	23,375	25
CURRENT ASSETS		
Deposits and prepayments	**2,934**	1,288
Amounts due from subsidiaries	**517**	–
Bank balances and cash	**402,321**	47,823
	405,772	49,111
CURRENT LIABILITIES		
Other payables and accruals	**5,340**	5,518
Amount due to immediate holding company	**–**	248,492
Amounts due to subsidiaries	**1,143**	1,523
Amount due to a related company	**217**	217
Amount due to a fellow subsidiary	**151**	90
	6,851	255,840
NET CURRENT ASSETS (LIABILITIES)	**398,921**	(206,729)
NET ASSETS (LIABILITIES)	**422,296**	(206,704)
CAPITAL AND RESERVES		
Share capital	**31,455**	24,081
Reserves *(Note)*	**390,841**	(230,785)
TOTAL EQUITY (DEFICIENCY OF EQUITY)	**422,296**	(206,704)

25. COMPANY'S FINANCIAL POSITION *(Continued)*

Note:

	Share premium	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	851,771	30,832	(1,130,781)	(248,178)
Loss for the year	–	–	(26,293)	(26,293)
Recognition of equity-settled share-based payments	–	6,525	–	6,525
Transfer of share-based payment reserve upon forfeiture of share options	–	(1,290)	1,290	–
Issue of ordinary shares upon exercise of share options	54,671	(17,510)	–	37,161
At 31 December 2013 and 1 January 2014	**906,442**	**18,557**	**(1,155,784)**	**(230,785)**
Loss for the year	**–**	**–**	**(56,888)**	**(56,888)**
Recognition of equity-settled share-based payments	**–**	**46,383**	**–**	**46,383**
Transfer of share-based payment reserve upon forfeiture of share options	**–**	**(69)**	**69**	**–**
Issue of ordinary shares upon exercise of share options	**5,321**	**(1,864)**	**–**	**3,457**
Issue of new shares upon Open Offer	**645,450**	**–**	**–**	**645,450**
Transaction costs attributable to issue of new shares	**(16,776)**	**–**	**–**	**(16,776)**
At 31 December 2014	**1,540,437**	**63,007**	**(1,212,603)**	**390,841**

Under the Companies Law (Revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

26. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and bank deposits and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. 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 new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**522,216**	99,764
Financial liabilities		
Amortised cost	**81,498**	276,734

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank deposits with original maturity over three months, bank balances and cash, trade and other payables, amount due to a fellow subsidiary, amounts due to related companies, and amount due to a shareholder of a joint venture. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

The directors review and agree policies for managing each of these risks and are summarised below.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits with original maturity over three months (note 20) and loan from immediate holding company (note 22). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20). The directors of the Company consider the Group's bank balances to cash flow interest rate risk is not significant as interest bearing bank balances are within short periods.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risk. However, management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate change should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk *(Continued)*

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would decrease/increase by HK$786,000 (2013: increase/decrease by HK$1,037,000). This is mainly attributable to the Group's exposure to interest rates on its fixed-rate amount due to immediate holding company and variable-rate bank balances.

Foreign currency risk

The Group's exposure to foreign currency risk related primarily to trade and other receivables, amount due from an associate, cash and cash equivalents, trade and other payables, amount due to immediate holding company, amounts due to related companies, amount due to a shareholder of a joint venture and amount due to a fellow subsidiary that are denominated in currencies other than the functional currency of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**406,685**	51,433	**(3,011)**	(252,720)
USD	**89,448**	–	**(62,427)**	(3,791)

Sensitivity analysis

If RMB had strengthened by 5% against HK$, the Group's loss for the year ended 31 December 2014 would have been increased by HK$20,184,000 (2013: decreased by HK$10,064,000). If RMB had strengthened by 5% against USD, the Group's loss for the year ended 31 December 2014 would have been increased by HK$1,351,000 (2013: decreased by HK$190,000). For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss for both years.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other 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 debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 100% (2013: 100%) of the Group's trade receivables are due from the Group's five largest customers which operate in the PRC. The principal activities of which are mainly including trading of lottery terminals and distribution of lottery products. In respect of these customers, given their good repayment history, the directors consider that the credit risk associated with the balances of the customers are low.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on trade receivables and liquid funds which are deposits with several banks with good reputation, the Group does not have any other significant concentration of credit risk.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate *%*	**Less than 3 months or on demand** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amount at 31.12.2014** *HK$'000*
2014				
Non-derivative financial liabilities				
Trade and other payables	–	**77,835**	**77,835**	**77,835**
Amounts due to related companies	–	**1,178**	**1,178**	**1,178**
Amount due to a shareholder of a joint venture	–	**2,334**	**2,334**	**2,334**
Amount due to a fellow subsidiary	–	**151**	**151**	**151**
Total		**81,498**	**81,498**	**81,498**

	Weighted average interest rate *%*	Less than 3 months or on demand *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2013 *HK$'000*
2013				
Non-derivative financial liabilities				
Trade and other payables	–	24,929	24,929	24,929
Amount due to immediate holding company	3.00	250,356	250,356	248,492
Amounts due to related companies	–	889	889	889
Amount due to a shareholder of a joint venture	–	2,334	2,334	2,334
Amount due to a fellow subsidiary	–	90	90	90
Total		278,598	278,598	276,734

27. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

None of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in fair values.

28. DEREGISTRATION OF A SUBSIDIARY

On 17 April 2013, Shanghai Zhi Jue Information Technology Limited ("SHZJ"), a non wholly-owned subsidiary which was inactive in prior years and having insignificant assets and liabilities, was deregistered, resulting in a loss on deregistration of HK$257,000.

29. RETIREMENT BENEFITS PLAN

The Group contributes to a local municipal government retirement scheme for all qualifying employees in the PRC. The employers and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

In addition, the Group operates a MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 or 5% of relevant payroll costs monthly to the MPF Scheme, which contribution is matched by employees.

The total cost charged to the profit or loss of HK$698,000 (2013: HK$1,305,000) represents contributions paid and payable to the above schemes by the Group in respect of the current accounting period. As at 31 December 2014, all contributions in respect of the reporting period had been paid to the above schemes.

30. OPERATING LEASES

The Group as lessee

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,202**	703
In the second to fifth year inclusive	**352**	899
	1,554	1,602

The lease payments represent rentals payable by the Group for its office properties. The lease terms are various from one year to two years. Rentals are fixed over the relevant lease terms.

31. RELATED PARTY DISCLOSURES

(a) Other than those disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

Class of related parties	*Notes*	Nature of transactions	2014 HK$'000	2013 HK$'000
Associate		Consultancy fee income	–	300
Subsidiary of a 37.5% non-controlling shareholder of a group company	(i)	Sales of lottery terminals	–	17,139
Associate of a 37.5% non-controlling shareholder of a group company	(i), (ii)	Sales of lottery terminals	**574**	22,192
Non-controlling shareholders of a group company *(note 33)*		Dividend payable	–	6,282
		Dividend paid	**9,835**	–
Non-controlling shareholder of a group company *(note 33)*		Sale of property, plant and equipment	–	2,178
Immediate holding company	(iii)	Interest expense	**3,084**	7,215
Non-controlling shareholder of a group company	(ii)	Expenses recharge income	**212**	910
Subsidiary of a 49% non-controlling shareholder of a group company	(iv)	Purchase of lottery terminals and parts	**38,302**	–
Subsidiary of substantial shareholder of the Company	(v)	Service fee expense	**1,754**	196

The Company also entered into a deed of license dated 20 November 2013 with its ultimate holding company pursuant to which its ultimate holding company agrees to grant to the Company, at nil consideration, a revocable but non-transferable and non-exclusive license to use Melco's name bearing the English word "Melco" and/or Chinese word "新濠" and logo in connection with the business of the Company commencing from 20 November 2013 until its ultimate holding company ceases to have more than 35% beneficial interest in the Company, subject to the terms and conditions as set out in the aforesaid deed.

31. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following transactions with related parties during the year: *(Continued)*

Note:

(i) The subsidiary of the 37.5% non-controlling shareholder of a group company became the associate of the 37.5% non-controlling shareholder during 2013.

(ii) For the year 2014, the above transactions fall under the definition of "continuing connected transaction" under the GEM Listing Rules. As the above transactions are on normal commercial terms and were less than HK$1 million, the above transactions constitutes de minimis continuing connected transaction exempt pursuant to Rule 20.74(1) of the GEM Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

(iii) The transaction falls under the definition of "continuing connected transaction" under the GEM Listing Rules. As the above transaction is on normal commercial terms and no security is granted in respect of the financial assistance provided by the immediate holding company. The transaction constitutes continuing connected transaction exempt pursuant to Rule 20.88 of the GEM Listing Rules and is fully exempt from shareholder's approval, annual review and all disclosure requirements.

(iv) The purchase of lottery terminal and parts from the subsidiary of a 49% non-controlling shareholder of a group company constitute continuing connected transactions, as defined in Chapter 20 of the GEM Listing Rules.

(v) The above transaction fall under the definition of "continuing connected transaction" under the GEM Listing Rules. As the transaction is sharing of administrative services, the above transactions exempt pursuant to Rule 20.96 of the GEM Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Short-term benefits	**4,571**	6,467
Post-employment benefits	**18**	85
Share-based payments	**37,900**	4,957
	42,489	11,509

The emoluments of directors and key executives are determined by the remuneration committee and management, respectively having regard to the performance of the individuals and market trends.

(c) Details of the share options granted to the directors are set out in note 24.

(d) The Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 18, 19 and 22.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of the company	Place of incorporation or establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2014 Directly	2014 Indirectly	2013 Directly	2013 Indirectly	Principal activities
Rising Move International Limited	BVI	USD100	**100%**	**–**	100%	–	Investment holding
Precious Success Holdings Limited ("Precious Success")	BVI	USD200	**–**	**51%**	–	51%	Investment holding
PAL Development Limited	Hong Kong	HK$250,000,000	**–**	**51%**	–	51%	Investment holding
Global Score Asia Limited	BVI	USD20,000	**–**	**100%**	–	100%	Investment holding
Trade Express Services Inc.	BVI	USD20,000	**–**	**80%**	–	80%	Investment holding
Instant Glory Holdings Limited	BVI	USD100	**100%**	**–**	–	–	Investment holding
Express Wealth	Hong Kong	USD3,000,000	**100%**	**–**	–	–	Investment holding
Rise Accord Holdings Limited	BVI	USD100	**–**	**100%**	–	100%	Investment holding
China Excellent Net Technology Investment Limited ("China Excellent")	Hong Kong	HK$200,000	**–**	**95%**	–	95%	Provision of services for distribution of mobile lottery products
寶加(北京)信息技術有限公司	PRC#	HK$150,000,000	**–**	**51%**	–	51%	Provision of management services for distribution of lottery products
北京華盈風彩科技有限公司	PRC##	RMB18,000,000	**–**	**51%**	–	51%	Provision of management services for distribution of lottery products
精利風彩網路科技(上海)有限公司	PRC#	HK$500,000	**–**	**95%**	–	95%	Provision of services for distribution of mobile lottery products
北京電信達信息技術有限公司 ("Beijing Telenet")	PRC#	RMB10,000,000	**–**	**51%**	–	51%	Distribution of lottery terminals
開創紀元電子商務信息有限公司	PRC##	RMB10,000,000	**–**	**33%**	–	33%	Provision of management services for distribution of lottery products

\# These are wholly foreign owned enterprises established in the PRC.
\#\# These are private limited liability companies established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table only lists the 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.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Beijing Telenet	PRC	**49%**	49%	**1,226**	4,330	**5,076**	7,128
Precious Success and its subsidiaries ("PS Group")	BVI	**49%**	49%	**(2,076)**	(559)	**410**	2,708
China Excellent and its subsidiary	Hong Kong	**5%**	5%	**(6)**	(30)	**(95)**	(152)
Others				**(290)**	406	**(290)**	(378)
				(1,146)	4,147	**5,101**	9,306

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Beijing Telenet

	2014	2013
	HK$'000	*HK$'000*
Current assets	**21,401**	45,313
Non-current assets	**284**	410
Current liabilities	**(11,326)**	(17,912)
Dividend payable	**–**	(13,264)
Equity attributable to owners of Beijing Telenet	**10,359**	14,547
Revenue	**42,268**	49,395
Expenses	**(39,766)**	(40,559)
Profit for the year	**2,502**	8,836
Other comprehensive (expense)/income	**(298)**	444
Total comprehensive income	**2,204**	9,280
Dividend to non-controlling interests	**3,040**	6,748
Profit and total comprehensive income for the year	**2,502**	8,836
Net cash inflow from operating activities	**25,080**	3,638
Net cash inflow from investing activities	**28**	19
Net cash outflow from financing activities	**(20,133)**	–
Effect of foreign exchange rate changes	**(191)**	56
Net cash inflow	**4,784**	3,713

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

PS Group

	2014	2013
	HK$'000	*HK$'000*
Current assets	**7,332**	7,183
Non-current assets	**259**	2,594
Current liabilities	**(4,667)**	(3,193)
Equity attributable to owners of PS Group	**5,069**	9,430
Non-controlling interests	**(2,145)**	(2,846)
Revenue	**5,443**	5,166
Expenses	**(9,460)**	(6,205)
Loss for the year	**(4,017)**	(1,039)
Loss attributable to owners of PS Group	**(3,804)**	(1,109)
(Loss) profit attributable to the non-controlling interests of PS Group	**(213)**	70
Loss for the year	**(4,017)**	(1,039)
Other comprehensive income (expense) attributable to owners of PS Group	**302**	(71)
Other comprehensive income attributable to the non-controlling interests of PS Group	**55**	82
Other comprehensive income for the year	**356**	11
Total comprehensive expense attributable to owners of PS Group	**(3,502)**	(1,180)
Total comprehensive (expense) income attributable to the non-controlling interests of PS Group	**(158)**	152
Total comprehensive expense for the year	**(3,660)**	(1,028)
Net cash outflow from operating activities	**(105)**	(138)
Net cash (outflow) inflow from investing activities	**(49)**	8
Effect of foreign exchange rate changes	**97**	116
Net cash outflow	**(57)**	(14)

33. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2014, the investment cost of HK$311,000 in relation to the 50% equity interest in BCN was not yet paid as of 31 December 2014 and included in trade and other payables.

For the year ended 31 December 2013, the Group entered into the following major non-cash transactions:

(a) Machinery and equipment of the Group with a carrying amount value of HK$1,573,000 was returned to the supplier, a non-controlling shareholder of a group company, at their original cost of HK$2,178,000 and offset with the respective payable balance.

(b) Dividend amounting to HK$6,282,000 was declared by a non wholly-owned subsidiary of the Group to its non-controlling interests and the balance was outstanding as of 31 December 2013 and included as amount due to non-controlling interests.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	80,608	96,622	86,940	54,561	**45,284**
(Loss) profit for the year	(171,285)	(215,932)	70,541	(12,970)	**(66,549)**
Attributable to:					
Owners of the Company	(160,908)	(209,219)	78,981	(17,117)	**(65,403)**
Non-controlling interests	(10,377)	(6,713)	(8,440)	4,147	**(1,146)**
	(171,285)	(215,932)	70,541	(12,970)	**(66,549)**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	442,281	304,521	102,250	104,049	**525,769**
Total liabilities	(807,562)	(895,026)	(323,207)	(305,481)	**(104,778)**
	(365,281)	(590,505)	(220,957)	(201,432)	**420,991**
(Deficiency of equity)/equity attributable to owners of the Company	(375,134)	(615,405)	(232,864)	(210,738)	**415,890**
Non-controlling interests	9,853	24,900	11,907	9,306	**5,101**
	(365,281)	(590,505)	(220,957)	(201,432)	**420,991**