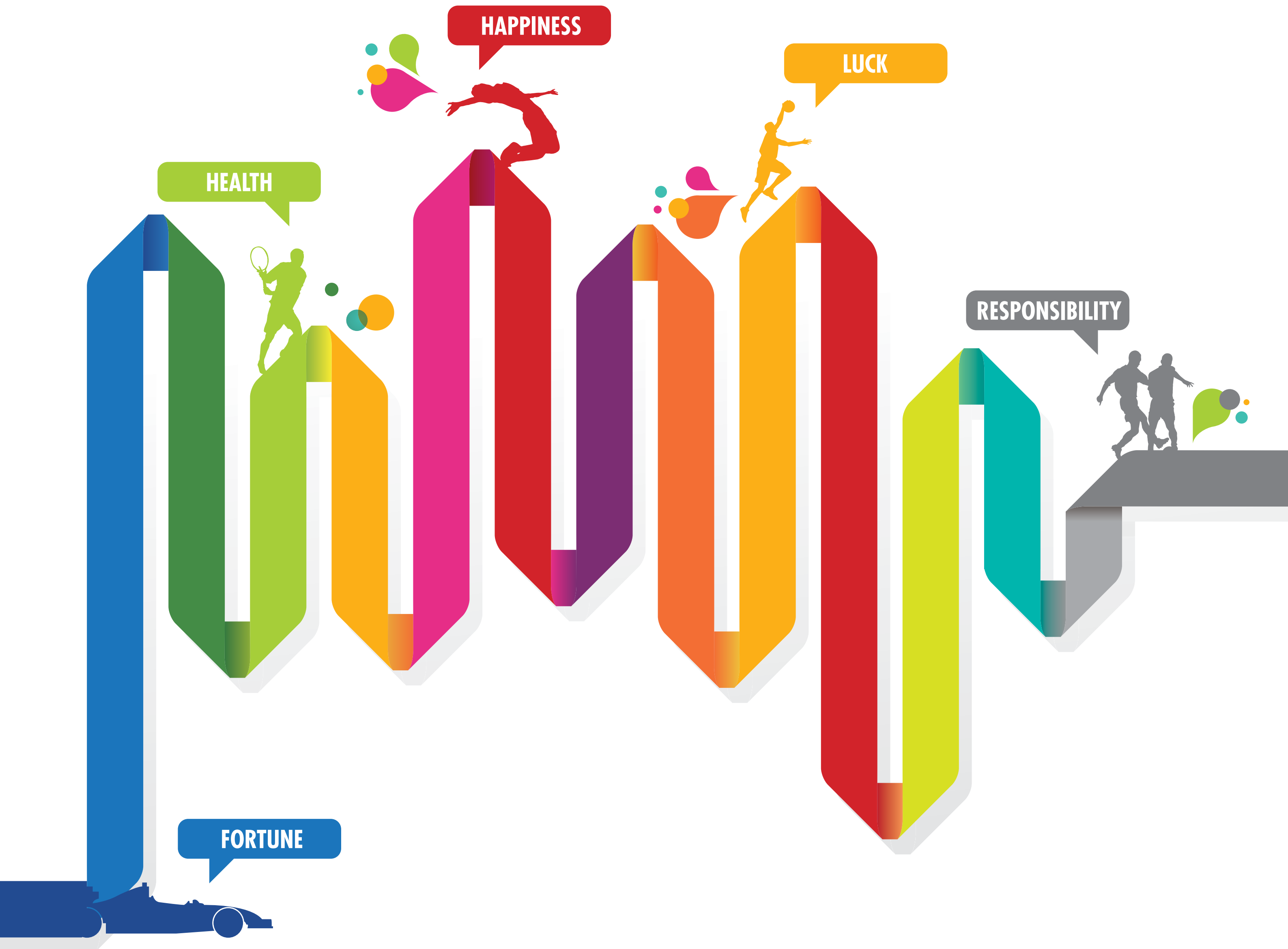
AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 8279

ANNUAL REPORT 2014

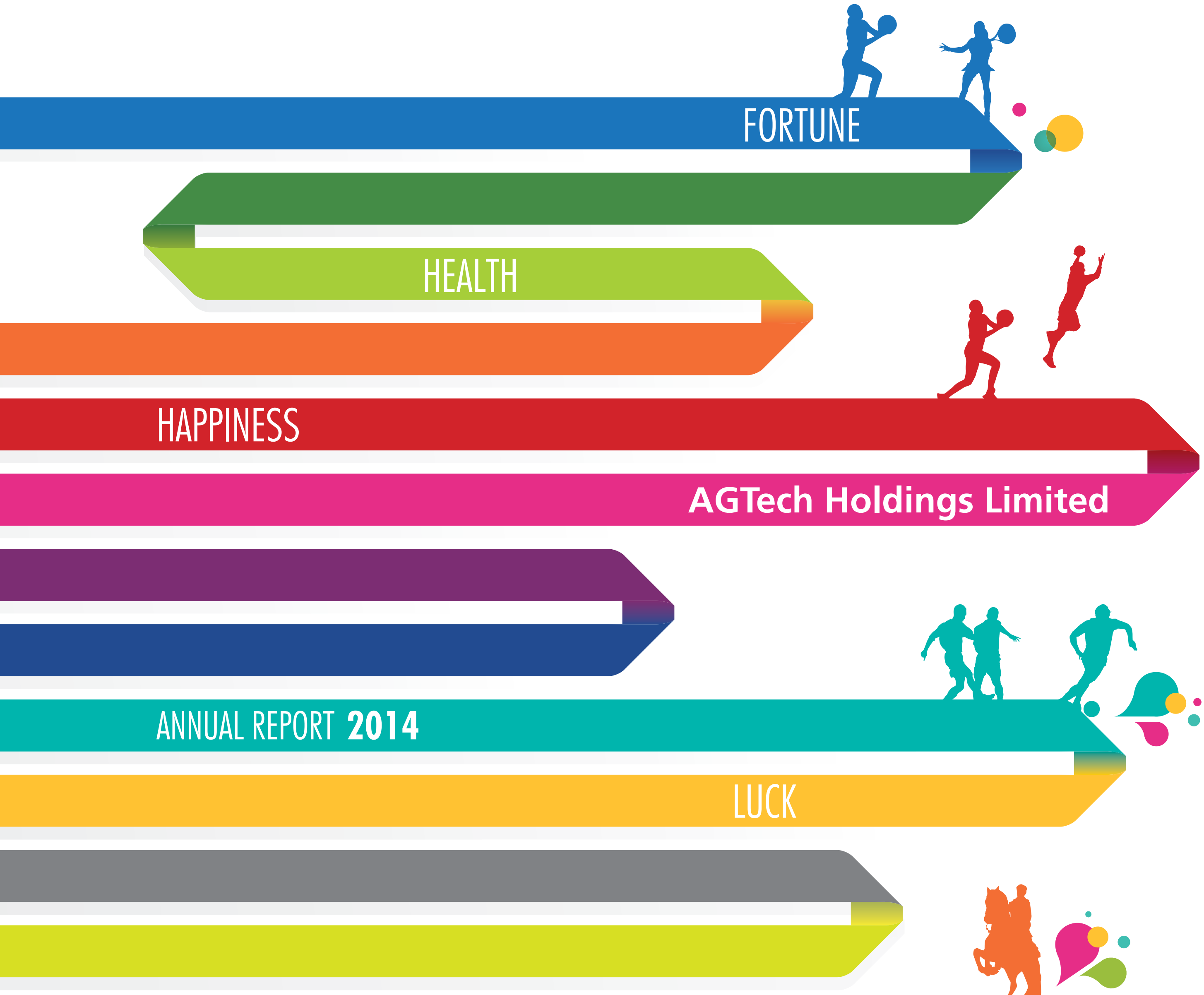


CHARACTERISTICS OF GEM

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

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

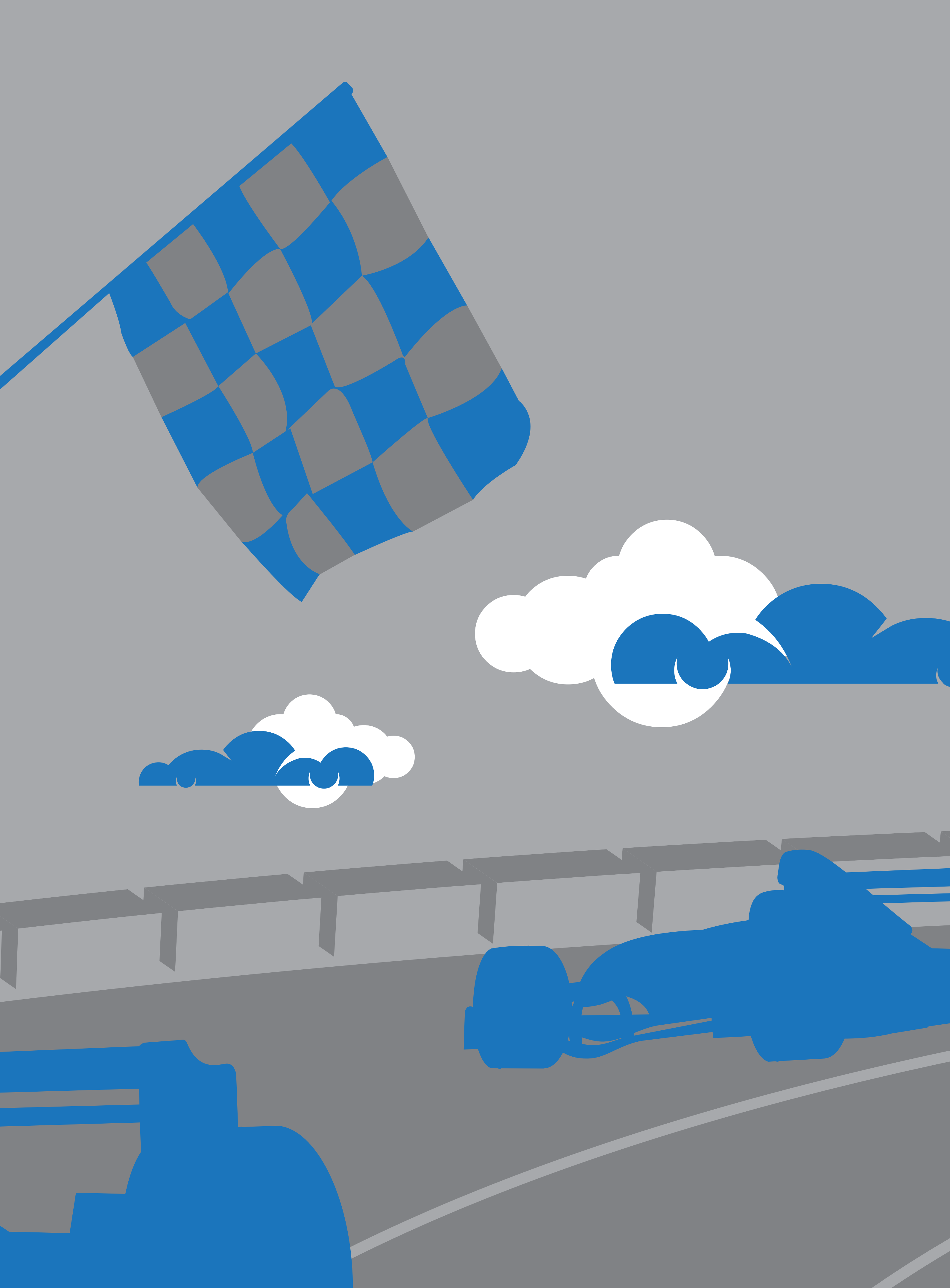
This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.


FORTUNE
HEALTH
HAPPINESS
AGTech Holdings Limited
ANNUAL REPORT 2014
LUCK

CONTENTS

FORTUNE

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ho King Fung, Eric

Independent Non-executive Directors

Monica Maria Nunes
Wang Ronghua
Hua Fengmao

AUTHORISED REPRESENTATIVES

Sun Ho
Lai Yick Fung

COMPANY SECRETARY

Lai Yick Fung

COMPLIANCE OFFICER

Sun Ho

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

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

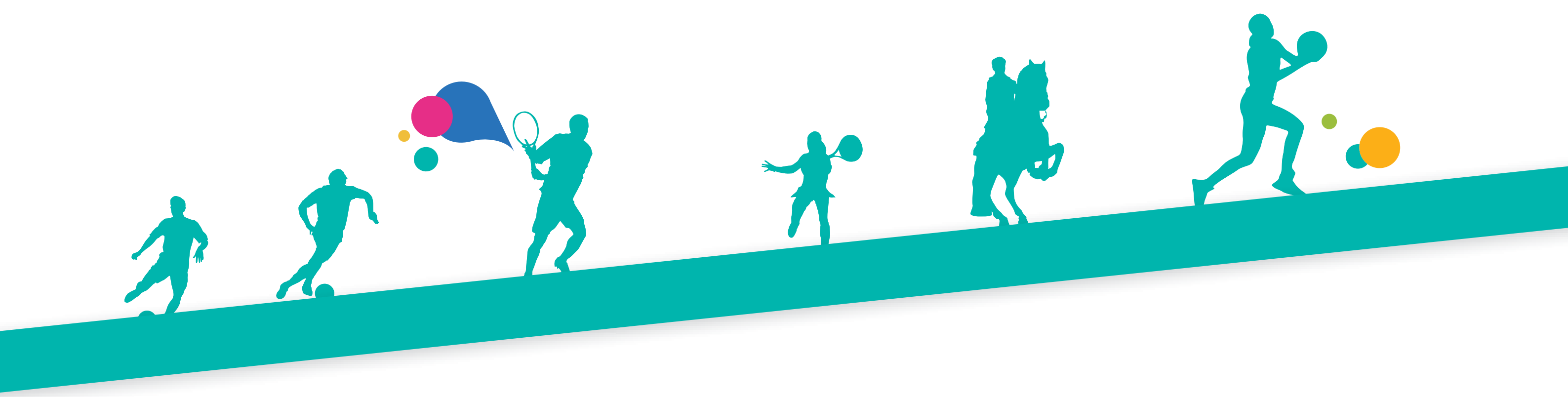
Tel: (852) 2506 1668
Fax: (852) 2506 1228

PRINCIPAL BANKERS

China Merchants Bank
The Hongkong and Shanghai Banking Corporation Limited

AUDIT COMMITTEE

Monica Maria Nunes *(Chairperson)*
Wang Ronghua
Hua Fengmao



REMUNERATION COMMITTEE

Monica Maria Nunes *(Chairperson)*
Wang Ronghua
Hua Fengmao

NOMINATION COMMITTEE

Monica Maria Nunes *(Chairperson)*
Wang Ronghua
Hua Fengmao
Sun Ho

CORPORATE GOVERNANCE COMMITTEE

Sun Ho *(Chairman)*
Lai Yick Fung

AUDITORS

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

SHARE REGISTRAR IN BERMUDA

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

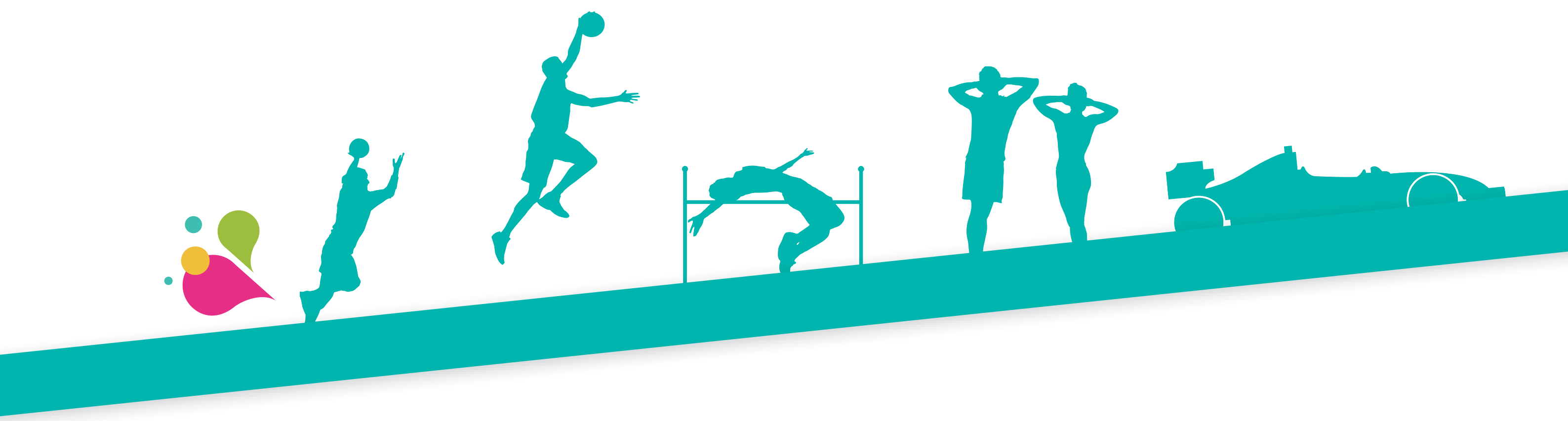
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8279

WEBSITE

http://www.agtech.com



DEFINITIONS

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

"AGT"	means Asia Gaming Technologies Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company
"Board"	means the board of Directors
"Bye-laws"	means the bye-laws of the Company
"CEO"	means chief executive officer
"Circular"	means the circular of the Company dated 8 December 2014
"Company" or "AGTech"	means AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares are listed on GEM
"Creative Mind"	means 北京名影科漫科技有限公司 (Beijing MTC Creative Mind Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company following completion of its acquisition on 8 January 2015
"Director(s)"	means the director(s) of the Company
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on GEM
"GOT"	means 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
"Group"	means the Company and its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Macau"	means the Macau Special Administrative Region of the PRC
"PRC" or "China"	means the People's Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan
"province(s)"	means province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and "provincial" shall be construed accordingly
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share Option Scheme"	means the share option scheme of the Company adopted on 18 November 2004 (or, after its expiry on 17 November 2014, the share option scheme of the Company adopted on 23 December 2014)
"Share(s)"	means ordinary share(s) of HK$0.002 each in the share capital of the Company
"Shareholder(s)"	means holder(s) of the Share(s)
"Silvercreek"	means 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
"Sports Lottery"	means the national sports lottery of China
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Welfare Lottery"	means the national welfare lottery of China
"Zoom Read"	means 深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company following completion of its acquisition on 8 January 2015
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	means Renminbi, the lawful currency of the PRC
"US$"	means United States dollars, the lawful currency of the United States of America
"%"	means per cent

Notes:

1. In this report, the exchange rate of HK$1.2638 to RMB1.00 has been used for reference only.

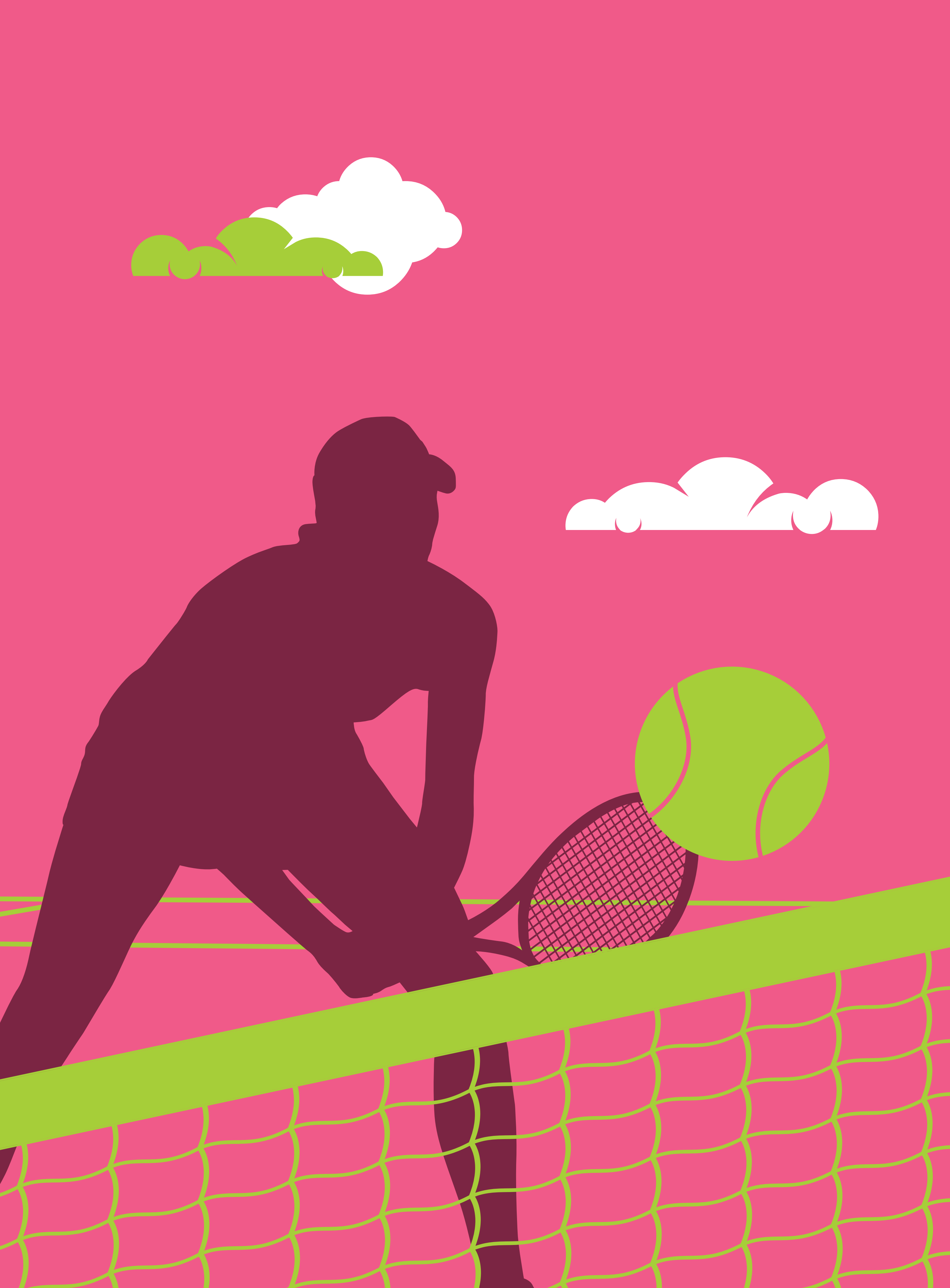
2. The English translation of the Chinese company names in this report are included for reference only and should not be regarded as the official English translation of such Chinese company names.

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

* *For identification purpose only*

HEALTH

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



CORPORATE PROFILE

ABOUT AGTECH

Vision: Becoming the Leading Total Solution Provider and Integrated Company in China's Lottery Market

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

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

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

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

Through Asia Gaming Technologies Limited (AGT) and its subsidiaries, the Group's joint venture with Ladbroke Group, the Group has developed and successfully launched China's only Ministry of Finance-approved virtual fixed odds sports betting system as well as its first games, "Lucky Racing" and "e-Ball Lottery".

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

INDUSTRY OVERVIEW

China: A rapidly growing, under-penetrated lottery market

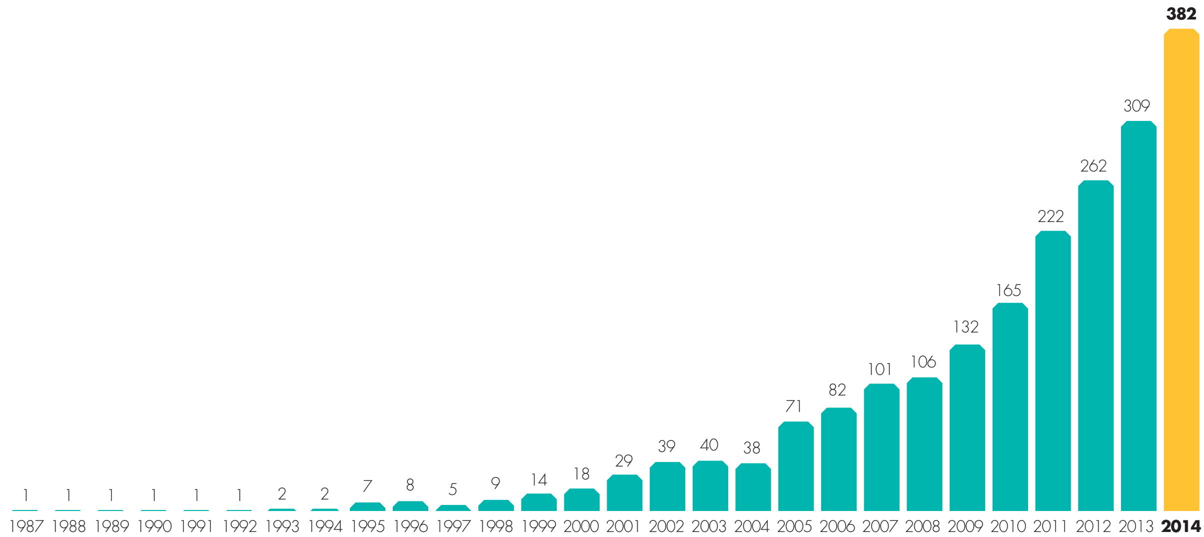
The regulated lottery industry in China was launched in 1987 and has since grown rapidly to become one of the world's largest lottery markets by sales volume. Lottery sales have increased at a compound annual growth rate of approximately 32% between 1987 and 2014. During this time, the products on offer have gradually expanded from an initial base of simple, weekly-draw lotto games to today's comprehensive range which includes weekly draw games as well as high frequency games, scratch cards, video lottery terminals (VLT), sports betting and virtual sports betting. The two authorised lottery operators in China, the Welfare Lottery and the Sports Lottery, provide very significant levels of funding for good causes such as social welfare in the country and building community sports facilities.

2014 was a record year for the China lottery industry, with combined sales from Welfare Lottery and Sports Lottery of over RMB382 billion, implying an annual growth rate of approximately 24%. Despite the significant size of today's China lottery market, the penetration rate of regulated lottery in China remains comparatively low by international standards. Given that the illegal gambling market in China is estimated to be approximately 10-20 times that of the legal lottery market, there is enormous potential for future growth in China's legal lottery market.

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

For further details on recent industry developments and a more detailed review of trends in the lottery, please refer to the "Management Discussion and Analysis" section on pages 50 to 63.

China's Regulated Lottery Sales: 1987-2014 (RMB billion)



Source: PRC Ministry of Finance

GAMING TECHNOLOGIES

Virtual Sports Betting

Supplier of China's First Rapid-draw Virtual Sports Lottery Platform and First Two Virtual Sports Games: "Lucky Racing" and "e-Ball Lottery"

AGT, our 51%-owned joint venture with Ladbroke Group (one of the world's largest sports betting companies) supplies the country's only virtual sports lottery platform to the China Sports Lottery and has successfully launched two virtual sports games in the country. AGT's motor racing-themed virtual game Lucky Racing was launched in Hunan province in 2011 while its football themed game e-Ball Lottery was launched in Jiangsu province during 2013. Since both games are approved lottery products as defined by China's Ministry of Finance, we believe that both Lucky Racing and e-Ball Lottery are likely to be introduced via the internet and mobile channel across the country (subject to regulatory approval) where we expect them to be highly popular.

Gaming Hardware and Technology Development

Leading Lottery and Scratch Card Sales Terminal Provider in China. Positioned to Expand Hardware Portfolio Domestically and Grow Sales Internationally

With a domestic sports lottery market share of over 40% in recent years, the Group's subsidiary, GOT, is the leading manufacturer and supplier of lottery and sports betting terminals in China's lottery industry. Through the recent acquisition of Zoom Read, the Group is also now a leading manufacturer and supplier of paper scratch card sales hardware in China. Through GOT and Zoom Read, AGTech supplies 29 provinces, cities and municipalities in China with lottery hardware.

The Group's hardware division plans to maintain its domestic market share, grow its international sales and to broaden its product spectrum with new hardware ranges such as VLT which would be suitable for both domestic and international users.

GOT 高腾

ONLINE AND MOBILE LOTTERY

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

To date, in line with the relevant lottery regulations, the Group has not conducted any online lottery sales or maintained any website to conduct such sales. However, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile. In the internet channel, the authorities are working on a national (as opposed to provincial) internet distribution system. Sales of the Group's approved games, Lucky Racing and e-Ball Lottery, are likely to benefit strongly when such a system is introduced.

With respect to mobile smart phones, the provincial mobile lottery systems trials that are being prepared by the China lottery authorities are expected to lead to the creation of a fully regulated provincial mobile lottery distribution market in China. The Group is well positioned to participate in this market in various aspects through its recently acquired subsidiary.

With the valuable PRC internet service provider and PRC internet content provider experience of the Group, the Group is fully qualified to grasp the opportunities in mobile and internet lottery systems, content and distribution. In this area, the Group continues to work with the most advanced international companies and will provide a full range of support and services to localise and develop China's mobile lottery systems and games.

LOTTERY MANAGEMENT

Fully Integrated Solution Provider for China's Lotteries

AGTech has been providing fully integrated lottery solutions to China's provincial lottery authorities since early 2007. In this time, we have provided a wide range of products and services to our provincial clients to assist them in growing sales in an advanced and efficient manner. Our services include lottery management/consulting and access to international technologies and management concepts.

RESPONSIBLE LOTTERY

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

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

CORPORATE VALUES

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

FORTUNE	We provide the PRC lottery market with fully integrated professional game software, system, hardware and lottery management services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.
HEALTH	We liaise closely with the PRC regulatory authorities and do our utmost to help them develop a healthy lottery industry. We also assist them to evaluate new forms of legal and regulated lottery channels with a view to cracking down on the illegal gambling market.
HAPPINESS	As a form of entertainment, lotteries are growing in popularity among the Chinese citizens, and we are privileged to bring lottery players happiness and an exciting pastime.
LUCK	Lottery wins are perceived as a token of "luck", and it is one of our core corporate values to bring such luck to China's lottery players and society through our products.
RESPONSIBILITY	We strive to actively contribute to the development of a responsible lottery industry which will raise important funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we are the sponsor of a wide range of sports events.

CONTRIBUTING TO THE SOCIETY

AGTech is committed to promoting healthy and steady development of China's lottery industry. In recent years, the Group has been working on several charity and sports projects such as Helping the Poor Children in Yunnan Province, Sponsoring Shanghai Youth Girls Soccer Team, AGTech Cup Olympic Photography Competition, Sponsoring Anhui Huangshan Martial Arts Competition Tournament, AGTech 15th He Long Cup Golf Celebrity Invitation, 2013 Shenzhen Charity Exhibition as well as being the strategic partner of the Tennis Association for Central Government Agencies and sponsoring various tennis tournaments and tennis promotional campaign. In the future, we shall continue to work closely with regulatory authorities and do our best to help the government evaluate new forms of legal and regulated avenues, with a view to fighting illegal gambling and raising funds for sports and welfare projects.

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

EXCELLENT TEAM

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

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

FOOTPRINT OF OUR BUSINESS

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

HAPPINESS

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

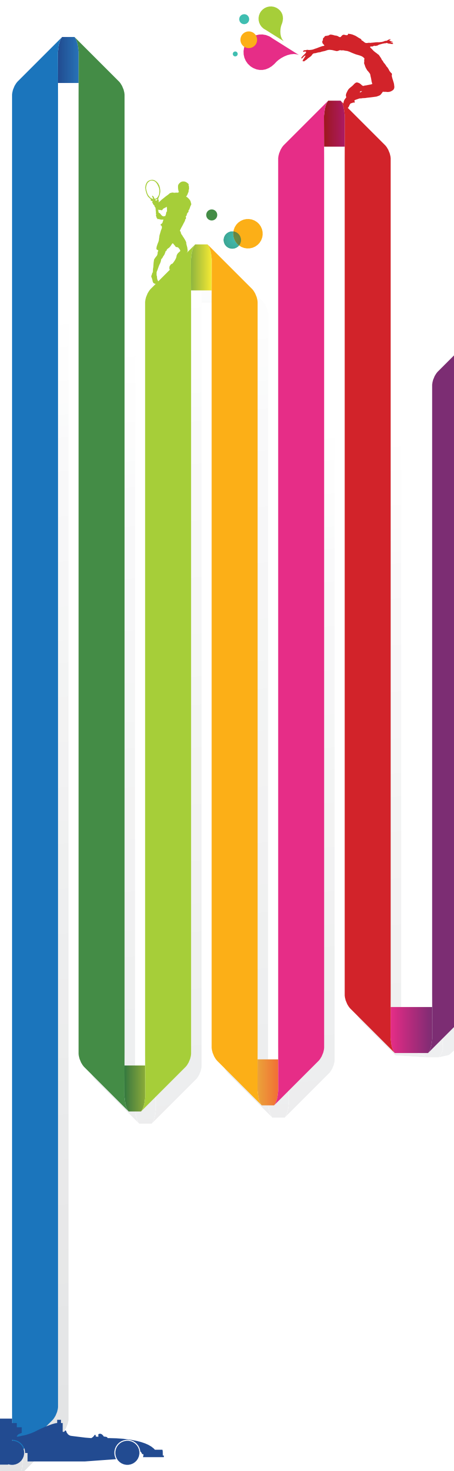
The China lottery market recorded another record year in 2014 with sales of over RMB382 billion which facilitated a record contribution of more than RMB102 billion to good causes. 2014 was also a momentous year for our company: I firmly believe the achievements of 2014 will position us very strongly in 2015 and the years ahead.

We announced an important strategic acquisition during 2014. This acquisition strengthens our ambitions in the field of mobile smart phone system and content, and more importantly, it materially diversifies and expands our hardware business. 2014 saw both of our two virtual sports games, Lucky Racing Game and e-Ball Lottery, running successfully for a full year. "Virtual sports" lottery is by now a fully accepted, high growth, multi-product game in China. We expect that both Lucky Racing and e-Ball Lottery will roll-out to more province(s) in due course. In our hardware business, GOT had a successful year being chosen as a supplier by most of the provinces which concluded tenders during the year.

During the financial year under review, Group revenue rose slightly to HK$211,051,211 (2013: HK$208,359,744) while gross profit declined to HK$69,582,144 (2013: HK$91,267,810). Whilst disappointing, these results do not capture the strategic progress made during the year and the impact of our acquisition which was completed outside of the period. Our balance sheet remains strong. At the end of 2014, we had no debts and had net bank balances and cash of HK$315,599,987.

The policy of China's lottery industry plays a crucial role in facilitating the stable development of the whole lottery industry. During 2015, we expect that China's lottery industry will see significant regulatory developments including the introduction of relevant laws and regulations (particularly related to internet and mobile distribution) which will further regulate and professionalise lottery supervision. Thanks to many years of accurately interpreting national regulations and policies, AGTech has successfully grasped industry trends and formulated its long-term and stable strategic positioning and business development strategies. We believe that, following the regulatory evolution of the Chinese lottery industry and relying upon the Group's competitive advantages in areas such as game development and channel construction, the Group is now set to achieve a significant breakthrough in business development.

Earlier this year, the "National Football Reform Overall Plan" was passed by China's Central Leading Group for Comprehensively Deepening Reforms. This development positions the sport of football in the overall social economy development plan of China and is expected to bring material benefits to football-related industries, including the sports lottery industry. In particular, it is proposed that the direction of the plan is "the proactive research and development on the issuance of football lottery relating to betting on the China Football Super League". This will



enhance the status of sports betting lottery in terms of policy. Thanks to the Group's strengths in advanced and creative lottery game system and content development, we expect to be able to grasp the opportunities brought about by the forthcoming evolution in the sports industry and actively promote various virtual sports lottery games including "Lucky Racing" and "e-Ball Lottery".

In respect of the development of remote (i.e. online and mobile) lottery, in the fullness of time with regulatory approval, we will become a professional supplier of remote lottery distribution and management platforms in relation to multiple channels including online and mobile. Based on this, our pre-approved lottery products such as Lucky Racing and e-Ball will be sold through multiple channels like internet and mobile.

With respect to the content in the retail lottery stores, with the 2014 FIFA World Cup now behind us, we anticipate an increased urgency within the Sports Lottery. Taken together with the completion of the Sports Lottery's national high frequency game platform, this bodes very well for the Group's approved proprietary games Lucky Racing and e-Ball as well as its pipeline of planned new products.

On the topic of hardware, with our leading positions in both point of sale and handheld terminals as well as our first class international partnerships and long track-record in the China lottery, we believe that AGTech is very well positioned to take advantage of new opportunities in hardware.

As a group with a strong sense of corporate and social responsibility, AGTech will continue to live by its core corporate values of enriching society through "Fortune", "Health", "Happiness", "Luck" and "Responsibility". In addition to developing games that provide responsible lottery entertainment to the public, we will respond proactively to the possible social problems arising from obsession with lottery. In this respect, I take the opportunity to remind our Shareholders that the Group has not conducted any online lottery sales or maintained any website to conduct such sales and, in line with the Group's past practice, all our lottery businesses in the PRC have been complying with all relevant lottery regulations in the PRC including obtaining approval from relevant government authorities in the PRC, where applicable.

In conclusion, I would like to express my heartfelt gratitude to all of my colleagues for their dedication and hard work. My warmest thanks also go to our board members, management team, Shareholders, business partners and customers for their indispensable contribution and continuing support of AGTech. I believe that AGTech has a very bright future and I look forward to your continued trust and support as we deliver this bright future, together.

Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 23 March 2015

LUCK

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code in different respects, including but not limited to:

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

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

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

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

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

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

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

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

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

(g) under the Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the Shareholders. An annual general meeting ("AGM") and a special general meeting ("SGM") were held by the Company during the year on 5 May 2014 and 23 December 2014 respectively. The independent non-executive Directors, Mr. Wang Ronghua and Mr. Hua Fengmao, were absent from both the AGM and SGM, whereas the non-executive Director, Mr. Ho King Fung, Eric, and a former non-executive Director, Ms. Yang Yang, were absent from the AGM. The above-mentioned Directors and former Director considered that the attendance at general meetings of the Company could not help develop a balanced understanding of the views of the Shareholders because not many Shareholders attended such meetings in the past few years, that the chairperson of the Audit, Nomination and Remuneration Committees of the Board, Ms. Monica Maria Nunes (an independent non-executive Director), already attended the AGM and SGM to represent all other non-executive Directors, and that Ms. Yang Yang was to retire from the Board on the date of the AGM; and

(h) during the year under review, the management of the Company did not provide the Directors with monthly updates on the Company's financial position and performance for the first two months of 2014 as required under the Code provision C.1.2, due to the resignation of the former senior financial controller and company secretary of the Company during the first quarter of 2014 and the fact that the management was busy focusing their efforts on the annual audit and preparation of the annual results announcement and report during such transitional period. This deviation from the Code had been rectified during the second quarter of 2014 after the appointment of the new senior financial controller and company secretary of the Company in early April 2014, and the Company will ensure that monthly updates shall be provided to the Directors in the future.

(The above deviations (a) to (f) were similarly disclosed on pages 29 and 30 of the Company's annual report for the year ended 31 December 2013, and the above deviations (g) and (h) were new ones that took place during the year under review. All the above deviations (a) to (h) were similarly disclosed on pages 27 to 29 of the Company's interim report for the six months ended 30 June 2014.)

DIRECTORS' SECURITIES TRANSACTIONS

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

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

THE BOARD

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

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

Executive Directors:	Mr. Sun Ho *(Chairman)* Mr. Robert Geoffrey Ryan Mr. Bai Jinmin Mr. Liang Yu
Non-executive Directors:	Ms. Yang Yang (retired on 5 May 2014) Mr. Ho King Fung, Eric
Independent non-executive Directors:	Ms. Monica Maria Nunes Mr. Wang Ronghua Mr. Hua Fengmao

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

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

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

Directors retiring by rotation at the forthcoming annual general meeting of the Company are Mr. Ho King Fung, Eric, Mr. Wang Ronghua and Mr. Hua Fengmao. Mr. Ho King Fung, Eric shall offer himself for re-election as Director, whereas Mr. Wang Ronghua and Mr. Hua Fengmao have decided to retire and will not offer themselves for re-election as Directors, at the Company's forthcoming annual general meeting. Details are contained in the circular to Shareholders dated 31 March 2015.

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

During the year under review, save as disclosed in deviation (h) from the Code under the section headed "CORPORATE GOVERNANCE PRACTICES" of this Corporate Governance Report, all members of the Board are provided with monthly updates on internal unaudited financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Respective responsibilities of Directors and auditors

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year under review, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year under review, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on pages 86 and 87.

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

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

Directors' work commitments outside of the Group

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

Directors' training

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

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

Directors	Type of trainings
Executive Directors	
SUN Ho	A,B
Robert Geoffrey RYAN	A
BAI Jinmin	A,B
LIANG Yu	A
Non-executive Directors	
YANG Yang (retired on 5 May 2014)	Not applicable
HO King Fung, Eric	A
Independent non-executive Directors	
Monica Maria NUNES	A
WANG Ronghua	A
HUA Fengmao	A

A: studying materials related to corporate governance, GEM Listing Rules and regulations
B: attending or participating in industry-specific seminars and conferences

CHAIRMAN AND CHIEF EXECUTIVE

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

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

Furthermore, the chairman is responsible for ensuring that:

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

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

NON-EXECUTIVE DIRECTORS

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of such independent non-executive Directors are independent. Each independent non-executive Director was appointed by way of a service agreement on a two-year basis. As both Mr. Wang Ronghua and Mr. Hua Fengmao have been independent non-executive Directors for over 8 years since 19 July 2006 and serving the Board for more than 9 years could be relevant to the determination of a non-executive Director's independence according to the code provision A.4.3 in Appendix 15 of the GEM Listing Rules, Mr. Wang and Mr. Hua have decided to retire from the Board following the conclusion of the forthcoming annual general meeting of the Company to be held on 5 May 2015 and shall not offer themselves for re-election as independent non-executive Directors. All independent non-executive Directors are clearly identified in all corporate communications of the Company that disclose the names of Directors.

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

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

BOARD COMMITTEES

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

1. Remuneration committee

The remuneration committee was established on 24 June 2005. During the year under review, Ms. Monica Maria Nunes, Mr. Wang Ronghua and Mr. Hua Fengmao (all of whom being independent non-executive Directors) were appointed as members of the remuneration committee. The current chairperson of the remuneration committee is Ms. Monica Maria Nunes.

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

As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may be granted share options by the Company from time to time pursuant to the Share Option Scheme. The remuneration committee reviews and recommends to the Board for approval of the emoluments of the Directors, having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong. The remuneration committee of the Company has delegated the responsibility to the executive Directors to approve specific remuneration packages of senior management since the executive Directors have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations.

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

During the year under review, meetings of the remuneration committee were held to consider and recommend to the Board the remuneration packages (including grants of share options) for certain employees of the Group and other eligible participants under the Share Option Scheme.

2. Nomination committee

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

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

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

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

During the year under review, no meeting of the nomination committee was required to be held as there was no new appointment of any Director, and the number of years of service of all independent non-executive Directors had been reviewed during the Board meeting held in March 2014 and no independent non-executive Directors were found to have served the Board for more than 9 years.

During the year under review, compliance with the policy concerning diversity of Board members (the "Policy") was reviewed with reference to the Board composition and measurable objectives to assess the achievement of the Policy.

Summary of the Company's Board diversity policy

(a) Purpose

The Policy sets out the approach to diversity of Board members.

(b) Scope of application

The Policy applies to the Board. It does not apply to diversity in relation to employees of the Group.

(c) Policy statement

The Company recognises and embraces the benefits of building a diverse Board to prevent biased decision-making when its members are homogenous. The Board believes that diversity at Board level is important to achieve and maintain a sustainable development and a competitive advantage of the Company.

The Board believes all Board appointments should be made on meritocracy having due regard to a range of diversity elements, including (but not limited to) gender, age, nationality, tenure of service with the Company ("Tenure"), presence of a substantial percentage of non-executive Directors on the Board to safeguard minority Shareholders' interests ("Directorship Designation") and at least one Director having directorship experience with other public company(ies) to keep the Board abreast of the current practices of other listed companies ("Other Public Company Directorship Experience"). These elements are considered to be complementary to the Board as a whole to enhance its quality and effectiveness of performance in a continuously balanced manner from time to time.

(d) Measureable objectives

Measurable objectives set for implementing the Policy include gender, age, nationality, Tenure, Directorship Designation and Other Public Company Directorship Experience.

(e) Monitoring and reporting

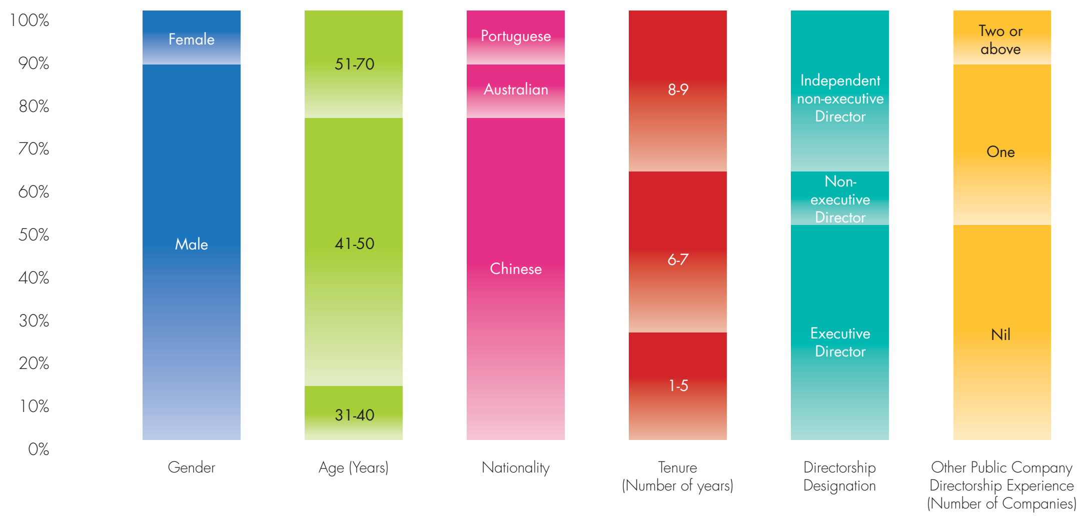
The nomination committee will review and monitor whether the measurable objectives of the Policy have been achieved annually. The Corporate Governance Report contained in the annual report of the Company each year will also disclose a summary of the Policy, the measurable objectives set for implementing the Policy and the status of whether such measurable objectives have been achieved.

(f) **Review of the Policy**

The nomination committee will review the Policy, as appropriate, to ensure its effectiveness. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Having reviewed the Board composition and the measurable objectives (including the gender, age, nationality, Tenure, Directorship Designation and Other Public Company Directorship Experience) chosen to assess the achievement of the Policy for the year under review as set out below, the nomination committee is of the view that the Board composition has achieved the measurable objectives and has complied with the Policy.

Board composition of the Company (composed of 8 Directors)



		Number of Directors	%
Gender	Male	7	87.5%
	Female	1	12.5%
Age (Years)	31–40	1	12.5%
	41–50	5	62.5%
	51–70	2	25.0%
Nationality	Chinese	6	75.0%
	Australian	1	12.5%
	Portuguese	1	12.5%
Tenure (Number of years)	1–5	2	25.0%
	6–7	3	37.5%
	8–9	3	37.5%
Directorship Designation	Executive Directors	4	50.0%
	Non-executive Director	1	12.5%
	Independent non-executive Directors	3	37.5%
Other Public Company Directorship Experience (Number of companies)	Nil	4	50.0%
	One	3	37.5%
	Two or above	1	12.5%

Measurable objectives	Achieved
Both genders present to ensure different views from different genders are considered	✓
Age spans over at least a decade to ensure a balanced mix of conservative and ambitious experience from relatively sophisticated veteran and energetic young Directors	✓
More than a single nationality to ensure the international perspectives and global view are considered	✓
Different tenures of Directors' service contracts to ensure the consistency of business strategies implemented by the veteran Directors being complemented by new ideas from relatively new Directors	✓
Presence of substantial percentage of non-executive Directors to ensure interests of minority Shareholders and the Company as a whole are considered	✓
At least one Director having experience with other public companies to share directorship experience from other public companies and help the Board keep abreast of the current practices of other public companies	✓

3. Corporate governance committee

The Company has established a corporate governance committee on 23 March 2012 with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The corporate governance committee is to assist the Board in performing the corporate governance duties as required under the Code. The corporate governance committee comprises two members, namely, the chairman of the Board, Mr. Sun Ho (as chairman of such committee), and the company secretary, being Mr. Wong Wai Sing (resigned on 7 March 2014) and Mr. Lai Yick Fung (appointed on 7 April 2014).

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

During the year under review, the corporate governance committee had prepared and adopted a checklist to facilitate the Company's assessment of potential connected transactions in response to the revised Chapter 20 of the GEM Listing Rules regarding connected transactions (which had taken effect in July 2014); and a new list of "connected persons" of the Group (identifying "connected persons" at the Company's level as opposed to subsidiaries' level) was compiled to facilitate the Company's future monitoring of potential connected transactions under the aforesaid new rules.

4. Audit committee

The Company has established an audit committee with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, consider the appointment or reappointment of auditors and provide advice and comments on the Group's draft annual, interim and quarterly results and reports to the Board.

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

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

AUDITORS' REMUNERATION

Remuneration to the auditors of the Company, HLB, amounted to HK$950,000 and HK$550,000 respectively for the provision of annual audit services and other audit services for the year ended 31 December 2014. The Group also committed HK$75,000 to HLB Hodgson Impey Cheng Taxation Services Limited (an affiliate of HLB) for the tax compliance work of the Company and certain subsidiaries for the year of assessment 2014/2015. A resolution for re-appointment of HLB as auditors of the Company will be proposed at the forthcoming annual general meeting. The Board concurs with the views of the audit committee in determining the re-appointment of auditors of the Company. There has been no change in auditors in any of the preceding five financial years.

MEETING ATTENDANCE

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

	Meetings attended/held						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting	Special General Meeting
Executive Directors							
SUN Ho	2/4	N/A*	N/A*	N/A (Note a)	1/1	1/1	1/1
Robert Geoffrey RYAN	4/4	N/A*	N/A*	N/A*	N/A*	1/1	1/1
BAI Jinmin	4/4	N/A*	N/A*	N/A*	N/A*	1/1	1/1
LIANG Yu	4/4	N/A*	N/A*	N/A*	N/A*	1/1	1/1
Non-executive Directors							
YANG Yang (retired on 5 May 2014)	0/1 (Note b)	N/A*	N/A*	N/A*	N/A*	0/1 (Note b)	N/A#
HO King Fung, Eric	4/4	N/A*	N/A*	N/A*	N/A*	0/1	1/1
Independent non-executive Directors							
Monica Maria NUNES	4/4	5/5	1/1	N/A (Note a))	N/A*	1/1	1/1
WANG Ronghua	4/4	5/5	1/1	N/A (Note a)	N/A*	0/1	0/1
HUA Fengmao	4/4	4/5	1/1	N/A (Note a)	N/A*	0/1	0/1

* Not applicable, as these Directors were not members of the relevant Board committees.

Not applicable, as Ms. Yang Yang retired as non-executive Director before the special general meeting of the Company held on 23 December 2014.

Notes:

a. During the year under review, no meeting of the nomination committee was required to be held as there was no new appointment of any Director, and the number of years of service of all independent non-executive Directors had been reviewed during the Board meeting held in March 2014 and no independent non-executive Directors were found to have served the Board for more than 9 years.

b. Only one Board meeting and one annual general meeting of the Company had been held during the year under review before Ms. Yang Yang retired as non-executive Director on 5 May 2014.

COMPANY SECRETARY

The company secretary is responsible for facilitating the Board's process and communications among Board members and with the Shareholders and the management, and advising the Board and its committees on all corporate governance matters. He reports to the chairman of the Board and/or the CEO and his selection, appointment or dismissal shall be a Board decision. During the year under review, Mr. Lai Yick Fung was appointed as the company secretary, authorised representative, member of the corporate governance committee and senior financial controller of the Company with effect from 7 April 2014, and a physical Board meeting was held to consider and approve his appointment as required under the Code provision F.1.2.

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

During the year under review, the company secretary, Mr. Lai Yick Fung, had undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

INTERNAL CONTROL

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

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

A "Disclosure Policy" was also adopted by the Company, providing general guide to directors, officers, senior management and relevant employees of the Group in the handling of inside information and/or monitoring of information disclosure pursuant to relevant rules and regulations.

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

The Company's principal share registrar and transfer agent in Bermuda is Codan Services Limited, Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Share registration matters shall be handled for the Shareholders by the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

(B) Shareholders sending enquiries to the Board

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

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

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

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

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

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

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

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

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

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

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

Required information of the candidate(s) nominated by Shareholders

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

a) full name and age;

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

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

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

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

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

g) interests in the Shares within the meaning of Part XV of SFO, or an appropriate negative statement;

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

i) contact details of the nominated candidate.

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

RESPONSIBILITY

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

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

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

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

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

Through Asia Gaming Technologies Limited (AGT) and its subsidiaries, the Group's joint venture with Ladbroke Group, the Group has developed and successfully launched China's only Ministry of Finance-approved virtual fixed odds sports betting system as well as its first games, "Lucky Racing" and "e-Ball Lottery".

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

CORPORATE STRATEGY AND OBJECTIVES

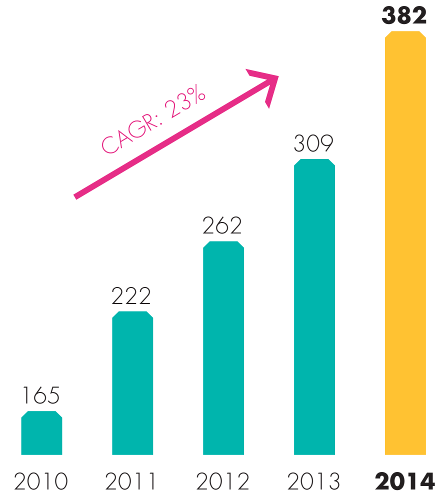
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and competitive legal lottery games to help the Chinese government to crack down on illegal gambling. We will continue to support both of China's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, in this respect. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the Chinese lottery markets both through the existing and any new remote channels. Our Group has been working with various world-renowned strategic partners in these efforts for many years.

INDUSTRY OVERVIEW

China's Lottery Market Achieved Sales of over RMB382 billion in 2014

2014 was another record year for the China lottery market. According to data published by the PRC's Ministry of Finance, total lottery sales reached over RMB382 billion. Sales increased by approximately RMB73 billion from the prior year, representing an annual growth rate of approximately 24%. According to figures published by Sina Lottery, this growth enabled the lotteries to distribute over RMB102 billion to good causes during 2014, the largest amount in the lotteries' history.

Total Lottery Sales
2010-2014 (RMB billion)



Source: PRC Ministry of Finance

As shown in the accompanying chart, the lottery has delivered ever increasing sales between 2010 and 2014, growing at a compound annual growth rate ("CAGR") of approximately 23% in this period. This growth has been driven by a number of factors including growth in disposable income, increased prize payout ratios, the introduction of more appealing products as well as changes to the retail distribution network through the nascent interface between the retail network and remote channels.

Despite the impressive growth of the Welfare Lottery and Sports Lottery in recent years, compared with other countries, China's lottery participation rates are at an extremely low level. This is reflected in China's ratio of lottery gross win (stakes less prizes) to GDP being far lower than in other countries in the region. This lack of penetration by the regulated products is driven by a number of factors which include constraints on distribution with respect to low numbers of shops per capita and the nascent stage of development of the remote channel, gaps in terms of the breadth of certain products (e.g. sports betting) and finally, particularly for the products with higher play frequency such as sports betting, virtual sports betting and high frequency games, payout ratios which are not sufficiently high to effectively compete with the illegal market.

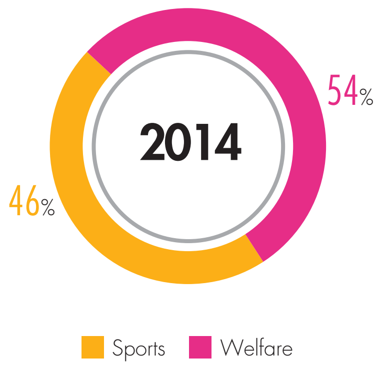
The authorities in China are committed to channeling the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network. This process is already well underway and is a vital step to ensure that the vulnerable in Chinese society are adequately protected,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

INDUSTRY HIGHLIGHTS

China has two legal lottery operators: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery).

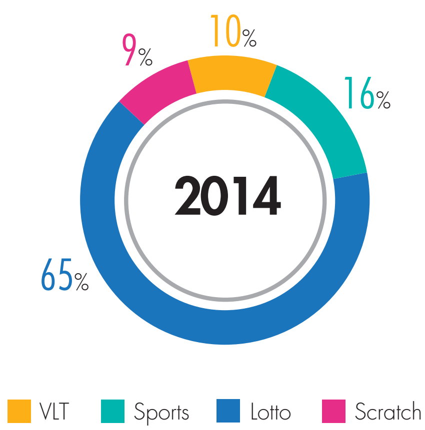
These lotteries have four main product categories: draw games that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour (Lotto), sports betting (Sports), video lottery terminals (VLT) and instant scratch cards (Scratch). Of these products, Lotto and Scratch are common to both lottery operators. Only the Sports Lottery is permitted to offer Sports, however. Historically, VLT has only been permitted in the Welfare Lottery although it is anticipated that a trial VLT product will be launched in the Sports Lottery during 2015.

Total Lottery Sales by Lottery (2014)



Source: PRC Ministry of Finance

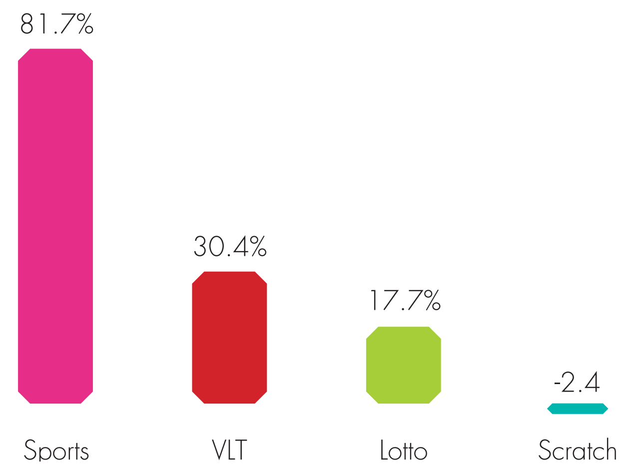
Total Lottery Sales by Major Game Type (2014)



Source: PRC Ministry of Finance

The overall growth of lottery sales in China during 2014 of approximately 23% masks significant differences within each of the product categories. Whilst Sports and VLT enjoyed very strong growth, Lotto grew more modestly and Scratch posted another year of declining sales figures.

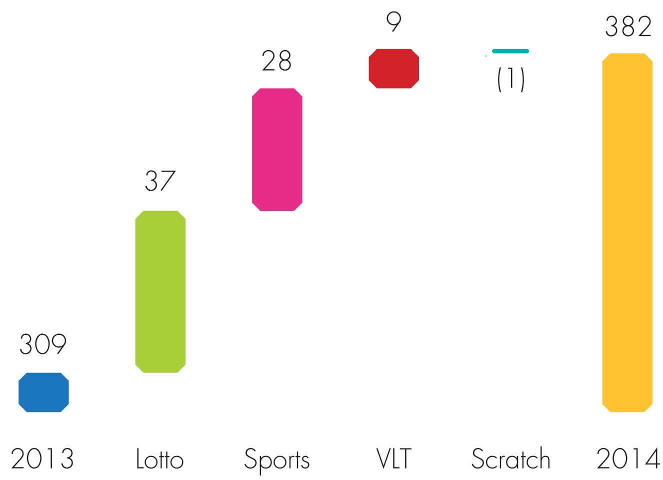
Lottery Sales Growth Comparison by Product (2014 vs 2013)



Source: PRC Ministry of Finance

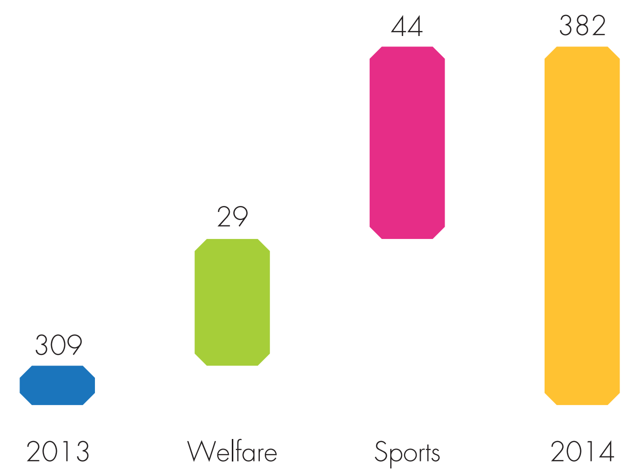
Given the very strong sales growth of the Sports product during 2014, reflecting the popularity of the 2014 FIFA World Cup tournament, the Sports Lottery grew considerably more rapidly than the Welfare Lottery during 2014. In absolute terms, the Sports Lottery generated approximately 60% of national ticket sales growth during 2014.

Lottery Sales Bridge 2013–2014: By Product (RMB billion)



Source: PRC Ministry of Finance

Lottery Sales Bridge 2013–2014: By Lottery (RMB billion)



Source: PRC Ministry of Finance

Performance by Product Type

1. **Sports**

Only the Sports Lottery is permitted to offer the Sports product.

There are two main game categories within Sports, single match betting and traditional football betting. Whilst both formats permit betting on FIFA Category A soccer matches (for example the English Premiership, European Champions League, the FIFA World Cup, etc.), single match betting differs from the traditional football betting category in two respects. Traditional football betting obliges the player to predict the outcome of every forthcoming match in a given period whereas in single match betting players can bet on just one event. In addition, single match betting players are not restricted to football betting since they can also bet on the United States' NBA basketball tournament. Within the single match betting category there are two game sub-types: Jing Cai, a product allowing pool or pari-mutuel betting on single matches or fixed odds betting on more than one match (multiples or accumulators) and Beijing single match (available in Beijing, Tianjing and Guangdong province only) where all bets (singles or accumulators) are pari-mutuel in nature.

Sports as a category grew by approximately 82% in 2014. This phenomenal growth rate has been attributed to the impact of the hugely popular FIFA World Cup which took place during the summer of 2014. While traditional football betting grew by just 14% in this period, single match betting grew by approximately 97% and now accounts for approximately 85% of the entire category. During 2014, new rules were approved for Sports that will see the permitted prize payout ratio increase to 73%. The impact of this increase is expected to be seen during 2015.

It is clear that the single match product and its fixed odds prize structure is particularly popular with Chinese players. This is consistent with our experiences in terms of the performance of our virtual sports betting games. Lucky Racing and e-Ball lottery also feature a fixed odds betting model and this gives us confidence that the roll-out of these virtual lottery games is likely to prove highly successful.

2. VLT

Video lottery terminals are networked self-service lottery terminals that facilitate rapid play of themed, graphically-rich lottery games that are not available for play via the other product categories. Industry estimates suggest that the Welfare Lottery has an installed base of approximately 28,000 such terminals in approximately 1,000 VLT halls across China. Although extremely popular and growing rapidly, due to its relatively low base, the overall contribution to national lottery sales from the VLT product remains modest. Sales in 2014 were approximately RMB29 billion, representing approximately 10% of the national market. 2015 may be an interesting year for this product category in light of the trial VLT approval recently granted to the Sports Lottery.

3. Lotto

Lotto contributed sales of approximately RMB249 billion during the year and remains by far the largest category. The annual growth rate of 17.7%, however, showed a decline from the previous year's rate of approximately 21.4%. The growth of the Lotto category is being driven by modern high (draw) frequency games (HFG) which grew at over 26% during 2014. The traditional daily or weekly draw games grew by just approximately 9% which reflects their relatively maturity. In 2014, annual HFG sales exceeded traditional lotto draw sales for the first time.

We expect both the Welfare Lottery and the Sports Lottery to continue to exploit the popularity of HFG. Since Lucky Racing, AGT's proprietary game, is classified as a high frequency game we believe that our Virtual Sports Lottery business is likely to benefit from this trend through the planned roll-out of Lucky Racing to more province(s) in China, for example.

4. Scratch

In 2014, sales of Scratch tickets were approximately RMB34.3 billion, a decline of approximately 2.4% from the previous year. Sales of the Scratch product are exhibiting a multi-year downward trend. Scratch accounted for approximately 9% of the total lottery market in 2014 compared to approximately 11% and approximately 15% in the preceding two years. The increase in the payout ratio of other products such as HFG has created an attractive substitutable product in the market whilst, unlike other products, Scratch sales have not benefitted from the nascent online/mobile distribution channel links that have been established with the retail network. Finally, the paper scratch product, like traditional draw based games in the Lotto category, is a relatively mature product in the China lottery market.

BUSINESS REVIEW

Gaming Technologies Business

Virtual Sports Betting

The Group supplied its virtual sports lottery game "e-Ball Lottery" ("e球彩") to the launch province of Jiangsu during the year. Meanwhile, our first game, "Lucky Racing" ("幸運賽車"), has continued to be operated successfully in the province of Hunan, in advance of a planned rollout to more province(s) across the PRC. The e-Ball game is a football themed virtual sports lottery game with a 69% payout ratio. It is only the second Ministry of Finance-approved, rapid draw, fixed-odds virtual sports lottery game in China. The other such game being the Group's Lucky Racing. e-Ball Lottery is live in China's largest Sports Lottery province and has been approved by the National Sports Lottery Administration Centre as a sports betting game. The first full year of e-Ball operations went smoothly. In close cooperation with our customer and the relevant lottery authorities in China, we continually optimised the game and we are encouraged by the potential of this game. Like Lucky Racing, we expect that e-Ball will roll out to more provinces in China in due course. Following the successful launch of Lucky Racing and e-Ball Lottery, virtual sports lottery has become a high growth and diversified game category and it is fully accepted by China's market.

Lucky Racing, e-Ball Lottery and the underlying betting transaction system on which these games run are supplied by AGT, the Group's majority-owned joint venture with Ladbroke Group (a world leader in sports betting and gaming, based in the United Kingdom). The games are virtual sports lottery games that are broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races or football matches respectively. The betting options are like those typically offered for live car racing or live football matches in other countries.

Lucky Racing has become a very popular lottery game in Hunan Sports Lottery. Our technical partners at the Sports Lottery have completed the technical preparation work of the national high frequency game platform and have satisfied the technical requirements necessary to carry our Lucky Racing game to other provinces beyond Hunan and we expect the game to be supplied to more province(s) in China in the relatively near future.

To date, Lucky Racing and e-Ball Lottery have been successfully launched in traditional dedicated Sports Lottery shops and the games are expected to be deployed to more province(s) via this channel. In addition, in due course, the games could be deployed in selected leisure venues (such as coffee shops and restaurants) and, as approved lottery products, the games have the potential to expand nationwide through other remote channels such as mobile and internet.

Gaming Hardware and Technology Development

The Group's GOT has retained its status as the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery during 2014 and continues to enjoy the largest share of the market. Through the recent acquisition of Zoom Read (completed on 8 January 2015), the Group has become a leading manufacturer and supplier of paper scratch card sales hardware in China. Through GOT and Zoom Read, AGTech supplies 29 provinces, cities and municipalities in total in China with lottery hardware.

The results of Zoom Read are not included in the Group's 2014 financial statements since the acquisition was completed on 8 January 2015. Zoom Read's results will be reflected in the Group's Q1 2015 financial statements and in future reporting periods.

2014 represented another good year for GOT domestically. The terminal replacement cycle in China's sports lottery market continued and GOT was chosen as a supplier by most of the provinces which concluded tenders during the year. This encouraging performance is testament to GOT's unparalleled reputation in the Sports Lottery field, gained during more than ten years of successful operation. During the year we continued to pursue international opportunities. Currently, GOT is in active discussions with a number of potential international customers and/or distributors of GOT terminals and has machines live or on trial in market such as South Africa, the United Kingdom, Italy, Austria and Canada.

The Group's hardware division plans to leverage its larger scope and increased product differentiation to maintain its domestic market share, grow its international sales and to broaden its product spectrum still further with new hardware ranges such as VLT which would be suitable for both domestic and international audiences.

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

Online and Mobile Lottery

To date, in line with the relevant lottery regulations, the Group has not conducted any online lottery sales or maintained any website to conduct such sales. However, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile.

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

With respect to mobile smart phones, China's lottery authorities are expected to create a fully regulated provincial mobile lottery distribution market in China. The Group is well positioned to participate in this market in various aspects through its recently acquired subsidiary.

With the Group's valuable PRC internet service provider and PRC internet content provider experience, as well as its excellent business track record and relationship, the Group has established close cooperation with the most advanced international companies and is committed to providing a full range of support and services to localise and develop China's mobile lottery systems and games.

Lottery Management Business

Lottery management services as currently provided by the Group primarily comprise long term contracts with provincial Sports Lottery authorities for services such as marketing and promotion consultancy and management.

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

The Group's lottery management business is performing in-line with expectations. The decline in sales in the Lottery Management Business during the period was due to the natural expiry of some of its provincial contracts. Looking forward, in view of the Group's transition to a professional and integrated lottery service provider, it is expected that the proportion of revenue contributed by the Lottery Management division will be modest. However, in light of the Group's valuable experience, solid background as well as its trusting cooperative relationships built up with various provincial lottery administration and distribution authorities through the existing lottery management business, together with new lottery technologies/terminals to be introduced and new developments in the new internet/mobile channel business, it is possible that new opportunities in the Lottery Management business will emerge. We are currently exploring and building new business co-operations and business models in this area.

BUSINESS OUTLOOK

The Directors expect 2015 to be a year of significant regulatory progress in the China lottery industry. China's lottery industry will introduce relevant laws and regulations (particularly on internet and mobile distribution) which will further regulate and professionalise lottery supervision. Based on accurate interpretation of national regulations and policies, the Group has successfully grasped industry trends and formulated its long-term and stable strategic positioning and business development strategies in previous operation. We believe that, following the regulatory evolution of the Chinese lottery industry and relying upon the Group's competitive advantages formed in game development and channel construction, the Group will achieve a significant breakthrough in business development.

Earlier this year, the "National Football Reform Overall Plan" was passed by China's Central Leading Group for Comprehensively Deepening Reforms. This development positions the sport of football in the overall social economy development plan of China and is expected to bring material benefits to football-related industries, including the sports lottery industry. In particular, it is proposed that the direction of the plan is "the proactive research and development on the issuance of football lottery relating to betting on the China Football Super League". This will enhance the status of sports betting lottery in terms of policy. Thanks to the Group's strengths in advanced and creative lottery game system and content development, we expect to be able to grasp the opportunities brought about by the forthcoming evolution in the sports industry and actively promote various virtual sports lottery games including "Lucky Racing" and "e-Ball Lottery".

In the area of remote (i.e. online and mobile) lottery ticket distribution, we anticipate that there will be a more clearly regulated operation, management and distribution model. In the internet channel, in the fullness of time, we expect to see both the Welfare and Sports Lotteries develop national-level platforms to sell selected pre-approved lottery products online on behalf of the provinces and through licensed internet distributors. In the area of mobile, the Group is well positioned in the race to supply the related system and content technology to one or more of the first-mover provinces (subject to the relevant approvals).

With respect to retail lottery stores, with the 2014 FIFA World Cup now behind us, the Directors anticipate an increasing urgency within the Sports Lottery. Taken together with the completion of the Sports Lottery's national high frequency game platform, this bodes very well for the Group's approved proprietary games Lucky Racing and e-Ball as well as its pipeline of planned new products.

Finally, on the topic of hardware, with our leading positions in both point of sale and handheld scratch card hardware as well as our first class international partnerships and long track-record in the China lottery, we believe that AGTech is very well positioned to take advantage of new opportunities in hardware.

Taken together with the continuing underlying revenue growth of the lottery business in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group for 2015 and beyond.

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

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK$211.1 million (2013: approximately HK$208.4 million), representing an increase of approximately 1.3% over 2013. Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) business and from provision of sports lottery management and marketing consultancy services in the PRC. During the year under review, the gross profit margin percentage stood at approximately 33.0% (2013: approximately 43.8%). The decrease in gross profit margin percentage was mainly attributable to (i) change in business mix (being drop in revenue from the Group's higher-margin lottery management business due to the expiry of certain contracts in such business line as a result of the Group's transition of its core business from the legacy, lower-growth lottery management business to fully integrated services involving its advanced, higher-growth gaming technologies business); (ii) the fact that the gross profit margins for GOT in 2014 were lower than those in 2013 as a result of the increasingly competitive lottery terminal supply market in China; and (iii) increase in cost of sales and services of approximately HK$4.9 million due to the establishment of a data centre for rolling out the e-Ball Lottery game.

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

Liquidity and financial resources

Net bank balances and cash (defined as total bank balances and cash, fixed deposit held at bank with original maturity over three months and pledged bank deposit less total bank borrowings) as at 31 December 2014 were approximately HK$315.6 million (2013: approximately HK$286.5 million). The total assets and net current assets of the Group as at 31 December 2014 were approximately HK$1,335.6 million and approximately HK$374.4 million respectively (2013: approximately HK$1,314.4 million and approximately HK$381.6 million respectively). Current liabilities of the Group as at 31 December 2014 were approximately HK$66.4 million (2013: approximately HK$44.1 million). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2014 was approximately 6.6 (2013: approximately 9.6) which continuously reflected adequacy of financial resources of the Group.

Capital structure and foreign exchange risk

During the year under review, the Group was operated on a debt-free capital structure. The Group financed its operations primarily with internally generated cash flows as well as the proceeds from the previous fund raising exercise and from the exercising by grantees of the share options granted under the Share Option Scheme. The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2014 was nil (2013: nil).

As at 31 December 2014, majority of the Group's bank deposits were denominated in HK$ and RMB. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in HK$ and RMB, which is not freely convertible into foreign currencies, the Group faced minimal foreign exchange risk during the year under review. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review.

Contingent liabilities and capital commitment

As at 31 December 2014, the Group did not have any material contingent liabilities and capital commitment.

Significant investments, material acquisitions and disposals during the year under review

As disclosed in the Circular, an agreement dated 17 November 2014 (the "Sale and Purchase Agreement") was entered into between the Company, Silvercreek Technology Holdings Limited (being a wholly-owned subsidiary of the Company, as purchaser (the "Purchaser")), Immense Wisdom Limited ("IWL"), King Achieve Limited ("KAL") (with IWL and KAL together as vendors (the "Vendors")) and Score Value Limited (the "Target", together with its subsidiaries, the "Target Group") in relation to the acquisition by the Purchaser of a 100% equity interest in the Target (the "Acquisition") for a maximum consideration of HK$489.5 million (subject to downward adjustments). The maximum consideration is to be satisfied as to HK$239.5 million in cash and as to HK$250.0 million by way of the allotment and issue of a maximum of 168,918,918 Consideration Shares (as defined in the Circular) at the issue price of HK$1.48 per Share. Subject to the Target Group meeting certain operational targets as set out in the Sale and Purchase Agreement, the Company shall also grant the Bonus Options (as defined in the Circular) to the Vendors which shall entitle the Vendors to subscribe for a maximum of 166,666,666 Bonus Option Shares (as defined in the Circular) at a subscription price of HK$1.8 per Bonus Option Share.

The Target Group is principally engaged in the research and development, quality assurance and sale of handheld lottery sales equipment, provision of aftersales maintenance of such devices, and design of lottery games and system development in the PRC.

The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules and was approved by the Shareholders at the special general meeting of the Company held on 23 December 2014. The Acquisition was completed on 8 January 2015 and as a result, the Target has become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Save for the Acquisition disclosed above, there were no significant investments, material acquisitions and disposals during the year ended 31 December 2014.

Employees' information and remuneration policies

As at 31 December 2014, the Group had 218 (2013: 215) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2014 amounted to approximately HK$67.2 million (2013: approximately HK$45.8 million).

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

Charges on Group's assets

As at 31 December 2014, bank deposit of approximately HK$3.0 million (2013: nil) was held in a designated bank account to secure a letter of guarantee granted to the Group. The pledged bank deposit will be released upon expiry of the relevant letter of guarantee.

Save as disclosed above, as at 31 December 2014, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

Save as disclosed in the paragraph headed "Significant investments, material acquisitions and disposals during the year under review" above, there was no specific plan for material investments and acquisition of capital assets as at 31 December 2014.

Significant event after the reporting period

As disclosed in the paragraph headed "Significant investments, material acquisitions and disposals during the year under review" above, the Acquisition was completed on 8 January 2015. In addition, pursuant to the Sale and Purchase Agreement in respect of the Acquisition, the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK$300 million to the Vendors upon fulfilment of certain pre-conditions at a later stage, including profit guarantees of an average of RMB20 million (equivalent to approximately HK$25.3 million) per year provided by the Vendors in respect of a subsidiary of the Target for each of the three financial years ending 31 December 2015, 2016 and 2017 as described in the paragraph headed "Deferred Consideration" on pages 9 and 10 of the Circular. The Company will make further announcement(s) in due course when the status of any of these deferred consideration settlements can be ascertained.

Significant changes to financial position

Inventories as at 31 December 2014 was approximately HK$25.3 million (2013: approximately HK$46.5 million), with inventory turnover period decreased from 111 days in 2013 to 93 days in 2014. Trade receivables as at 31 December 2014 was approximately HK$31.1 million (2013: approximately HK$37.3 million), with debtor turnover period decreased from 100 days in 2013 to 59 days in 2014. It reflects the Group's more stringent control on working capital management.

The decrease in current tax liabilities from approximately HK$2.5 million as at 31 December 2013 to approximately HK$0.4 million as at 31 December 2014 was due to the decrease in assessable profits of certain subsidiaries of the Group in the PRC.

Fund raising exercise and use of proceeds

As disclosed in the announcements of the Company dated 6 May 2013 and 21 May 2013, the Company completed on 21 May 2013:

(i) a placing of 406,521,739 Shares at the placing price ("Placing Price") of HK$0.345 each under general mandate ("Placing") to not less than six independent individual, corporate, professional and/or institutional investors ("Placees"); and

(ii) the grant of an option ("Option") under general mandate to Rainwood Resources Limited, entitling it to subscribe for up to 212,879,224 Shares at an exercise price of HK$0.40 per Share (subject to adjustments) over an exercisable period of three years.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Placees (including Rainwood Resources Limited) and their respective ultimate beneficial owners (if any) were third parties independent of and were not connected with the Company and its connected persons (as defined in the GEM Listing Rules); and (ii) none of the Placees and their respective associates became a Substantial Shareholder (as defined in the GEM Listing Rules) of the Company immediately upon completion of the Placing.

The aggregate nominal value of the 406,521,739 Shares under the Placing was approximately HK$813,043. The Placing Price represents a discount of approximately 19.8% to the closing price of HK$0.43 per Share as quoted on the Stock Exchange on 3 May 2013, being the date of agreement in respect of the Placing. The net Placing Price, after taking into account the commission for and expenses of the Placing, was approximately HK$0.34 per Share. The net proceeds of the Placing received by the Company amounted to approximately HK$138 million ("Placing Proceeds"), and the Option has not been exercised as at the date hereof. The Placing Proceeds together with the aggregate exercise price receivable by the Company if the Option is exercised in full shall amount to approximately HK$223 million.

The Group financed its operations primarily with internally generated cash flows as well as the proceeds from the Placing and from the exercising by grantees of the share options granted under the Share Option Scheme. Primarily due to the Placing Proceeds raised, the bank balances and cash of the Group increased from HK$137,666,360 as at 31 December 2012 to HK$295,017,209 as at 30 June 2013, thus strengthening the working capital position of the Group.

As disclosed in the aforesaid announcement dated 6 May 2013, the Directors considered it beneficial for the Group to raise funds through the Placing. The Placing represented a good opportunity to raise additional general working capital for future business development of the Group, and would enhance the capital and Shareholders' base of the Company, thereby increasing the liquidity of the Shares. In addition, the Placing Proceeds were intended to be used for business development, working capital of the Group, and/or investments undertaken or to be made by the Group should suitable investment opportunities arise including, but not limited to, investment opportunities in relation to any entertainment, hotel and/or leisure related business in Macau.

The actual usage of the Placing Proceeds has been as follows:

Period under review	Aggregate amount used during period under review	Purpose of usage	Remaining balance of Placing Proceeds as at the last date of the period under review
Since completion of the Placing on 21 May 2013 up to and including 31 December 2013	approximately HK$37 million	for working capital of the Group	approximately HK$101 million*
From 1 January 2014 up to and including 31 December 2014	approximately HK$14 million	for working capital of the Group	approximately HK$87 million*
From 1 January 2015 up to the date of this report	approximately HK$87 million	for investment in 100% equity interest in Score Value Limited as disclosed in the Circular and for working capital of the Group	Nil

* The remaining balance was placed in the bank savings account of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sun Ho – Executive Director, Chairman & CEO

Mr. Sun Ho, aged 46, is the executive Director, chairman & CEO, authorised representative, compliance officer and member of each of the nomination and corporate governance committees of the Company. He is also the director of various subsidiaries of the Company and is responsible for the strategic planning, business development and general management of the Group. Other than the Company, Mr. Sun did not hold any directorship in any listed companies in the past three years.

Mr. Sun also has extensive experience in auditing and financial management of enterprises. He holds a bachelor degree in Economics from the University of Sydney in Australia and a master degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Sun is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. As a part-time researcher of the China Center for Lottery Studies, Peking University, Mr. Sun has completed a number of significant research studies regarding the development and future prospects of the Asia Pacific's gaming markets. Mr. Sun has been dedicating himself to the development of China's lottery markets.

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

Mr. Robert Geoffrey Ryan, aged 56, is the executive director and head of gaming of the Company. He is also the director of various subsidiaries of the Company, responsible for corporate strategic planning and business development.

Mr. Ryan brings to the Company over 22 years of experience in senior roles within the international gaming and wagering industry. Mr. Ryan has accumulated a broad range of operational, business development and implementation expertise across industry sectors including sports betting operations, on-line lottery operations, pari-mutuel and fixed odds wagering, electronic gaming machine (EGM) and video lottery terminal (VLT) operations, casino operations and gaming systems implementation/integration. Through his tenure with Australia's leading gaming companies, Tabcorp Holdings Limited (Australia's largest gaming and wagering company), Jupiters Limited (casinos and hospitality) and AWA Limited (gaming systems), Mr. Ryan has developed and/or managed gaming operations within Asia and the Asia Pacific region including India, Malaysia, Philippines, Vietnam and Thailand. In his previous role of Regional Manager with Tabcorp, Mr. Ryan was instrumental over a 3-year campaign to have Tabcorp systems, lottery game designs and operations approved in China at the central government level. Mr. Ryan shall provide advice and assistance to the Group with respect to gaming operations design and implementation, business development and gaming business review.

Mr. Bai Jinmin – Executive Director

Mr. Bai Jinmin, aged 48, is the executive director of the Company. He is also the director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

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

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

Mr. Liang Yu – Executive Director

Mr. Liang Yu, aged 42, is the executive director of the Company. He also acts as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

Mr. Liang has approximately 18 years of law practice experience. Before joining the Company, Mr. Liang was a partner with Haiwen & Partners, a law firm in the PRC. He advised clients on a variety of legal issues involving foreign direct investment and private equity investment in the PRC as well as other forms of foreign trade and economic cooperation activities. In addition, Mr. Liang has extensive experience in the area of dispute resolution in respect of international commercial transactions.

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

Mr. Ho King Fung, Eric – Non-executive Director

Mr. Ho King Fung, Eric, aged 38, graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees, is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and an associate solicitor between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and the head of Hong Kong and Macau Origination. He is a committee member of the Chinese People's Political Consultative Conference of Beijing and the president of Macau Money Exchangers' Association of Macao. Mr. Ho was also the award winner of the Chinese Economics Elite Award in 2009.

From April 2011 to April 2012, Mr. Ho was the non-executive director of United Energy Group Limited (HKSE Stock Code: 467). Mr. Ho has been appointed as the independent non-executive director of Nature Home Holding Company Limited (previously known as Nature Flooring Holding Company Limited) (HKSE Stock Code: 2083) since May 2011. And, Mr. Ho has been appointed as the non-executive director of EPI (Holdings) Limited (HKSE Stock Code: 689) since April 2013 and was redesignated as non-executive chairman of EPI (Holdings) Limited on 30 July 2013.

Ms. Monica Maria Nunes – Independent Non-executive Director

Ms. Monica Maria Nunes, aged 46, has been appointed as independent non-executive Director as well as chairperson of each of the audit, remuneration and nomination committees of the Company. She was first appointed as an executive director of Vodatel Networks Holdings Limited ("Vodatel"), the shares of which are listed on GEM (stock code: 8033), on 13th December 1999. She is the finance director and the Compliance Officer of Vodatel. She graduated from the University of Calgary, Canada with a bachelor degree in commerce and from the University of Hong Kong, the PRC, with a master degree in social sciences. She has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is an associate of the Chartered Institute of Management Accountants and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of Chartered Global Management Accountant.

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 69, is the First Advisory Officer of Beijing Budding Flower International Cultural Promotions Co., Ltd.. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

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

Mr. Hua Fengmao – Independent Non-executive Director

Mr. Hua Fengmao, aged 46, is the Chairman of China Finance Strategies Investment Holdings Ltd. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

Mr. Hua obtained a bachelor degree and a master degree in English Language & Literature from the Shanghai International Studies University, Shanghai, the PRC. Mr. Hua obtained a master degree in Business Administration from the International University of Japan, Niigata, Japan. Mr. Hua held various positions in various investment banks, including the managing director of BOCOM International Holdings Company Limited, the managing director of investment banking of CLSA Equity Capital Markets Limited, the general manager of Cazenove Asia Limited, manager of ICEA Capital Limited and associate investment banking officer of Bank of America NT&SA.

SENIOR MANAGEMENT

Mr. Shen Weihong

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

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

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

Mr. Fu Xiaobing

Mr. Fu is appointed as the Chief Technical Officer of the Company. Mr. Fu has over 11 years of experience in the lottery industry in terms of technology business research and development. Prior to joining the group, Mr. Fu was the chief of the Lottery Technology Security Research and Development Centre in Chinese Academic of Sciences. Mr. Fu has rich experience with lottery industry as well as system architecture technology and has been engaged in researching and developing lottery games, lottery system security, testing as well as industry standard development. Mr. Fu holds a bachelor degree in Engineering from China University of Petroleum as well as MBA from Renmin University of China.

Mr. Xu Zhengning

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

Mr. Xu has nearly 17 years of experience in China's sports lottery business and possesses professional knowledge of the system design, lottery game development, technical implementation, maintenance and support of the computerized sports lottery system. Prior to joining the Group, Mr. Xu was a system engineer and project manager of 北京電彩計算機系統有限公司 (Beijing Lottery Computer Systems Co., Ltd.) and 中體彩科技發展有限公司 (China Sports Lottery Technology Development Co., Ltd.), respectively.

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

Mr. Geaspar Byrne, CFA

Mr. Geaspar Byrne joined the Company as the Head of Corporate Development, Strategic Planning and Investor Relations in 2012.

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

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

Mr. Lai Yick Fung

Mr. Lai is the Senior Financial Controller of the Group and Secretary of the Company. He obtained a Bachelor of Arts Degree in accountancy in Hong Kong Polytechnic University and a Master of Science Degree in Financial Management in University of London. Mr. Lai is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrations and the Taxation Institute of Hong Kong. Mr. Lai had worked for an international accounting firm and a number of listed companies in Hong Kong and the United States as senior management and has years of experience in auditing, accounting and financial management.

Ms. Lam Yan Tung Connie, CFA

Ms. Lam Yan Tung Connie, is the Vice President – Corporate Finance & Project Management of the Company. Ms. Lam has extensive experience in corporate finance and investment banking, and is primarily responsible for the Group's mergers and acquisitions, corporate finance, project planning, investor relations and public communications. Previously, Ms. Lam had worked for various investment banking institutions in Hong Kong, providing advisory services to listed companies on initial public offerings, mergers and acquisitions, and other corporate finance activities.

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

Mr. Adam Greenblatt

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

Mr. Andy Wilson

Mr. Andy Wilson is a director of three of the Company's subsidiaries, namely Asia Gaming Technologies Limited, 亞博泰科科技（北京）有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.), and 亞博泰科科技（天津）有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.). Mr. Wilson joined Hilton Group plc as Financial Analyst in 1999 and moved to the Group Consolidation Accountant role two years later. By 2002, Mr. Wilson moved to the role of Head of Management Reporting for Ladbrokes plc. In 2006, Mr. Wilson was appointed as Head of Group Financial Reporting, and subsequently was appointed to his current role as Group Financial Controller for Ladbrokes plc in 2009. Prior to this Andy worked at KPMG in the Travel, Leisure and Tourism practice. Andy holds a degree in Mathematics and Accounting from the University of Kent and is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Michael Charlton

Mr. Michael Charlton is a director of three of the Company's subsidiaries, namely, Asia Gaming Technologies Limited, 亞博泰科科技（北京）有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) and 亞博泰科科技（天津）有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.). Mr. Charlton has over 18 years' experience in the Leisure & Gaming industry and is currently responsible for developing Ladbrokes plc's international business in the Asian region. Mr. Charlton joined Ladbrokes plc following his graduation from Glasgow University in 1995. During his time with Ladbrokes plc he has held various senior management positions, initially within the Retail sector of the business before joining the International Department in 2005. Mr. Charlton is currently China General Manager for Ladbrokes plc and serving as a director of Ladbrokes Lottery (Asia) Co. Limited.

Ms. Xu Qun

Ms. Xu Qun, is the general manager of Zoom Read. She is fully responsible for the overall operations and management of the company. Ms. Xu has about 20 years' experience in manufacturing business and possesses professional knowledge on financial management, tax planning and internal control for manufacturing enterprises. Before joining the Group, Ms. Xu had been a financial manager of Guangzhou Fengshen Group* (廣州風神集團), the deputy general manager of Guangzhou Fengshen Automobile Industry Foundation Development Ltd.* (廣州風神汽車產業基地開發有限公司). Ms. Xu was graduated from Zhengzhou Institute of Aeronautical Industry Management, majoring in financial management.

Mr. Cao Rui

Mr. Cao Rui is the Head of Technical Department of Creative Mind, responsible for the design and development of new game products as well as research, development, design architecture and implementation of the associated systems. Mr. Cao has over 10 years' experience in the China lottery industry, possessing expertise in instant scratch tickets and innovative lottery products, game rules design and the construction and maintenance support of large-scale systems. Before joining the Group, he had handled the construction of the National Monetary Logistics Information System (國家貨幣物流信息系統) and other national systems requiring extremely high security. Mr. Cao holds a master degree of science from Nankai University, the PRC.

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 36 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 88.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 31 to the consolidated financial statements.

RESERVES

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the past 5 years ended 31 December 2014 is set out on page 84.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Ms. Yang Yang	(appointed on 3 December 2007 and retired on 5 May 2014)
Mr. Ho King Fung, Eric	(appointed on 23 May 2013)

Independent non-executive Directors:

Ms. Monica Maria Nunes	(appointed on 20 June 2013)
Mr. Wang Ronghua	(appointed on 19 July 2006)
Mr. Hua Fengmao	(appointed on 19 July 2006)

In accordance with Bye-law 87 of the Company, certain remaining Directors (namely, Mr. Ho King Fung, Eric ("Mr. Ho"), Mr. Wang Ronghua ("Mr. Wang") and Mr. Hua Fengmao ("Mr. Hua")) will retire by rotation at the forthcoming annual general meeting of the Company to be held on 5 May 2015 (the "AGM"). Mr. Ho shall offer himself for re-election as non-executive Director at the AGM. As both Mr. Wang and Mr. Hua have been independent non-executive Directors for over 8 years since 19 July 2006 and serving the Board for more than 9 years could be relevant to the determination of a non-executive Director's independence according to the code provision A.4.3 in Appendix 15 of the GEM Listing Rules, Mr. Wang and Mr. Hua have decided to retire from the Board following the conclusion of the AGM and shall not offer themselves for re-election as independent non-executive Directors.

The Company shall appoint Mr. Feng Qing ("Mr. Feng") and Ms. Liao Zhaohui ("Ms. Liao") as independent non-executive Directors with effect from 4 May 2015. In accordance with Bye-law 86 of the Company, Mr. Feng and Ms. Liao shall hold office until the next following general meeting of the Company (i.e. the AGM) and shall then be eligible for re-election at that meeting. The biographical details of Mr. Ho, Mr. Feng and Ms. Liao will be disclosed in the circular of the Company to be despatched to the Shareholders on or before 31 March 2015.

DIRECTORS' SERVICE AGREEMENTS

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

Mr. Robert Geoffrey Ryan was appointed as an executive Director under a renewed service agreement for a term of two years expiring on 30 April 2015, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Ryan was also appointed as directors of various subsidiaries of the Company.

Mr. Bai Jinmin was appointed as an executive Director under a renewed service agreement for a term commencing from 19 September 2014 and ending upon the conclusion of the 2017 annual general meeting of the Company to be held in May 2017, and during such period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Bai also entered into an employment contract with a wholly-owned subsidiary of the Company in the PRC with no fixed term of service and was appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Mr. Liang Yu was appointed as an executive Director under a renewed service agreement for a term commencing from 23 April 2014 and ending on 31 December 2016, and during such period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Liang also entered into an employment contract with a wholly-owned subsidiary of the Company in the PRC with no fixed term of service and was appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Ms. Yang Yang (retired on 5 May 2014) was appointed as a non-executive Director under a renewed service agreement for a term of two years expiring on 2 December 2015, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than one month's notice in writing.

Mr. Ho King Fung, Eric was appointed as a non-executive Director under a service agreement for a term of two years expiring on 22 May 2015, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than one month's notice in writing.

Each of Mr. Wang Ronghua and Mr. Hua Fengmao was appointed as independent non-executive Director under a renewed service agreement for a term commencing from 19 July 2014 and ending upon the conclusion of the annual general meeting of the Company to be held in May 2015, and Ms. Monica Maria Nunes was appointed as independent non-executive Director under a service agreement for a term of two years expiring on 19 June 2015. During the tenures of the aforesaid service agreements for these three independent non-executive Directors, such agreements may be terminated by either party thereto giving the other party not less than one month's notice in writing.

All the Directors have a service agreement which is determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

RETIREMENT OF A NON-EXECUTIVE DIRECTOR

During the year under review, Ms. Yang Yang retired as a non-executive Director with effect from the conclusion of the Company's 2014 annual general meeting which was held on 5 May 2014.

APPOINTMENT OF COMPANY SECRETARY, AUTHORISED REPRESENTATIVE, MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE AND SENIOR FINANCIAL CONTROLLER

During the year under review, Mr. Lai Yick Fung was appointed as the company secretary, authorised representative, member of the corporate governance committee and senior financial controller of the Company with effect from 7 April 2014.

CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Company reviewed its related party transactions and confirmed that there was no connected transaction or continuing connected transaction of the Company which is required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. None of the related party transactions set out in note 35 to the consolidated financial statements are such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in ordinary Shares:

	Number of Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Approximate percentage held**
Mr. Sun Ho	27,078,000	2,006,250,000 (Note 1)	2,033,328,000	45.79%
Mr. Robert Geoffrey Ryan	11,070,000	–	11,070,000	0.25%
Mr. Bai Jinmin	10,316,000	44,876,600 (Note 2)	55,192,600	1.24%
Mr. Liang Yu	8,038,250	–	8,038,250	0.18%
Mr. Ho King Fung, Eric	–	–	–	–
Ms. Monica Maria Nunes	375,000	–	375,000	0.01%
Mr. Wang Ronghua	3,115,000	–	3,115,000	0.07%
Mr. Hua Fengmao	2,605,000	–	2,605,000	0.06%

Notes:

1. These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, an executive Director and chairman of the Company, Mr. Sun was deemed to be interested in such Shares.

2. These 44,876,600 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

Name	Date of grant	Exercise price per Share (HK$)	Exercisable period	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2014
Directors:								
Mr. Robert Geoffrey Ryan	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	–	(5,316,000)	–	–
		0.2900	21 December 2014 – 20 December 2015	5,316,000	–	–	–	5,316,000
		0.2900	21 December 2015 – 20 December 2016	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	875,000	–	(875,000)	–	–
		0.1006	17 August 2014 – 16 August 2015	875,000	–	(875,000)	–	–
		0.1006	17 August 2015 – 16 August 2016	875,000	–	–	–	875,000
		0.1006	17 August 2016 – 16 August 2017	875,000	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	–	(2,000,000)	–	–
		0.4250	9 January 2015 – 8 January 2016	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2016 – 8 January 2017	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2017 – 8 January 2018	2,000,000	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2016 – 20 January 2017	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2017 – 20 January 2018	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2018 – 20 January 2019	–	1,250,000	–	–	1,250,000
Mr. Bai Jinmin	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	–	(5,316,000)	–	–
		0.2900	21 December 2014 – 20 December 2015	5,316,000	–	–	–	5,316,000
		0.2900	21 December 2015 – 20 December 2016	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2014 – 16 August 2015	875,000	–	–	–	875,000
		0.1006	17 August 2015 – 16 August 2016	875,000	–	–	–	875,000
		0.1006	17 August 2016 – 16 August 2017	875,000	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	–	(2,000,000)	–	–
		0.4250	9 January 2015 – 8 January 2016	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2016 – 8 January 2017	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2017 – 8 January 2018	2,000,000	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	2,500,000	–	–	2,500,000
		1.3100	21 January 2016 – 20 January 2017	–	2,500,000	–	–	2,500,000
		1.3100	21 January 2017 – 20 January 2018	–	2,500,000	–	–	2,500,000
		1.3100	21 January 2018 – 20 January 2019	–	2,500,000	–	–	2,500,000

Name	Date of grant	Exercise price per Share (HK$)	Exercisable period	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2014
Mr. Liang Yu	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	–	(5,316,000)	–	–
		0.2900	21 December 2014 – 20 December 2015	5,316,000	–	–	–	5,316,000
		0.2900	21 December 2015 – 20 December 2016	5,316,000	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2014 – 16 August 2015	875,000	–	–	–	875,000
		0.1006	17 August 2015 – 16 August 2016	875,000	–	–	–	875,000
		0.1006	17 August 2016 – 16 August 2017	875,000	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	–	(2,000,000)	–	–
		0.4250	9 January 2015 – 8 January 2016	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2016 – 8 January 2017	2,000,000	–	–	–	2,000,000
		0.4250	9 January 2017 – 8 January 2018	2,000,000	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2016 – 20 January 2017	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2017 – 20 January 2018	–	1,250,000	–	–	1,250,000
		1.3100	21 January 2018 – 20 January 2019	–	1,250,000	–	–	1,250,000
Ms. Yang Yang (Retired on 5 May 2014)	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	–	–	(500,000)	–
		0.2900	21 December 2014 – 20 December 2015	500,000	–	–	(500,000)	–
		0.2900	21 December 2015 – 20 December 2016	500,000	–	–	(500,000)	–
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	250,000	–	–	(250,000)	–
		0.4250	9 January 2015 – 8 January 2016	250,000	–	–	(250,000)	–
		0.4250	9 January 2016 – 8 January 2017	250,000	–	–	(250,000)	–
		0.4250	9 January 2017 – 8 January 2018	250,000	–	–	(250,000)	–
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	(125,000)	–
		1.3100	21 January 2016 – 20 January 2017	–	125,000	–	(125,000)	–
		1.3100	21 January 2017 – 20 January 2018	–	125,000	–	(125,000)	–
		1.3100	21 January 2018 – 20 January 2019	–	125,000	–	(125,000)	–
Mr. Ho King Fung, Eric (Appointed on 23 May 2013)	23 May 2013	0.4890	23 May 2014 – 22 May 2015	10,643,961	–	–	–	10,643,961
		0.4890	23 May 2015 – 22 May 2016	10,643,961	–	–	–	10,643,961
		0.4890	23 May 2016 – 22 May 2017	10,643,961	–	–	–	10,643,961
		0.4890	23 May 2017 – 22 May 2018	10,643,961	–	–	–	10,643,961

Name	Date of grant	Exercise price per Share (HK$)	Exercisable period	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2014
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	–	(500,000)	–	–
		0.2900	21 December 2014 – 20 December 2015	500,000	–	–	–	500,000
		0.2900	21 December 2015 – 20 December 2016	500,000	–	–	–	500,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	250,000	–	–	–	250,000
		0.4250	9 January 2015 – 8 January 2016	250,000	–	–	–	250,000
		0.4250	9 January 2016 – 8 January 2017	250,000	–	–	–	250,000
		0.4250	9 January 2017 – 8 January 2018	250,000	–	–	–	250,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	–	125,000
		1.3100	21 January 2016 – 20 January 2017	–	125,000	–	–	125,000
		1.3100	21 January 2017 – 20 January 2018	–	125,000	–	–	125,000
		1.3100	21 January 2018 – 20 January 2019	–	125,000	–	–	125,000
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	–	(500,000)	–	–
		0.2900	21 December 2014 – 20 December 2015	500,000	–	–	–	500,000
		0.2900	21 December 2015 – 20 December 2016	500,000	–	–	–	500,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	250,000	–	(250,000)	–	–
		0.4250	9 January 2015 – 8 January 2016	250,000	–	–	–	250,000
		0.4250	9 January 2016 – 8 January 2017	250,000	–	–	–	250,000
		0.4250	9 January 2017 – 8 January 2018	250,000	–	–	–	250,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	–	125,000
		1.3100	21 January 2016 – 20 January 2017	–	125,000	–	–	125,000
		1.3100	21 January 2017 – 20 January 2018	–	125,000	–	–	125,000
		1.3100	21 January 2018 – 20 January 2019	–	125,000	–	–	125,000
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014 – 19 June 2015	375,000	–	(375,000)	–	–
		0.4740	20 June 2015 – 19 June 2016	375,000	–	–	–	375,000
		0.4740	20 June 2016 – 19 June 2017	375,000	–	–	–	375,000
		0.4740	20 June 2017 – 19 June 2018	375,000	–	–	–	375,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	–	125,000
		1.3100	21 January 2016 – 20 January 2017	–	125,000	–	–	125,000
		1.3100	21 January 2017 – 20 January 2018	–	125,000	–	–	125,000
		1.3100	21 January 2018 – 20 January 2019	–	125,000	–	–	125,000

Note: A portion of the option representing 25% of the total underlying Shares entitled under such option shall be vested in the grantee of the option in each of the 4 years during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, so far as was known to the Directors or chief executives of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO:

a. Interests in the Shares:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner	2,006,250,000 (Note 1)	45.18%
Rainwood Resources Limited	Beneficial owner	311,852,000 (Note 2)	7.02%
Mr. Cheung Lup Kwan, Vitor	Interest of controlled corporation	311,852,000	7.02%

Notes:

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

2. These 311,852,000 Shares were held in the name of Rainwood Resources Limited, which is beneficially and wholly-owned by Mr. Cheung Lup Kwan, Vitor. Accordingly, Mr. Cheung was deemed to be interested in such Shares.

b. Long position in the underlying Shares in respect of the share option granted under general mandate by the Company (which was regarded as an unlisted physically settled equity derivative):

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Rainwood Resources Limited	Beneficial owner	212,879,224	4.79%
Mr. Cheung Lup Kwan, Vitor	Interest of controlled corporation	212,879,224 (Note)	4.79%

Note: On 21 May 2013, Rainwood Resources Limited was granted a share option under general mandate by the Company entitling it to subscribe for up to 212,879,224 Shares at an exercise price of HK$0.40 per Share (subject to adjustments) exercisable within a period of three years, which option was vested in the grantee on the date of grant. As disclosed above, Mr. Cheung Lup Kwan, Vitor was deemed to be interested in this share option by virtue of his interest in Rainwood Resources Limited.

Save as disclosed above, as at 31 December 2014, the Directors or chief executives of the Company were not aware of any other substantial Shareholder (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 31 December 2014, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives and substantial Shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

SHARE OPTIONS

A new share option scheme of the Company was approved by the Shareholders at the special general meeting held on 23 December 2014 and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on 18 November 2004 (which had expired on 17 November 2014). Particulars of the Company's Share Option Scheme and details of movements in the share options under such scheme during the year under review are set out in note 34 to the consolidated financial statements.

During the year ended 31 December 2014, options in respect of 43,488,238 Shares, 359,302,000 Shares and 25,000,000 Shares (totalling 427,790,238 Shares) were granted on 2 January 2014, 21 January 2014 and 19 August 2014 respectively to Directors, eligible employees and other eligible participants under the Share Option Scheme. Closing prices of the Shares immediately before 2 January 2014, 21 January 2014 and 19 August 2014 were HK$1.18 per Share, HK$1.39 per Share and HK$1.32 per Share respectively. No options were cancelled but options in respect of 15,302,500 Shares were lapsed during the year ended 31 December 2014.

As a result of the options exercised during the year ended 31 December 2014, 91,560,000 Shares were issued by the Company. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK$1.3961 per Share.

As at 31 December 2014, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 730,769,426 (2013: 409,841,688), representing approximately 16.46% (2013: 9.42%) of the Company's issued share capital as at that date.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	2014	2013
– the largest customer	**20.6%**	24.1%
– five largest customers combined	**56.7%**	55.9%

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

	2014	2013
– the largest supplier	**45.4%**	35.9%
– five largest suppliers combined	**88.4%**	78.0%

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

INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Directors) may be granted share options by the Company from time to time pursuant to the Share Option Scheme.

The remuneration committee reviews and recommends to the Board for approval of the emoluments of the Directors, having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong. The remuneration committee of the Company has delegated the responsibility to the executive Directors to approve specific remuneration packages of senior management since the executive Directors have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations.

CONTROL AGREEMENTS ADOPTED BY THE GROUP TO INDIRECTLY CONTROL AN OPERATING SUBSIDIARY OF THE COMPANY (NAMELY, SILVERCREEK) IN CHINA

A wholly-owned subsidiary of the Company, AGTech iGaming Limited, completed the acquisition of the entire issued share capital of Fortune Happy Investment Limited (the "Target Company") in December 2011.

The Target Company is a company incorporated in Hong Kong with limited liability and is an investment holding company holding a 100% equity interest in 深圳市福悅信息諮詢有限公司 (Shenzhen Fortune Happy Information Advisory Co., Ltd.*) (the "WFOE") which is a wholly foreign owned enterprise established under the laws of the PRC. The WFOE, in turn, controls a 100% equity interest in an operating subsidiary, Silvercreek, through a set of control agreements (the "Control Agreements") entered into between the WFOE and two individual shareholders of Silvercreek (the "Nominee Shareholders") who are PRC nationals acting as nominees to together hold the entire equity interest in Silvercreek on behalf of the WFOE. During the year under review, the Nominee Shareholders were Mr. Shen Weihong (who is a director of various subsidiaries within the Group including Silvercreek and holds a 95% equity interest in Silvercreek) and Mr. Yao Jinhua (who is the deputy general manager of Silvercreek and holds a 5% equity interest in it).

Silvercreek is a limited liability company established under the laws of the PRC and is principally engaged in (i) the provision of comprehensive phone and mobile betting solutions in the PRC which include: development of an intermediate platform between lottery organisations and telecom operators; provision of fund settlement services such as lottery bets investment, withdrawal and lottery prize distribution; provision of lottery information publication services; and phone and mobile betting promotion services (collectively referred to as the "Restricted Business"); and (ii) the provision of consultancy services.

Silvercreek holds the necessary PRC internet content provider and PRC telecom service provider licences to operate the Restricted Business in the PRC which is subject to foreign investment restrictions. Accordingly, the Control Agreements were adopted so as to allow the WFOE (being a wholly-owned subsidiary of a foreign company, namely, the Target Company) to gain full effective control over the management and financial operation of Silvercreek and enable the economic benefits of Silvercreek to be consolidated into the consolidated financial statements of the Group. The Control Agreements were not adopted for reasons or requirements other than the aforesaid foreign investment restrictions in respect of the Restricted Business in the PRC. For the year ended 31 December 2014, revenue totalling approximately HK$16.1 million and net assets totalling approximately HK$7.4 million of Silvercreek were consolidated into the consolidated financial statements of the Group via the Control Agreements.

Set out below is a summary of the Control Agreements and their key terms which serve to protect the interests of the WFOE as the beneficial owner of Silvercreek:

(i) under a *loan agreement (貸款協議)* between the WFOE and the Nominee Shareholders, the WFOE (as the lender) agreed to lend a loan amounting to RMB50 million (equivalent to approximately HK$63.2 million) to the Nominee Shareholders (as the borrowers) for their onward investment in Silvercreek such that they will together have 100% equity interest in Silvercreek. The loan must only be repaid by way of the Nominee Shareholders transferring their equity interests in Silvercreek to the WFOE or its nominee and may only be used by the Nominee Shareholders for the purpose of investing in Silvercreek as its increased registered capital. The Nominee Shareholders shall pay any dividends, interests or benefits received from Silvercreek to the WFOE. Where permissible under the PRC law, the WFOE has the right to acquire from the Nominee Shareholders their entire equity interests in Silvercreek or all the assets of Silvercreek and use the outstanding loan owed by the Nominee Shareholders to the WFOE as settlement of the consideration for the acquisition;

(ii) under an *equity pledge agreement (股權質押合同)* between the WFOE and the Nominee Shareholders, the Nominee Shareholders agreed to pledge their respective equity interests in Silvercreek (together with any dividends, interests, investment return or other benefits generated from such equity interests) to the WFOE to secure the due performance of their obligations under the loan agreement mentioned in (i) above. The equity pledge agreement ensures that the Nominee Shareholders cannot transfer their respective equity interests in Silvercreek to other parties;

(iii) under a *call option agreement (購買選擇權協議)* between the WFOE, the Nominee Shareholders and Silvercreek, where permissible under the PRC law, the WFOE or its nominee shall be entitled to exercise an exclusive and irrevocable option (granted by the Nominee Shareholders) to acquire part or all of the Nominee Shareholders' equity interests in Silvercreek or its assets. The consideration for such acquisition shall be settled with and offset against the outstanding loan owed by the Nominee Shareholders to the WFOE under the loan agreement mentioned in (i) above, provided that such consideration shall be adjusted on a pro rata basis if the aforesaid option is partially exercised only. In the event that the WFOE exercises the aforesaid option, the Nominee Shareholders and Silvercreek shall unconditionally assist the WFOE in respect of all necessary procedures for the equity transfer such as obtaining government approval and consent, and handling registration and filing matters. The call option agreement allows the WFOE to directly hold the entire equity interests or assets in Silvercreek when the PRC law lifts the foreign investment restrictions in respect of the Restricted Business in the PRC; and

(iv) under a *declaration of trust (信託承諾及聲明書)* between the WFOE and the Nominee Shareholders, the Nominee Shareholders declared that they are only holding the equity interests in Silvercreek on trust for the WFOE and do not possess any shareholders' rights in respect of such equity interests. The Nominee Shareholders shall vote at shareholders' meetings in accordance with the written instructions of the WFOE or shall sign any power of attorney or other document(s) requested by the WFOE in order to allow the authorised representative of the WFOE to participate and vote at the shareholders' meeting of Silvercreek or exercise all the rights entitled by the board of directors of Silvercreek. In the event of bankruptcy or death of the Nominee Shareholders or that the Nominee Shareholders refuse, are unable or it is otherwise inappropriate for them, to act as nominees to hold the equity interests in Silvercreek, the WFOE shall be entitled to, at its sole discretion, authorise other nominees to replace the Nominee Shareholders to hold the equity interests in Silvercreek on trust for the WFOE. Under those circumstances, the Nominee Shareholders, the official receiver, the personal representative(s) of the deceased Nominee Shareholder(s) and/or other persons acting in the name or on behalf of the Nominee Shareholders shall immediately transfer the equity interests in Silvercreek to the person(s) designated by the WFOE in writing in accordance with the declaration of trust. The declaration of trust grants the WFOE voting rights in respect of the equity interests in Silvercreek held on trust by the Nominee Shareholders so that the WFOE can have effective control over Silvercreek.

All the above-mentioned Control Agreements provide for dispute resolution via arbitration in China. The PRC counsel of the Company is of the view that the Control Agreements do not violate the relevant PRC laws, have proper authorisation for their execution and are valid, legal and enforceable.

While there will be risks associated with this kind of shareholding arrangement which may affect the legal position of the Group as the beneficial owner of Silvercreek (such as in the event of death, bankruptcy or divorce of the Nominee Shareholders involved), the adoption of a combination of the Control Agreements (containing key terms as mentioned above) shall enable the Group to enforce its rights as the beneficial owner of Silvercreek in the event that such risks arise in the future. In addition, all the existing directors of Silvercreek are indeed senior management personnel nominated by the Company, who together have taken effective control over the day-to-day operations and management of Silvercreek.

During the year under review, there had been no material change in the Control Agreements and/or the circumstances under which they were adopted.

The Group has not unwound any of the Control Agreements as the foreign investment restrictions that led to the adoption of the Control Agreements have not been removed in the PRC.

The Group shall continue to closely monitor the policy development of the PRC government with respect to lottery sales via internet and mobile. With its valuable licenses and its established relationships in the PRC lottery industry, Silvercreek is well-equipped to enable the Group to participate in and bid for customer contracts in pursuit of any potential mobile and/or internet lottery distribution business opportunities as and when they arise and are permissible in the PRC.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated financial statements of the Group for the year ended 31 December 2014 have been reviewed and commented on by the audit committee.

AUDITORS

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR UNDER REVIEW

As disclosed in the Circular, an agreement dated 17 November 2014 (the "Sale and Purchase Agreement") was entered into between the Company, Silvercreek Technology Holdings Limited (being a wholly-owned subsidiary of the Company, as purchaser (the "Purchaser")), Immense Wisdom Limited ("IWL"), King Achieve Limited ("KAL") (with IWL and KAL together as vendors (the "Vendors")) and Score Value Limited (the "Target", together with its subsidiaries, the "Target Group") in relation to the acquisition by the Purchaser of a 100% equity interest in the Target (the "Acquisition") for a maximum consideration of HK$489.5 million (subject to downward adjustments). The maximum consideration is to be satisfied as to HK$239.5 million in cash and as to HK$250.0 million by way of the allotment and issue of a maximum of 168,918,918 Consideration Shares (as defined in the Circular) at the issue price of HK$1.48 per Share. Subject to the Target Group meeting certain operational targets as set out in the Sale and Purchase Agreement, the Company shall also grant the Bonus Options (as defined in the Circular) to the Vendors which shall entitle the Vendors to subscribe for a maximum of 166,666,666 Bonus Option Shares (as defined in the Circular) at a subscription price of HK$1.8 per Bonus Option Share.

The Target Group is principally engaged in the research and development, quality assurance and sale of handheld lottery sales equipment, provision of aftersales maintenance of such devices, and design of lottery games and system development in the PRC.

The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules and was approved by the Shareholders at the special general meeting of the Company held on 23 December 2014. The Acquisition was completed on 8 January 2015 and as a result, the Target has become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Save for the Acquisition disclosed above, there were no significant investments, material acquisitions and disposals during the year ended 31 December 2014.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As disclosed in the paragraph headed "Significant investments, material acquisitions and disposals during the year under review" above, the Acquisition was completed on 8 January 2015. In addition, pursuant to the Sale and Purchase Agreement in respect of the Acquisition, the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK$300 million to the Vendors upon fulfilment of certain pre-conditions at a later stage, including profit guarantees of an average of RMB20 million (equivalent to approximately HK$25.3 million) per year provided by the Vendors in respect of a subsidiary of the Target for each of the three financial years ending 31 December 2015, 2016 and 2017 as described in the paragraph headed "Deferred Consideration" on pages 9 and 10 of the Circular. The Company will make further announcement(s) in due course when the status of any of these deferred consideration settlements can be ascertained.

On behalf of the Board

Sun Ho
Chairman & CEO

23 March 2015

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$	HK$	HK$	HK$	HK$
Revenue	**211,051,211**	208,359,744	229,328,500	111,340,140	105,143,580
Gross profit	**69,582,144**	91,267,810	101,634,588	73,450,970	64,360,789
Loss for the year attributable to owners of the Company	**(189,184,139)**	(82,939,885)	(32,862,140)	(43,248,756)	(37,798,646)

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$	HK$	HK$	HK$	HK$
Total assets	**1,335,556,440**	1,314,397,873	1,152,177,400	1,218,157,636	1,087,202,198
Total liabilities	**(113,648,904)**	(79,019,227)	(86,826,440)	(137,548,916)	(45,025,145)
	1,221,907,536	1,235,378,646	1,065,350,960	1,080,608,720	1,042,177,053
Equity attributable to owners of the Company	**1,218,840,651**	1,234,087,827	1,063,224,359	1,080,007,379	1,039,252,415
Non-controlling interests	**3,066,885**	1,290,819	2,126,601	601,341	2,924,638
	1,221,907,536	1,235,378,646	1,065,350,960	1,080,608,720	1,042,177,053

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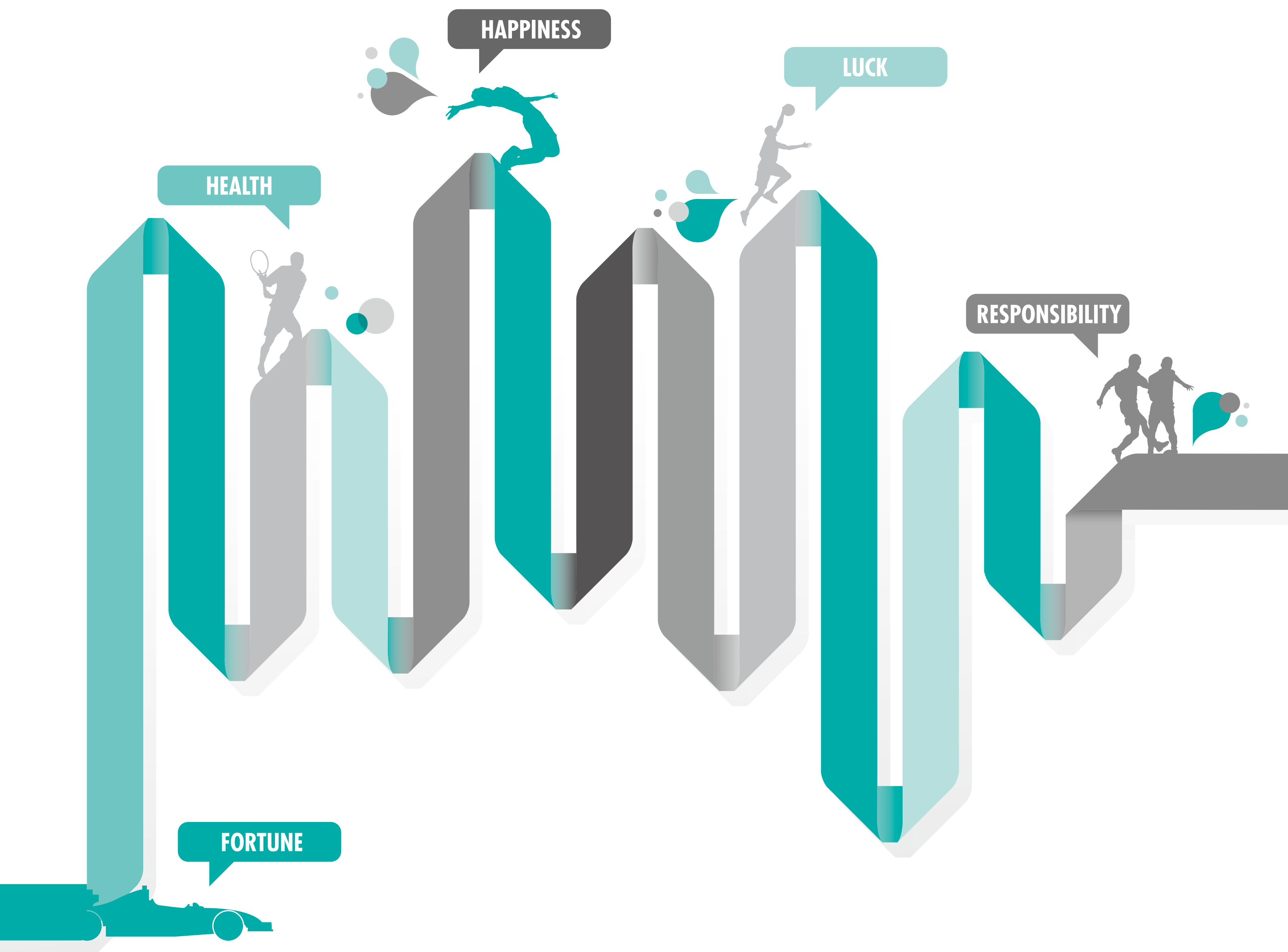
AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

FINANCIAL REPORT 2014



FORTUNE

HEALTH

HAPPINESS

AGTech Holdings Limited

ANNUAL REPORT **2014**

LUCK

RESPONSIBILITY

FINANCIAL CONTENTS

INDEPENDENT AUDITORS' REPORT

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

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

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

We have audited the consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 88 to 168, which comprise the consolidated and company statements 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 23 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014 HK$**	2013 HK$
Revenue	7	**211,051,211**	208,359,744
Cost of sales and services		**(141,469,067)**	(117,091,934)
Gross profit		**69,582,144**	91,267,810
Investment and other income	9	**4,548,814**	2,088,338
Selling and administrative expenses		**(124,149,875)**	(108,532,427)
Share of losses of a joint venture		**(1,177)**	(178)
Loss from business operations		**(50,020,094)**	(15,176,457)
Share-based payments		**(136,279,494)**	(60,072,362)
Net foreign exchange gain/(loss)		**4,276**	(105,667)
Amortisation of other intangible assets	20	**(477,744)**	(478,805)
Finance costs	10	**–**	(517,190)
Loss before tax		**(186,773,056)**	(76,350,481)
Income tax expense	11	**(599,113)**	(7,630,537)
Loss for the year	12	**(187,372,169)**	(83,981,018)
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Gain arising on revaluation of property transferred to investment property		**14,402,384**	–
Items that may be reclassified subsequently to profit or loss:			
Translation differences on translating foreign operations		**(4,645,168)**	33,688,361
Other comprehensive income for the year, net of income tax		**9,757,216**	33,688,361
Total comprehensive income for the year		**(177,614,953)**	(50,292,657)
Loss attributable to:			
Owners of the Company		**(189,184,139)**	(82,939,885)
Non-controlling interests		**1,811,970**	(1,041,133)
		(187,372,169)	(83,981,018)
Total comprehensive income attributable to:			
Owners of the Company		**(179,391,019)**	(49,456,875)
Non-controlling interests		**1,776,066**	(835,782)
		(177,614,953)	(50,292,657)
Loss per Share			
Basic and diluted	15	**HK4.30 cents**	HK2.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014 HK$**	2013 HK$
Non-current assets			
Property, plant and equipment	16	**15,182,473**	53,078,985
Investment properties	17	**54,343,400**	–
Goodwill	18	**793,618,120**	796,946,317
Other intangible assets	20	**2,219,141**	2,700,348
Investment in a joint venture	21	**645,895**	647,072
Available-for-sale investment	22	**1**	–
Deposits and prepayments	26	**20,745,450**	28,891,609
Other assets		**1,794,596**	1,802,122
Deferred tax assets	23	**6,227,111**	4,589,919
		894,776,187	888,656,372
Current assets			
Inventories	24	**25,290,520**	46,532,486
Trade receivables	25	**31,071,078**	37,288,514
Other receivables, deposits and prepayments	26	**68,810,458**	55,383,695
Amount due from a joint venture	21	**8,210**	5,855
Fixed deposit held at bank with original maturity over three months	27	**37,914,000**	–
Pledged bank deposit	27	**2,976,249**	–
Bank balances and cash	27	**274,709,738**	286,530,951
		440,780,253	425,741,501
Current liabilities			
Trade payables	28	**26,081,904**	9,782,747
Accruals and other payables	29	**39,282,597**	31,219,473
Amount due to a joint venture	21	**650,000**	650,000
Current tax liabilities		**414,588**	2,472,838
		66,429,089	44,125,058
Net current assets		**374,351,164**	381,616,443
Total assets less current liabilities		**1,269,127,351**	1,270,272,815

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$	2013 HK$
Non-current liabilities			
Provision for warranties	30	**41,514,070**	30,495,217
Deferred tax liabilities	23	**5,705,745**	4,398,952
		47,219,815	34,894,169
Net assets		**1,221,907,536**	1,235,378,646
Capital and reserves			
Share capital	31	**8,880,768**	8,697,648
Reserves		**1,209,959,883**	1,225,390,179
Equity attributable to owners of the Company		**1,218,840,651**	1,234,087,827
Non-controlling interests		**3,066,885**	1,290,819
Total equity		**1,221,907,536**	1,235,378,646

The consolidated financial statements were approved and authorised for issue by the Board on 23 March 2015 and are signed on its behalf by:

Sun Ho
Director

Robert Geoffrey Ryan
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$	2013 HK$
Non-current assets			
Investments in subsidiaries	36	**–**	–
Current assets			
Amounts due from subsidiaries	36	**1,116,309,280**	1,111,211,173
Deposits and prepayments	26	**394,129**	310,129
Amount due from a joint venture	21	**8,000**	5,750
Bank balances and cash	27	**109,487,154**	111,288,526
		1,226,198,563	1,222,815,578
Current liabilities			
Accruals and other payables	29	**4,435,380**	656,170
Amounts due to subsidiaries	36	**38,237**	38,237
		4,473,617	694,407
Net current assets		**1,221,724,946**	1,222,121,171
Net assets		**1,221,724,946**	1,222,121,171
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	31	**8,880,768**	8,697,648
Reserves	37	**1,212,844,178**	1,213,423,523
Total equity		**1,221,724,946**	1,222,121,171

The financial statements were approved and authorised for issue by the Board on 23 March 2015 and are signed on its behalf by:

Sun Ho	**Robert Geoffrey Ryan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									Attributable to non-controlling interests	Total
	Share capital HK$ (Note 31)	Share premium HK$	Share options reserve HK$	Statutory reserve HK$ (Note (a))	Exchange reserve HK$	Contributed surplus HK$ (Note (b))	Property revaluation reserve HK$ (Note (c))	Accumulated losses HK$	Subtotal HK$	HK$	HK$
Balance at 1 January 2013	7,687,907	1,174,554,927	75,317,280	10,746,631	164,107,837	47,191,476	–	(416,381,699)	1,063,224,359	2,126,601	1,065,350,960
Loss for the year	–	–	–	–	–	–	–	(82,939,885)	(82,939,885)	(1,041,133)	(83,981,018)
Other comprehensive income for the year	–	–	–	–	33,483,010	–	–	–	33,483,010	205,351	33,688,361
Total comprehensive income for the year	–	–	–	–	33,483,010	–	–	(82,939,885)	(49,456,875)	(835,782)	(50,292,657)
Recognition of equity-settled share-based payments	–	–	60,072,362	–	–	–	–	–	60,072,362	–	60,072,362
Lapse of share options	–	–	(11,504,495)	–	–	–	–	11,504,495	–	–	–
Shares issued by way of placing	813,043	139,436,957	–	–	–	–	–	–	140,250,000	–	140,250,000
Shares issue expenses	–	(2,020,706)	–	–	–	–	–	–	(2,020,706)	–	(2,020,706)
Shares issued on exercise of part of share options	196,698	79,011,492	(57,189,503)	–	–	–	–	–	22,018,687	–	22,018,687
Transfer from accumulated losses	–	–	–	3,116,933	–	–	–	(3,116,933)	–	–	–
Balance at 31 December 2013 and 1 January 2014	**8,697,648**	**1,390,982,670**	**66,695,644**	**13,863,564**	**197,590,847**	**47,191,476**	**-**	**(490,934,022)**	**1,234,087,827**	**1,290,819**	**1,235,378,646**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(189,184,139)**	**(189,184,139)**	**1,811,970**	**(187,372,169)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**(4,609,264)**	**-**	**14,402,384**	**-**	**9,793,120**	**(35,904)**	**9,757,216**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(4,609,264)**	**-**	**14,402,384**	**(189,184,139)**	**(179,391,019)**	**1,776,066**	**(177,614,953)**
Recognition of equity-settled share-based payments	**-**	**-**	**136,279,494**	**-**	**-**	**-**	**-**	**-**	**136,279,494**	**-**	**136,279,494**
Lapse of share options	**-**	**-**	**(407,208)**	**-**	**-**	**-**	**-**	**407,208**	**-**	**-**	**-**
Shares issued on exercise of part of share options	**183,120**	**37,105,412**	**(9,424,183)**	**-**	**-**	**-**	**-**	**-**	**27,864,349**	**-**	**27,864,349**
Transfer from accumulated losses	**-**	**-**	**-**	**1,397,841**	**-**	**-**	**-**	**(1,397,841)**	**-**	**-**	**-**
Balance at 31 December 2014	**8,880,768**	**1,428,088,082**	**193,143,747**	**15,261,405**	**192,981,583**	**47,191,476**	**14,402,384**	**(681,108,794)**	**1,218,840,651**	**3,066,885**	**1,221,907,536**

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$	2013 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(186,773,056)	(76,350,481)
Adjustments for:		
Share of losses of a joint venture	1,177	178
Expenses recognised in respect of equity-settled share-based payments	136,279,494	60,072,362
Depreciation of property, plant and equipment	5,699,603	7,797,197
Amortisation of other intangible assets	477,744	478,805
Provision for warranties	18,224,373	11,817,322
Reversal of provision for warranties	(2,688,448)	(2,259,239)
Impairment loss recognised on trade receivables	227,056	–
Net gains on disposal of property, plant and equipment	(184,329)	(104,653)
Bank interest income	(2,460,517)	(1,685,595)
Finance costs recognised in profit or loss	–	517,190
	(31,196,903)	283,086
Movements in working capital		
Decrease/(increase) in inventories	22,392,465	(23,085,954)
Decrease/(increase) in deposits and prepayments	8,146,159	(12,425,122)
Decrease in trade receivables	5,990,380	39,789,132
Increase in other receivables, deposits and prepayments	(13,426,763)	(12,912,942)
Increase in amount due from a joint venture	(2,355)	(355)
Increase in trade payables	16,299,157	5,068,298
Increase/(decrease) in accruals and other payables	8,063,124	(2,133,354)
Decrease in provision for warranties	(4,383,063)	(603,304)
Cash generated from/(used in) operations	11,882,201	(6,020,515)
Income taxes paid	(4,523,952)	(9,288,821)
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES	7,358,249	(15,309,336)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,460,517	1,551,309
Payments for property, plant and equipment	(7,661,352)	(7,127,133)
Purchase of available-for-sale investment	(1)	–
Proceeds from disposal of property, plant and equipment	400,595	939,912
Increase in fixed deposit held at bank with original maturity over three months	(37,914,000)	–
(Increase)/decrease in pledged bank deposit	(2,976,249)	18,453,000
NET CASH (USED IN)/GENERATED BY INVESTING ACTIVITIES	(45,690,490)	13,817,088

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$	2013 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	**27,864,349**	162,268,687
Payment of transaction costs attributable to Shares issued	**–**	(2,020,706)
Repayments of secured bank borrowings	**–**	(17,550,000)
Interest paid	**–**	(662,054)
NET CASH GENERATED BY FINANCING ACTIVITIES	**27,864,349**	142,035,927
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(10,467,892)**	140,543,679
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**286,530,951**	137,666,360
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	**(1,353,321)**	8,320,912
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**274,709,738**	286,530,951
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**274,709,738**	286,530,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

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

At 31 December 2014, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands ("BVI"), as the immediate and ultimate holding company of the Company.

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

The Company is an investment holding company and its principal subsidiaries are mainly engaged in gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the PRC.

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

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

The Group has applied for the first time in the current year the following amendments to HKFRS and a new interpretation.

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 amendments and interpretation in the current year has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 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 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	Annual Improvements to HKFRS 2010-2012 Cycle[6]
Amendments to HKFRS	Annual Improvements to HKFRS 2011-2013 Cycle[4]
Amendments to HKFRS	Annual Improvements to HKFRS 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.

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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

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

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

Investment in a joint venture

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture (continued)

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

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

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

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

Revenue recognition

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land for own use

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

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

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

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

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

Retirement benefit costs

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

Share-based payment arrangements

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

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

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

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

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

Taxation

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

Current tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

Investment properties

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined by the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 6.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets (continued)

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see the accounting policy in respect of impairment losses on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables and deposits, amount due from a joint venture, fixed deposit held at bank with maturity original maturity over three months, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under equity. In respect of AFS debt investments, impairment losses are subsequently reserved through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables and amount due to a joint venture) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person,

- (a) has controls or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

- (a) the entity and the Group are members of the same group;
- (b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (c) the entity and the Group are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i); and
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Classification of AG Inspired Lottech Limited as a joint venture

AG Inspired Lottech Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangements and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, AG Inspired Lottech Limited is classified as a joint venture of the Group. See Note 21 for details.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charge in the period in which such estimate is changed.

Estimated impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing marking conditions. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each reporting period.

Estimated impairment loss of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to economic conditions.

Deferred tax assets

Deferred tax assets in relation to temporary differences have been recognised in the consolidated statement of financial position. The recognition of deferred tax assets mainly depends on whether sufficient taxable temporary differences of future assessable profits will be available in the future. In cases where the actual future assessable profits generates are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period of the reversal takes place.

Provision for warranties

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns. Management reviews and adjusts the provision to recognise the estimate at the end of the reporting period. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables and amount due to a joint venture net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

Net debt-to-equity ratio

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt.

The net debt-to-equity ratio at the end of the reporting period was as follows:

	2014 **HK$**	2013 HK$
Debt	**66,014,501**	41,652,220
Less: cash and cash equivalents	**274,709,738**	286,530,951
Net debt	**(208,695,237)**	(244,878,731)
Equity attributable to owners of the Company	**1,218,840,651**	1,234,087,827
Net debt-to-equity ratio	**N/A**	N/A

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

		The Group		The Company	
	Notes	**2014 HK$**	2013 HK$	**2014 HK$**	2013 HK$
Financial assets					
Available-for-sale investment	22	**1**	–	**–**	–
Loans and receivables					
Trade receivables	25	**31,071,078**	37,288,514	**–**	–
Financial assets included in other receivables, deposits and prepayments	26	**58,562,075**	41,576,343	**–**	–
Amount due from a joint venture	21	**8,210**	5,855	**8,000**	5,750
Amounts due from subsidiaries	36	**–**	–	**1,116,309,280**	1,111,211,173
Fixed deposit held at bank with original maturity over three months	27	**37,914,000**	–	**–**	–
Pledged bank deposit	27	**2,976,249**	–	**–**	–
Bank balances and cash	27	**274,709,738**	286,530,951	**109,487,154**	111,288,526
		405,241,351	365,401,663	**1,225,804,434**	1,222,505,449
Financial liabilities					
Amortised cost					
Trade payables	28	**26,081,904**	9,782,747	**–**	–
Financial liabilities included in accruals and other payables	29	**30,347,778**	24,025,656	**4,253,905**	656,170
Amount due to a joint venture	21	**650,000**	650,000	**–**	–
Amounts due to subsidiaries	36	**–**	–	**38,237**	38,237
		57,079,682	34,458,403	**4,292,142**	694,407

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade receivables, other receivables and deposits, amount due from a joint venture, amounts due from subsidiaries, fixed deposit with original maturity over three months, pledged bank deposit, bank balances and cash, trade payables, accruals and other payables, amount due to a joint venture and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate the effects of these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risks

Foreign currency risk

Transactional currency exposures arise from revenue or cost of sales and services by operating units in currencies other than the units' functional currency. Substantially all of the Group's revenue and cost of sales and services are denominated in the functional currency of the operating units making the revenue, and substantially all the costs of sales and services are denominated in the units' functional currency. Accordingly, the Directors consider that the Group is not exposed to significant currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group is also exposed to fair value interest rate risk related primarily to its fixed deposits held at banks. The Directors consider the Group's exposure of fair value interest rate risk on fixed deposits is not significant as the interest bearing fixed deposits are within short maturity period. As the Group is not exposed to significant interest rate risk, the Directors consider the presentation of sensitivity analysis unnecessary.

The Group does not enter into any derivative financial instruments in order to mitigate its exposure associated with fluctuations relating to fair value of its cash flows of interest receipts. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Other price risk

As the Group has no significant investments in financial instruments at fair values, the Group is not exposed to significant price risk.

Credit risk management

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

As at 31 December 2014, the Group is subject to concentration of credit risk as 28% (2013: 53%) and 28% (2013: 76%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 25.

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

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk management

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

Liquidity tables

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

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from market interest rates prevailing at the end of reporting period.

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

Liquidity tables (continued)

THE GROUP	Weighted average interest rate %	On demand or within 1 year HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
At 31 December 2014				
Non-derivative financial liabilities				
Trade payables	**–**	**26,081,904**	**26,081,904**	**26,081,904**
Accruals and other payables	**–**	**30,347,778**	**30,347,778**	**30,347,778**
Amount due to a joint venture	**–**	**650,000**	**650,000**	**650,000**
		57,079,682	**57,079,682**	**57,079,682**
At 31 December 2013				
Non-derivative financial liabilities				
Trade payables	–	9,782,747	9,782,747	9,782,747
Accruals and other payables	–	24,025,656	24,025,656	24,025,656
Amount due to a joint venture	–	650,000	650,000	650,000
		34,458,403	34,458,403	34,458,403

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

Liquidity tables (continued)

THE COMPANY	Weighted average interest rate %	On demand or within 1 year HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
At 31 December 2014				
Non-derivative financial liabilities				
Accruals and other payables	**–**	**4,253,905**	**4,253,905**	**4,253,905**
Amounts due to subsidiaries	**–**	**38,237**	**38,237**	**38,237**
		4,292,142	**4,292,142**	**4,292,142**
At 31 December 2013				
Non-derivative financial liabilities				
Accruals and other payables	–	656,170	656,170	656,170
Amounts due to subsidiaries	–	38,237	38,237	38,237
		694,407	694,407	694,407

(c) Fair value measurements

At the end of the reporting period, the Group did not have any financial assets and liabilities that were measured at the fair value measurements hierarchy.

During the years ended 31 December 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

7. REVENUE

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

	2014 **HK$**	2013 HK$
Gaming technologies (game software, systems, hardware and terminals) business	**188,522,482**	178,889,185
Provision of sports lottery management and marketing consultancy services	**22,528,729**	29,470,559
	211,051,211	208,359,744

8. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of performance focuses specifically on the revenue analysis by principal categories of the Group's business and the profit of the Group as a whole.

Accordingly, the CODM have determined that the Group has one sole operating segment (as a professional service provider in China's sports lottery market). The information regarding revenue derived from the principal businesses described above is set out in Note 7.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	2014 HK$	2013 HK$	**2014 HK$**	2013 HK$
PRC	**209,513,326**	199,558,167	**885,753,460**	883,263,368
Hong Kong	**–**	–	**2,795,616**	803,085
Others	**1,537,885**	8,801,577	**–**	–
	211,051,211	208,359,744	**888,549,076**	884,066,453

* Non-current assets excluding deferred tax assets.

Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2014 HK$	2013 HK$
Customer A	**43,422,682**	50,205,829
Customer B	**N/A**[1]	22,128,927
Customer C	**21,947,985**	N/A[1]
	65,370,667	72,334,756

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

9. INVESTMENT AND OTHER INCOME

	2014 HK$	2013 HK$
Interest income on bank deposits	**2,460,517**	1,685,595
Rental income from investment properties	**1,417,964**	–
Sundry income	**670,333**	402,743
	4,548,814	2,088,338

10. FINANCE COSTS

	2014 HK$	2013 HK$
Interest on secured bank borrowings wholly repayable within five years	**–**	517,190

11. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2014 HK$	2013 HK$
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**2,294,720**	8,250,705
Under provision in prior year:		
– PRC EIT	**178,992**	715,284
Deferred tax (Note 23):		
– Current year	**(1,874,599)**	(1,335,452)
Total income tax recognised in profit or loss	**599,113**	7,630,537

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as there were no assessable profits arising in or derived from Hong Kong for both years.

11. INCOME TAX EXPENSE (continued)

Income tax recognised in profit or loss (continued)

北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) ("GOT") is subject to PRC EIT at 15% for both years as GOT is recognised as an Advanced and New Technology Enterprise under the PRC EIT Law. Other PRC subsidiaries are subject to PRC EIT at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

* *For identification purpose only*

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

	2014 HK$	2013 HK$
Loss before tax	**(186,773,056)**	(76,350,481)
Tax at domestic income tax rate	**(32,141,236)**	(15,470,586)
Tax effect of expenses not deductible for tax purpose	**31,064,694**	14,354,902
Tax effect of income not taxable for tax purpose	**(802,830)**	(23,578)
Utilisation of tax losses previously not recognised	**(1,760,983)**	–
Tax effect of unrecognised estimated tax losses	**5,935,075**	9,389,967
Under provision in prior year	**178,992**	715,284
Reversal of temporary differences	**(1,874,599)**	(1,335,452)
Income tax expense for the year	**599,113**	7,630,537

Income tax recognised in other comprehensive income

	2014 HK$	2013 HK$
Deferred tax		
Arising on income recognised in other comprehensive income:		
Revaluation of property transferred to investment properties	**1,537,137**	–
Total income tax recognised in other comprehensive income	**1,537,137**	–

12. LOSS FOR THE YEAR

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

	2014 HK$	2013 HK$
Auditors' remuneration	**950,000**	950,000
Cost of inventories recognised as an expense (included in cost of sales and services)	**109,105,053**	78,179,053
Provision for warranties (included in cost of sales and services)	**18,224,373**	11,817,322
Reversal of provision for warranties (included in cost of sales and services)	**(2,688,448)**	(2,259,239)
Impairment loss recognised on trade receivables	**227,056**	–
Depreciation of property, plant and equipment	**5,699,603**	7,797,197
Net gains on disposals of property, plant and equipment	**(184,329)**	(104,653)
Operating lease rentals in respect of rented premises	**16,374,884**	8,658,870
Research and development costs	**12,953,666**	9,585,461
Gross rental income from investment properties	**(1,417,964)**	–
Less: direct operating expenses from investment properties that generated income during the year	**131,044**	–
	(1,286,920)	–
Employee benefits expense, including Directors' remunerations (Note 13):		
Fees, salaries, discretionary bonuses and other benefits	**43,410,241**	43,680,428
Share-based payments	**37,295,771**	13,217,793
Social security costs	**8,018,259**	6,911,719
Contributions to retirement benefits schemes	**180,643**	170,357
Total employee benefits expense	**88,904,914**	63,980,297

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2013: ten) Directors and the chief executive were as follows:

For the year ended 31 December 2014

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefits schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	3,600,000	300,000	–	16,750	3,916,750
Mr. Robert Geoffrey Ryan	1,661,532	138,461	2,406,888	–	4,206,881
Mr. Bai Jinmin	1,506,413	325,248	3,929,976	16,750	5,778,387
Mr. Liang Yu	1,236,610	302,624	2,406,888	79,414	4,025,536
Non-executive Directors:					
Ms. Yang Yang (Note (i))	69,032	–	(139,576)	–	(70,544)
Mr. Ho King Fung, Eric (Note (ii))	120,000	–	2,635,046	–	2,755,046
Independent non-executive Directors:					
Ms. Monica Maria Nunes (Note (iii))	120,000	–	246,049	–	366,049
Mr. Wang Ronghua	100,000	–	241,924	–	341,924
Mr. Hua Fengmao	100,000	–	241,924	–	341,924
Total emoluments	8,513,587	1,066,333	11,969,119	112,914	21,661,953

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

For the year ended 31 December 2013

	Fees HK$	Salaries and other benefits HK$	Share-based payments HK$	Contributions to retirement benefits schemes HK$	Total emoluments HK$
Executive Directors:					
Mr. Sun Ho	3,600,000	1,100,000	–	15,000	4,715,000
Mr. Robert Geoffrey Ryan	1,805,532	276,922	1,465,738	–	3,548,192
Mr. Bai Jinmin	1,506,371	750,721	1,456,900	15,000	3,728,992
Mr. Liang Yu	1,235,081	205,361	1,465,738	84,138	2,990,318
Non-executive Directors:					
Ms. Yang Yang (Note (i))	200,000	–	149,624	–	349,624
Mr. Ho King Fung, Eric (Note (ii))	92,903	–	2,169,092	–	2,261,995
Independent non-executive Directors:					
Ms. Monica Maria Nunes (Note (iii))	43,667	–	65,472	–	109,139
Mr. Wang Ronghua	100,000	–	149,624	–	249,624
Mr. Hua Fengmao	100,000	–	149,624	–	249,624
Mr. Kwok Wing Leung Andy (Note (iv))	46,787	–	(77,575)	–	(30,788)
Total emoluments	8,730,341	2,333,004	6,994,237	114,138	18,171,720

Notes:

(i) Retired on 5 May 2014.

(ii) Appointed on 23 May 2013.

(iii) Appointed on 20 June 2013.

(iv) Resigned on 20 June 2013.

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

For the year ended 31 December 2013 (continued)

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

No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived their emoluments during the year ended 31 December 2014 (2013: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: four) were Directors whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining one (2013: one) individual were as follows:

	2014 HK$	2013 HK$
Salaries and other benefits	**1,418,848**	634,179
Social security costs	**111,134**	102,131
Discretionary bonus	**117,957**	507,216
Share-based payments	**12,438,694**	757,332
	14,086,633	2,000,858

Their emoluments were within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$2,000,001 to HK$2,500,000	**–**	1
HK$14,000,001 to HK$14,500,000	**1**	–
	1	1

15. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2014 of HK$189,184,139 (2013: HK$82,939,885) and the weighted average number of 4,397,479,227 Shares (2013: 4,126,466,413 Shares) in issue during the year ended 31 December 2014.

The computation of the diluted loss per Share does not assume the exercise of the Company's share options as the exercise would decrease the loss per Share of both current and prior years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Sports lottery sales terminals HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
COST							
Balance at 1 January 2013	46,916,776	16,691,354	3,201,165	6,001,414	8,232,844	8,613,368	89,656,921
Additions	–	–	3,072,603	414,111	1,683,497	1,956,922	7,127,133
Disposals	–	(10,162,073)	–	(195,499)	(671,228)	(3,554,622)	(14,583,422)
Effect of foreign currency exchange differences	1,483,550	519,300	88,803	160,128	240,789	206,725	2,699,295
Balance at 31 December 2013 and 1 January 2014	48,400,326	7,048,581	6,362,571	6,380,154	9,485,902	7,222,393	84,899,927
Additions	–	–	1,745,451	472,827	1,082,042	4,361,032	7,661,352
Disposals	–	–	(2,010,442)	(574,890)	(601,629)	(1,814,863)	(5,001,824)
Reclassified as investment properties	(47,138,960)	–	–	–	–	–	(47,138,960)
Effect of foreign currency exchange differences	(329,289)	(29,436)	(24,292)	(22,557)	(37,466)	(28,608)	(471,648)
Balance at 31 December 2014	932,077	7,019,145	6,073,288	6,255,534	9,928,849	9,739,954	39,948,847
DEPRECIATION							
Balance at 1 January 2013	3,968,030	14,993,924	2,720,285	4,354,881	3,000,698	6,460,895	35,498,713
Depreciation expense	3,213,672	1,746,482	170,416	882,530	2,116,062	922,653	9,051,815
Eliminated on disposals of assets	–	(10,158,914)	–	(187,128)	(500,432)	(2,901,689)	(13,748,163)
Effect of foreign currency exchange differences	128,159	467,089	71,171	110,088	76,246	165,824	1,018,577
Balance at 31 December 2013 and 1 January 2014	7,309,861	7,048,581	2,961,872	5,160,371	4,692,574	4,647,683	31,820,942
Depreciation expense	2,034,332	–	1,172,832	714,455	1,779,536	1,148,947	6,850,102
Eliminated on disposals of assets	–	–	(2,010,442)	(589,263)	(593,987)	(1,591,866)	(4,785,558)
Reclassified as investment properties	(8,984,205)	–	–	–	–	–	(8,984,205)
Effect of foreign currency exchange differences	(57,062)	(29,436)	(9,443)	(3,835)	(17,825)	(17,306)	(134,907)
Balance at 31 December 2014	302,926	7,019,145	2,114,819	5,281,728	5,860,298	4,187,458	24,766,374
CARRYING AMOUNTS							
Balance at 31 December 2014	629,151	–	3,958,469	973,806	4,068,551	5,552,496	15,182,473
Balance at 31 December 2013	41,090,465	–	3,400,699	1,219,783	4,793,328	2,574,710	53,078,985

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land under finance lease	:	Over the lease term
Buildings	:	5%
Sports lottery sales terminals	:	20%
Leasehold improvements	:	20% or over the relevant lease terms, whichever is shorter
Computer equipment	:	20% – 33⅓%
Furniture, fixtures and equipment	:	20% – 33⅓%
Motor vehicles	:	10% – 25%

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

17. INVESTMENT PROPERTIES

	2014 HK$	2013 HK$
At fair value		
Balance at beginning of year	–	–
Transfer from property, plant and equipment	54,094,276	–
Effect of foreign currency exchange differences	249,124	–
Balance at end of year	54,343,400	–

The Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

All of the investment properties are situated in the PRC under medium-term lease.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective date by Asset Appraisal Limited ("AAL"), an independent qualified professional valuer not connected to the Group.

AAL is a member of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined was derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1 HK$	**Level 2** HK$	**Level 3** HK$	**Total** HK$
Office units located in the PRC	–	54,343,400	–	54,343,400

18. GOODWILL

	HK$
COST	
Balance at 1 January 2013	772,518,603
Effect of foreign currency exchange differences	24,427,714
Balance at 31 December 2013 and 1 January 2014	796,946,317
Effect of foreign currency exchange differences	(3,328,197)
Balance at 31 December 2014	793,618,120
CARRYING AMOUNTS	
Balance at 31 December 2014	793,618,120
Balance at 31 December 2013	796,946,317

19. IMPAIRMENT TESTING ON GOODWILL

Goodwill has been allocated for impairment testing purpose to the following groups of cash-generating units ("CGU(s)"):

- Information technology solutions
- Consultancy services

The carrying amount of goodwill was allocated to groups of CGUs as follows:

	2014 HK$	2013 HK$
Information technology solutions	**3,235,243**	3,248,810
Consultancy services	**790,382,877**	793,697,507
	793,618,120	796,946,317

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Information technology solutions

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years and a discount rate of 23% per annum (2013: 22%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent qualified professional valuer not connected to the Group.

During the year ended 31 December 2014, management of the Group determined that there was no impairment of goodwill (2013: nil).

Consultancy services

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% growth rate (2013: 3%) and a discount rate of 16% per annum (2013: 16%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent qualified professional valuer not connected to the Group.

During the year ended 31 December 2014, management of the Group determined that there were no impairment of goodwill (2013: nil).

20. OTHER INTANGIBLE ASSETS

	Club membership HK$	Capitalised development costs HK$	Non-competition agreements HK$	Contracted Customer HK$	Total HK$
COST					
Balance at 1 January 2013	1,741,936	2,787,103	6,087,030	206,560,422	217,176,491
Effect of foreign currency exchange differences	–	88,131	192,477	6,531,621	6,812,229
Balance at 31 December 2013 and 1 January 2014	1,741,936	2,875,234	6,279,507	213,092,043	223,988,720
Effect of foreign currency exchange differences	–	(12,008)	(26,225)	(889,913)	(928,146)
Balance at 31 December 2014	1,741,936	2,863,226	6,253,282	212,202,130	223,060,574
AMORTISATION					
Balance at 1 January 2013	–	1,393,551	6,087,030	206,560,422	214,041,003
Amortisation expense	–	478,805	–	–	478,805
Effect of foreign currency exchange differences	–	44,466	192,477	6,531,621	6,768,564
Balance at 31 December 2013 and 1 January 2014	–	1,916,822	6,279,507	213,092,043	221,288,372
Amortisation expense	–	477,744	–	–	477,744
Effect of foreign currency exchange differences	–	(8,545)	(26,225)	(889,913)	(924,683)
Balance at 31 December 2014	–	2,386,021	6,253,282	212,202,130	220,841,433
CARRYING AMOUNTS					
Balance at 31 December 2014	1,741,936	477,205	–	–	2,219,141
Balance at 31 December 2013	1,741,936	958,412	–	–	2,700,348

20. OTHER INTANGIBLE ASSETS (continued)

The Directors consider that the club membership has indefinite useful life.

The amount of the capitalised development costs represents the expenditure capitalised for development of certain sports lottery products. The amount is amortised on a straight-line method over the estimated useful life of 6 years.

The amount of the non-competition agreements represents the fair value of the non-competition clause embedded in the employment contracts between top management and SYSTEK LTD and its subsidiary ("Systek Group") upon the acquisition of Systek Group by the Group. The amount is amortised on a straight-line method over the estimated useful life of 5 years.

The amount of the contracted customer represents the fair value of the contractual rights stated in the consultancy agreements with a principal customer of SHINING CHINA INC and its subsidiaries ("Shining China Group") for providing consultancy services upon the acquisition of Shining China Group by the Group (the "Contracted Customer"). The amount is amortised on a straight-line method over the period of 4 to 6 years in accordance with the terms of the consultancy agreements.

21. JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2014 **HK$**	2013 HK$
Unlisted investment, at cost	**650,000**	650,000
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(4,105)**	(2,928)
	645,895	647,072

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of Entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
AG Inspired Lottech Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50% (indirect)	50% (indirect)	Investment holding

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

21. JOINT VENTURE (continued)

Summarised financial information of the joint venture

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

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014 **HK$**	2013 HK$
Current assets	**1,300,000**	1,300,000
Non-current assets	**–**	–
Current liabilities	**8,210**	5,855
Non-current liabilities	**–**	–

The above amounts of assets and liabilities include the following:

	2014 **HK$**	2013 HK$
Cash and cash equivalents	**–**	–
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

21. JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

	2014 **HK$**	2013 HK$
Revenue	**–**	–
Loss for the year	**(2,355)**	(355)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(2,355)**	(355)
Dividends received from the joint venture during the year	**–**	–

The above loss for the year include the following:

	2014 **HK$**	2013 HK$
Depreciation and amortisation	**–**	–
Interest income	**–**	–
Interest expense	**–**	–
Income tax expense	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the investment in a joint venture recognised in the consolidated financial statements:

	2014 **HK$**	2013 HK$
Net assets of the joint venture	**1,291,790**	1,294,145
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
Carrying amount of the Group's interest in the joint venture	**645,895**	647,072

22. AVAILABLE-FOR-SALE INVESTMENT

	2014 **HK$**	2013 HK$
Unlisted investment, at cost	**1**	–

The above unlisted investment represents investment in unlisted equity securities issued by a limited liability company established in the PRC. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

23. DEFERRED TAXATION

The following are the deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Deferred tax assets

	Provision for warranties HK$
Balance at 1 January 2013	3,488,071
Effect of foreign currency exchange differences	111,124
Credit to profit or loss	990,724
Balance at 31 December 2013 and 1 January 2014	4,589,919
Effect of foreign currency exchange differences	(21,042)
Credit to profit or loss	1,658,234
Balance at 31 December 2014	6,227,111

23. DEFERRED TAXATION (continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$	Investment properties HK$	Total HK$
Balance at 1 January 2013	4,598,558	–	4,598,558
Effect of foreign currency exchange differences	145,122	–	145,122
Credit to profit or loss	(344,728)	–	(344,728)
Balance at 31 December 2013 and 1 January 2014	4,398,952	–	4,398,952
Effect of foreign currency exchange differences	(29,329)	15,350	(13,979)
Charge to other comprehensive income upon reclassification as investment properties	(4,153,258)	5,690,395	1,537,137
Credit to profit or loss	(216,365)	–	(216,365)
Balance at 31 December 2014	–	5,705,745	5,705,745

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$76,254,000 (2013: approximately HK$75,284,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$220,108,000 (2013: approximately HK$196,308,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK$19,506,000 (2013: approximately HK$26,733,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$200,602,000 (2013: approximately HK$169,575,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

24. INVENTORIES

	2014 HK$	2013 HK$
Raw materials	**10,711,631**	27,131,548
Finished goods	**14,578,889**	19,400,938
	25,290,520	46,532,486

25. TRADE RECEIVABLES

	2014 HK$	2013 HK$
Trade receivables	**31,071,078**	37,288,514

The following is an analysis of trade receivables by age, presented based on the terms of the related contracts or the invoice/delivery date, which approximate the respective revenue recognition dates:

	2014 HK$	2013 HK$
0 to 30 days	**19,135,158**	31,925,030
31 to 60 days	**–**	861,719
61 to 90 days	**6,792,419**	491,141
91 to 120 days	**–**	861,719
121 to 365 days	**3,116,265**	2,641,670
Over 365 days	**2,027,236**	507,235
	31,071,078	37,288,514

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on trade receivables.

At 31 December 2014, 98.20% (2013: 96.75%) of the trade receivables are neither past due nor impaired relate to a number of independent customers that have a good track record with the Group.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are still considered recoverable.

25. TRADE RECEIVABLES (continued)

Age of trade receivables that are past due but not impaired

	2014 **HK$**	2013 HK$
Overdue by:		
0 to 30 days	**516,214**	273,188
91 to 120 days	**42,969**	–
121 to 365 days	**–**	612,024
Over 365 days	**–**	327,838
Total	**559,183**	1,213,050
Average age (days)	**22**	225

Movement in the allowance for doubtful debts

	2014 **HK$**	2013 HK$
Balance at the beginning of year	**–**	–
Impairment loss recognised on trade receivables	**227,056**	–
Amounts written off during the year as uncollectible	**(227,056)**	–
Balance at end of year	**–**	–

Included in the above are individually impaired trade receivables aged over 365 days with balance of HK$227,056 (2013: nil) being business relationship terminated and chance of recoverability is low. The Group does not hold any collateral over this balance.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Deposits paid to suppliers	**349,695**	740,216	**–**	–
Prepayments	**30,993,833**	42,698,962	**394,129**	310,129
Rental, utility and guarantee deposits	**16,332,074**	6,360,362	**–**	–
Other receivables	**41,880,306**	34,475,764	**–**	–
	89,555,908	84,275,304	**394,129**	310,129
Less: Deposits and prepayments classified as non-current assets	**(20,745,450)**	(28,891,609)	**–**	–
	68,810,458	55,383,695	**394,129**	310,129

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables on which there was no recent history of default.

27. BANK BALANCES AND CASH, PLEDGED BANK DEPOSIT AND FIXED DEPOSIT HELD AT BANK WITH ORIGINAL MATURITY OVER THREE MONTHS

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest ranging from 0.001% to 3.600% per annum (2013: 0.001% to 4.520% per annum) with an original maturity of three months or less. Fixed deposit held at bank with original maturity over three months carries effective interest at 3.000% per annum (2013: nil).

Pledged bank deposit represents deposit held in a designated bank account to secure a letter of guarantee granted to the Group. As at 31 December 2014, the deposit carries effective interest at 3.300% per annum (2013: nil). The pledged bank deposit will be released upon expiry of the relevant letter of guarantee.

As at 31 December 2014, bank balances and cash of approximately HK$203,299,000 (2013: approximately HK$158,205,000) were denominated in RMB which are not freely convertible into other currencies.

28. TRADE PAYABLES

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

	2014 HK$	2013 HK$
0 to 30 days	**25,549,533**	9,021,534
31 to 60 days	**–**	108,253
61 to 90 days	**21,387**	–
91 to 120 days	**453,549**	14,101
121 to 365 days	**–**	638,859
Over 365 days	**57,435**	–
	26,081,904	9,782,747

The average credit period is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Trade payables are non-interest-bearing.

29. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2014 HK$	2013 HK$	2014 HK$	2013 HK$
Receipts in advance	**4,148,064**	–	**181,475**	–
Accrued charges	**6,993,924**	8,074,087	**950,000**	475,000
Other payables	**28,140,609**	23,145,386	**3,303,905**	181,170
	39,282,597	31,219,473	**4,435,380**	656,170

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

Included in the Group's other payables is an amount of HK$17,161,711 (2013: HK$14,398,665) due to non-controlling interests of a subsidiary which is unsecured, interest-free and repayable on demand.

30. PROVISION FOR WARRANTIES

	HK$
Balance at 1 January 2014	30,495,217
Additional provision recognised	18,224,373
Reversal of provision	(2,688,448)
Amounts utilised during the year	(4,383,063)
Effect of foreign currency exchange differences	(134,009)
Balance at 31 December 2014	41,514,070

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. SHARE CAPITAL

	Number of Shares	**Amount** HK$
Authorised:		
Ordinary shares of HK$0.002 each at 1 January 2013	5,000,000,000	10,000,000
Increase in authorised share capital (Note (i))	5,000,000,000	10,000,000
Ordinary shares of HK$0.002 each at 31 December 2013 and 2014	10,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 January 2013	3,843,953,375	7,687,907
Shares issued under placing (Note (ii))	406,521,739	813,043
Exercise of part of share options (Note (iii))	98,348,750	196,698
Ordinary shares of HK$0.002 each at 31 December 2013	4,348,823,864	8,697,648
Exercise of part of share options (Note (iii))	91,560,000	183,120
Ordinary shares of HK$0.002 each at 31 December 2014	4,440,383,864	8,880,768

31. SHARE CAPITAL (continued)

Notes:

(i) Pursuant to the written resolution passed by the shareholders of the Company on 13 November 2013, the authorised share capital of the Company was increased from HK$10,000,000 to HK$20,000,000 by the creation of an additional of 5,000,000,000 Shares of HK$0.002 each.

(ii) On 21 May 2013, completion took place for private placements to independent private investors of 406,521,739 shares of HK$0.002 each in the Company, at the subscription price of HK$0.345 each. The Shares rank pari passu in all respects with other Shares in issue.

(iii) During the year ended 31 December 2014, part of the options for 91,560,000 (2013: 98,348,750) Shares of HK$0.002 each were exercised at exercise prices ranging from HK$0.1006 to HK$0.4890 (2013: HK$0.1006 to HK$0.3300) per Share, resulting in the issue of 91,560,000 (2013: 98,348,750) Shares of HK$0.002 each. The Shares rank pari passu in all respects with other Shares in issue.

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

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2014 **HK$**	2013 HK$
Within one year	**10,277,000**	12,206,000
In the second to fifth years inclusive	**15,583,000**	25,324,000
	25,860,000	37,530,000

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to four years (2013: one to four years) and rentals are fixed over the lease periods. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

32. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was HK$1,417,964 (2013: nil). All of the Group's investment properties are held for rental purposes. All of the properties held have committed tenants for the next two and a half years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK$	2013 HK$
Within one year	**3,399,000**	–
In the second to fifth years inclusive	**5,382,000**	–
	8,781,000	–

33. RETIREMENT BENEFIT PLANS

The Group participates in employee social security plans as required by the regulations in the PRC. The Group also participates in the Mandatory Provident Fund scheme to which all qualified employees of the Group in Hong Kong are entitled. The assets of the retirement benefit schemes are held, separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of social security schemes operated by the relevant local government authorities. The pension plans are funded by payments from employees and by the relevant group companies. The amounts charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable by the Group at the specified rates according to the respective plans. The only obligation of the Group in respect of the retirement benefit schemes is to make the specified contributions.

34. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme prior to 17 November 2014 ("2004 Share Option Scheme")

The 2004 Share Option Scheme was adopted pursuant to a resolution passed on 18 November 2004 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2004 Share Option Scheme). Under the 2004 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for Shares in the Company from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders. The number of Shares in respect of which options may be granted under the 2004 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the Shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Shareholders.

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share option scheme prior to 17 November 2014 ("2004 Share Option Scheme") (continued)

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of Shares on the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2004 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 18 November 2004 and was expired during the current financial year. Thereafter, no further options would be granted under the 2004 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2004 Share Option Scheme.

Share option scheme on or after 23 December 2014 ("2014 Share Option Scheme")

The 2014 Share Option Scheme was adopted pursuant to a resolution passed on 23 December 2014 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2014 Share Option Scheme). Under the 2014 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for Shares in the Company from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme and any other schemes shall not exceed 10% of the Shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders. The number of Shares in respect of which options may be granted under the 2014 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the Shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of Shares on the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2014 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 23 December 2014. No share options were granted under the 2014 Share Option Scheme since its adoption date up to the end of the reporting period.

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the 2004 Share Option Scheme during the years ended 31 December 2014 and 2013:

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2012 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–	–	–	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	5,316,000	–	(5,316,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	5,316,000	–	–	–	–	5,316,000	–	(5,316,000)	–	–	–
			21 December 2014 – 20 December 2015	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	875,000	–	–	–	–	875,000	–	(875,000)	–	–	–
			17 August 2014 – 16 August 2015	875,000	–	–	–	–	875,000	–	(875,000)	–	–	–
			17 August 2015 – 16 August 2016	875,000	–	–	–	–	875,000	–	–	–	–	875,000
			17 August 2016 – 16 August 2017	875,000	–	–	–	–	875,000	–	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–	–
			9 January 2015 – 8 January 2016	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2016 – 8 January 2017	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2017 – 8 January 2018	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2012 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–	–	–	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	5,316,000	–	(5,316,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	5,316,000	–	–	–	–	5,316,000	–	(5,316,000)	–	–	–
			21 December 2014 – 20 December 2015	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	875,000	–	(875,000)	–	–	–	–	–	–	–	–
			17 August 2014 – 16 August 2015	875,000	–	–	–	–	875,000	–	–	–	–	875,000
			17 August 2015 – 16 August 2016	875,000	–	–	–	–	875,000	–	–	–	–	875,000
			17 August 2016 – 16 August 2017	875,000	–	–	–	–	875,000	–	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–	–
			9 January 2015 – 8 January 2016	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2016 – 8 January 2017	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2017 – 8 January 2018	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	2,500,000	–	–	–	2,500,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	2,500,000	–	–	–	2,500,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	2,500,000	–	–	–	2,500,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	2,500,000	–	–	–	2,500,000

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Liang Yu	9 October 2008	0.2198	9 October 2012 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–	–	–	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	5,316,000	–	(5,316,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	5,316,000	–	–	–	–	5,316,000	–	(5,316,000)	–	–	–
			21 December 2014 – 20 December 2015	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
			21 December 2015 – 20 December 2016	5,316,000	–	–	–	–	5,316,000	–	–	–	–	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	875,000	–	(875,000)	–	–	–	–	–	–	–	–
			17 August 2014 – 16 August 2015	875,000	–	–	–	–	875,000	–	–	–	–	875,000
			17 August 2015 – 16 August 2016	875,000	–	–	–	–	875,000	–	–	–	–	875,000
			17 August 2016 – 16 August 2017	875,000	–	–	–	–	875,000	–	–	–	–	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–	–
			9 January 2015 – 8 January 2016	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2016 – 8 January 2017	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
			9 January 2017 – 8 January 2018	–	2,000,000	–	–	–	2,000,000	–	–	–	–	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	1,250,000	–	–	–	1,250,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Ms. Yang Yang (Retired on 5 May 2014)	9 October 2008	0.2198	9 October 2012 – 8 October 2013	334,375	–	(334,375)	–	–	–	–	–	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	500,000	–	(500,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	500,000	–	–	–	–	500,000	–	–	–	(500,000)	–
			21 December 2014 – 20 December 2015	500,000	–	–	–	–	500,000	–	–	–	(500,000)	–
			21 December 2015 – 20 December 2016	500,000	–	–	–	–	500,000	–	–	–	(500,000)	–
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	250,000	–	–	–	250,000	–	–	–	(250,000)	–
			9 January 2015 – 8 January 2016	–	250,000	–	–	–	250,000	–	–	–	(250,000)	–
			9 January 2016 – 8 January 2017	–	250,000	–	–	–	250,000	–	–	–	(250,000)	–
			9 January 2017 – 8 January 2018	–	250,000	–	–	–	250,000	–	–	–	(250,000)	–
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	125,000	–	–	(125,000)	–
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	125,000	–	–	(125,000)	–
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	125,000	–	–	(125,000)	–
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	125,000	–	–	(125,000)	–

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Ho King Fung, Eric (Appointed on 23 May 2013)	23 May 2013	0.4890	23 May 2014 – 22 May 2015	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
			23 May 2015 – 22 May 2016	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
			23 May 2016 – 22 May 2017	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
			23 May 2017 – 22 May 2018	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2013	500,000	–	(500,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	500,000	–	–	–	–	500,000	–	(500,000)	–	–	–
			21 December 2014 – 20 December 2015	500,000	–	–	–	–	500,000	–	–	–	–	500,000
			21 December 2015 – 20 December 2016	500,000	–	–	–	–	500,000	–	–	–	–	500,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	250,000	–	–	–	250,000	–	–	–	–	250,000
			9 January 2015 – 8 January 2016	–	250,000	–	–	–	250,000	–	–	–	–	250,000
			9 January 2016 – 8 January 2017	–	250,000	–	–	–	250,000	–	–	–	–	250,000
			9 January 2017 – 8 January 2018	–	250,000	–	–	–	250,000	–	–	–	–	250,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	125,000	–	–	–	125,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2013	500,000	–	(500,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	500,000	–	–	–	–	500,000	–	(500,000)	–	–	–
			21 December 2014 – 20 December 2015	500,000	–	–	–	–	500,000	–	–	–	–	500,000
			21 December 2015 – 20 December 2016	500,000	–	–	–	–	500,000	–	–	–	–	500,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	250,000	–	–	–	250,000	–	(250,000)	–	–	–
			9 January 2015 – 8 January 2016	–	250,000	–	–	–	250,000	–	–	–	–	250,000
			9 January 2016 – 8 January 2017	–	250,000	–	–	–	250,000	–	–	–	–	250,000
			9 January 2017 – 8 January 2018	–	250,000	–	–	–	250,000	–	–	–	–	250,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	125,000	–	–	–	125,000

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Directors:														
Mr. Kwok Wing Leung, Andy (Resigned on 20 June 2013)	21 December 2011	0.2900	21 December 2012 – 20 December 2013	500,000	–	(500,000)	–	–	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	500,000	–	–	–	(500,000)	–	–	–	–	–	–
			21 December 2014 – 20 December 2015	500,000	–	–	–	(500,000)	–	–	–	–	–	–
			21 December 2015 – 20 December 2016	500,000	–	–	–	(500,000)	–	–	–	–	–	–
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	250,000	–	–	(250,000)	–	–	–	–	–	–
			9 January 2015 – 8 January 2016	–	250,000	–	–	(250,000)	–	–	–	–	–	–
			9 January 2016 – 8 January 2017	–	250,000	–	–	(250,000)	–	–	–	–	–	–
			9 January 2017 – 8 January 2018	–	250,000	–	–	(250,000)	–	–	–	–	–	–
Ms. Monica Maria Nunes (Appointed on 20 June 2013)	20 June 2013	0.4740	20 June 2014 – 19 June 2015	–	375,000	–	–	–	375,000	–	(375,000)	–	–	–
			20 June 2015 – 19 June 2016	–	375,000	–	–	–	375,000	–	–	–	–	375,000
			20 June 2016 – 19 June 2017	–	375,000	–	–	–	375,000	–	–	–	–	375,000
			20 June 2017 – 19 June 2018	–	375,000	–	–	–	375,000	–	–	–	–	375,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	125,000	–	–	–	125,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	125,000	–	–	–	125,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Eligible employees and other eligible participants:														
	9 October 2008	0.2198	9 October 2012 – 8 October 2013	28,171,875	–	(22,890,625)	(5,281,250)	–	–	–	–	–	–	–
	6 July 2010	0.3000	6 July 2012 – 5 July 2013	1,000,000	–	(1,000,000)	–	–	–	–	–	–	–	–
			6 July 2013 – 5 July 2014	1,000,000	–	(875,000)	–	–	125,000	–	(125,000)	–	–	–
			6 July 2014 – 5 July 2015	1,000,000	–	–	–	–	1,000,000	–	(875,000)	–	–	125,000
	30 March 2011	0.3300	30 March 2012 – 29 March 2013	2,850,000	–	–	(2,850,000)	–	–	–	–	–	–	–
			30 March 2013 – 29 March 2014	2,850,000	–	(1,800,000)	–	–	1,050,000	–	(1,050,000)	–	–	–
			30 March 2014 – 29 March 2015	2,850,000	–	–	–	–	2,850,000	–	(2,850,000)	–	–	–
			30 March 2015 – 29 March 2016	2,850,000	–	–	–	–	2,850,000	–	–	–	–	2,850,000
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	21,159,750	–	(18,422,250)	(2,687,500)	(50,000)	–	–	–	–	–	–
			21 December 2013 – 20 December 2014	21,159,750	–	(2,562,500)	–	(5,050,000)	13,547,250	–	(10,859,750)	(1,437,500)	(1,250,000)	–
			21 December 2014 – 20 December 2015	21,159,750	–	–	–	(5,050,000)	16,109,750	–	–	–	(3,437,500)	12,672,250
			21 December 2015 – 20 December 2016	21,159,750	–	–	–	(5,050,000)	16,109,750	–	–	–	(3,437,500)	12,672,250
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	20,922,250	–	(20,734,750)	–	–	187,500	–	(110,000)	(77,500)	–	–
			17 August 2014 – 16 August 2015	20,922,250	–	–	–	–	20,922,250	–	(19,767,250)	–	(62,500)	1,092,500
			17 August 2015 – 16 August 2016	20,922,250	–	–	–	–	20,922,250	–	–	–	(62,500)	20,859,750
			17 August 2016 – 16 August 2017	20,922,250	–	–	–	–	20,922,250	–	–	–	(62,500)	20,859,750

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Eligible employees and other eligible participants:														
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	30,500,000	–	–	(875,000)	29,625,000	–	(27,500,000)	–	–	2,125,000
			9 January 2015 – 8 January 2016	–	30,500,000	–	–	(875,000)	29,625,000	–	–	–	(575,000)	29,050,000
			9 January 2016 – 8 January 2017	–	30,500,000	–	–	(875,000)	29,625,000	–	–	–	(575,000)	29,050,000
			9 January 2017 – 8 January 2018	–	30,500,000	–	–	(875,000)	29,625,000	–	–	–	(575,000)	29,050,000
	23 May 2013	0.4890	23 May 2014 – 22 May 2015	–	10,643,961	–	–	–	10,643,961	–	(3,100,000)	–	–	7,543,961
			23 May 2015 – 22 May 2016	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
			23 May 2016 – 22 May 2017	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
			23 May 2017 – 22 May 2018	–	10,643,961	–	–	–	10,643,961	–	–	–	–	10,643,961
	2 January 2014	1.1900	2 January 2015 – 1 January 2016	–	–	–	–	–	–	10,872,059	–	–	–	10,872,059
			2 January 2016 – 1 January 2017	–	–	–	–	–	–	10,872,059	–	–	–	10,872,059
			2 January 2017 – 1 January 2018	–	–	–	–	–	–	10,872,060	–	–	–	10,872,060
			2 January 2018 – 1 January 2019	–	–	–	–	–	–	10,872,060	–	–	–	10,872,060
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	–	–	–	–	–	84,325,500	–	–	(187,500)	84,138,000
			21 January 2016 – 20 January 2017	–	–	–	–	–	–	84,325,500	–	–	(187,500)	84,138,000
			21 January 2017 – 20 January 2018	–	–	–	–	–	–	84,325,500	–	–	(187,500)	84,138,000
			21 January 2018 – 20 January 2019	–	–	–	–	–	–	84,325,500	–	–	(187,500)	84,138,000

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2014
Eligible employees and other eligible participants:														
	19 August 2014	1.3780	7 July 2015 – 6 July 2016	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2016 – 6 July 2017	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2017 – 6 July 2018	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2018 – 6 July 2019	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2019 – 6 July 2020	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2020 – 6 July 2021	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2021 – 6 July 2022	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
			7 July 2022 – 6 July 2023	–	–	–	–	–	–	3,125,000	–	–	–	3,125,000
Total				303,557,500	236,651,688	(98,348,750)	(10,818,750)	(21,200,000)	409,841,688	427,790,238	(91,560,000)	(1,515,000)	(13,787,500)	730,769,426
Exercisable at the end of year				81,495,250					33,232,750					53,150,672
Weighted average share price				HK$0.2239	HK$0.4483	HK$0.2239	HK$0.2663	HK$0.3187	HK$0.3475	HK$1.3018	HK$0.3043	HK$0.2803	HK$0.4066	HK$0.9106

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

(i) The following share options under the 2004 Share Option Scheme were exercised during the year ended 31 December 2014:

For the year ended 31 December 2014

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
21 December 2011	750,000	14 January 2014	1.08	1.10
9 January 2013	10,025,000	14 January 2014	1.08	1.10
21 December 2011	375,000	22 January 2014	1.32	1.31
17 August 2012	62,500	22 January 2014	1.32	1.31
9 January 2013	2,300,000	22 January 2014	1.32	1.31
30 March 2011	1,050,000	27 January 2014	1.15	1.19
21 December 2011	5,316,000	18 February 2014	1.42	1.42
9 January 2013	2,150,000	18 February 2014	1.42	1.42
21 December 2011	5,816,000	10 March 2014	2.13	2.18
17 August 2012	875,000	10 March 2014	2.13	2.18
9 January 2013	2,487,500	10 March 2014	2.13	2.18
21 December 2011	250,000	1 April 2014	1.94	1.76
9 January 2013	75,000	1 April 2014	1.94	1.76
30 March 2011	1,550,000	9 April 2014	1.84	1.80
21 December 2011	5,941,000	9 April 2014	1.84	1.80
9 January 2013	2,387,500	9 April 2014	1.84	1.80
21 December 2011	250,000	30 April 2014	1.87	1.76
9 January 2013	125,000	30 April 2014	1.87	1.76
9 January 2013	250,000	9 May 2014	1.47	1.55
9 January 2013	150,000	16 May 2014	1.54	1.60
6 July 2010	125,000	23 May 2014	1.61	1.61
17 August 2012	32,500	23 May 2014	1.61	1.61
9 January 2013	125,000	30 May 2014	1.59	1.52
9 January 2013	62,500	13 June 2014	1.51	1.55
21 December 2011	200,000	20 June 2014	1.44	1.40
30 March 2011	1,300,000	4 July 2014	1.36	1.36
9 January 2013	2,000,000	4 July 2014	1.36	1.36
6 July 2010	875,000	18 July 2014	1.51	1.51
9 January 2013	1,500,000	8 August 2014	1.43	1.45
17 August 2012	13,499,750	18 August 2014	1.32	1.34
17 August 2012	4,625,000	5 September 2014	1.21	1.11
20 June 2013	375,000	5 September 2014	1.21	1.11
17 August 2012	32,500	17 September 2014	1.34	1.32
23 May 2013	1,000,000	17 September 2014	1.34	1.32
9 January 2013	50,000	17 October 2014	1.33	1.32
23 May 2013	1,500,000	17 October 2014	1.33	1.32
17 August 2012	2,500,000	24 October 2014	1.30	1.29
9 January 2013	9,500,000	24 October 2014	1.30	1.29
21 December 2011	125,000	14 November 2014	1.14	1.14
9 January 2013	62,500	14 November 2014	1.14	1.14
23 May 2013	600,000	14 November 2014	1.14	1.14
21 December 2011	2,968,750	12 December 2014	0.89	0.90
9 January 2013	250,000	12 December 2014	0.89	0.90
21 December 2011	5,816,000	24 December 2014	0.96	0.95
9 January 2013	250,000	24 December 2014	0.96	0.95
	91,560,000			

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes: (continued)

(ii) The following share options under the 2004 Share Option Scheme were exercised during the year ended 31 December 2013:

For the year ended 31 December 2013

Date of option grant	Number of Shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
9 October 2008	125,000	14 January 2013	0.43	0.44
6 July 2010	125,000	14 January 2013	0.43	0.44
21 December 2011	125,000	14 January 2013	0.43	0.44
9 October 2008	1,671,875	23 January 2013	0.42	0.44
21 December 2011	5,000,000	25 January 2013	0.40	0.40
21 December 2011	62,500	1 March 2013	0.40	0.41
21 December 2011	875,000	31 May 2013	0.55	0.59
9 October 2008	9,812,500	7 June 2013	0.50	0.52
6 July 2010	625,000	7 June 2013	0.50	0.52
21 December 2011	500,000	7 June 2013	0.50	0.52
6 July 2010	125,000	10 June 2013	0.51	0.50
21 December 2011	875,000	19 June 2013	0.47	0.49
9 October 2008	3,125,000	2 July 2013	0.50	0.49
6 July 2010	125,000	2 July 2013	0.50	0.49
21 December 2011	218,750	2 July 2013	0.50	0.49
9 October 2008	500,000	19 July 2013	0.53	0.53
21 December 2011	1,250,000	19 July 2013	0.53	0.53
9 October 2008	1,000,000	26 July 2013	0.59	0.58
6 July 2010	125,000	26 July 2013	0.59	0.58
21 December 2011	500,000	26 July 2013	0.59	0.58
30 March 2011	500,000	6 August 2013	1.15	0.63
6 July 2010	750,000	19 August 2013	0.60	0.61
17 August 2012	12,234,750	19 August 2013	0.60	0.61
17 August 2012	3,750,000	23 August 2013	0.63	0.63
21 December 2011	750,000	26 August 2013	0.63	0.63
17 August 2012	77,500	26 August 2013	0.63	0.63
17 August 2012	3,782,500	28 August 2013	0.63	0.63
21 December 2011	625,000	13 September 2013	0.69	0.69
9 October 2008	6,687,500	16 September 2013	0.73	0.69
17 August 2012	875,000	16 September 2013	0.73	0.69
9 October 2008	4,240,625	25 September 2013	0.67	0.73
17 August 2012	890,000	25 September 2013	0.67	0.73
9 October 2008	4,968,750	2 October 2013	0.63	0.64
21 December 2011	500,000	2 October 2013	0.63	0.64
17 August 2012	875,000	2 October 2013	0.63	0.64
9 October 2008	1,125,000	7 October 2013	0.67	0.62
21 December 2011	125,000	7 October 2013	0.67	0.62
21 December 2011	200,000	17 October 2013	0.77	0.64
21 December 2011	250,000	29 November 2013	0.88	0.86
30 March 2011	1,300,000	29 November 2013	0.86	0.86
21 December 2011	375,000	2 December 2013	0.90	0.88
21 December 2011	1,000,000	9 December 2013	0.96	0.92
21 December 2011	6,691,000	16 December 2013	1.12	1.03
21 December 2011	16,448,000	20 December 2013	1.12	1.11
21 December 2011	2,562,500	30 December 2013	1.15	1.17
	98,348,750			

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

At 31 December 2014, the number of Shares in respect of which options had been granted and remained outstanding under the 2004 Share Option Scheme was 730,769,426 (2013: 409,841,688), representing approximately 16.46% (2013: approximately 9.42%) of the Company's issued share capital as at that date.

The fair values of options granted were calculated using the binominal model, details of which are as follows:

For the year ended 31 December 2014

	Date of grant		
	19 August 2014	**21 January 2014**	**2 January 2014**
Number of Shares to be issued upon exercise of options granted	**25,000,000**	**359,302,000**	**43,488,238**
Estimated fair values of options granted	**HK$20,339,763**	**HK$236,381,804**	**HK$26,547,289**
Significant inputs into the model:			
Closing share price at date of grant	**HK$1.3300**	**HK$1.3100**	**HK$1.1900**
Exercise price	**HK$1.3780**	**HK$1.3100**	**HK$1.1900**
Expected volatility	**70.18%-88.26%**	**71.81%-78.02%**	**70.69%-86.03%**
Expected life of options	**2-9 years**	**2-5 years**	**2-5 years**
Risk-free interest rate	**0.311%-1.766%**	**0.334%-1.449%**	**0.338%-1.449%**
Dividend yield	**Nil**	**Nil**	**Nil**

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

For the year ended 31 December 2013

	Date of grant			
	20 June 2013	23 May 2013	21 May 2013	9 January 2013
Number of Shares to be issued upon exercise of options granted	1,500,000	85,151,688	212,879,224	150,000,000
Estimated fair values of options granted	HK$260,926	HK$15,133,648	HK$38,631,842	HK$23,680,387
Significant inputs into the model:				
Closing share price at date of grant	HK$0.4600	HK$0.4900	HK$0.4900	HK$0.4300
Exercise price	HK$0.4740	HK$0.4890	HK$0.4000	HK$0.4250
Expected volatility	78.23%-84.29%	76.98%-83.61%	68.65%	73.78%-84.21%
Expected life of options	2-5 years	2-5 years	0-3 years	2-5 years
Risk-free interest rate	0.312%-1.054%	0.185%-0.571%	0.245%	0.141%-0.416%
Dividend yield	Nil	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values.

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

35. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in the statements of financial position and respective notes. Save as those disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties:

Compensation of key management personnel

The remuneration of the Directors (who are the key management personnel of the Group) during the year was as follows:

	2014	2013
	HK$	HK$
Short-term employee benefits	**9,579,920**	11,063,345
Share-based payments	**11,969,119**	6,994,237
Post-employment benefits	**112,914**	114,138
	21,661,953	18,171,720

36. INVESTMENTS IN SUBSIDIARIES

	2014 **HK$**	2013 HK$
Unlisted shares, at cost	**7,816**	7,800
Less: Impairment loss recognised	**(7,816)**	(7,800)
	–	–

Details of the Company's principal subsidiaries at 31 December 2014 are set out as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/registered capital/paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong	PRC	Ordinary shares of HK$2,622	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$11.8 million	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技(天津)有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Paid-up capital of RMB10 million	51% (indirect)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
Maxprofit Management Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares of HK$600,000	100% (indirect)	Provision of management services for the Group
北京思德泰科科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$21 million	100% (indirect)	Research and development of sports lottery information technology
世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	Wholly-foreign owned enterprise	PRC	PRC	Registered capital of HK$150 million	100% (indirect)	Provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories)
SYSTEK LTD	Incorporated	BVI	PRC	1 ordinary share of US$1	100% (indirect)	Investment holding
SHINING CHINA INC	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding
Exequs Co. Ltd.	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding

36. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/registered capital/paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Fortune Happy Investment Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares of HK$10,000	100% (indirect)	Investment holding
北京世紀德彩科技有限公司 (Beijing Century Decai Technology Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB30 million	100% (indirect)	Investment holding
GOT	Domestic enterprise	PRC	PRC	Registered capital of RMB100 million	100% (indirect)	Research, development and production of sports lottery terminals and systems
深圳市银溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*) (Note)	Domestic enterprise	PRC	PRC	Paid-up capital of RMB30 million	100% (indirect)	Provision for lottery organisations with comprehensive phone and mobile betting solutions

* *For identification purpose only*

Note:

Shenzhen Silvercreek Digital Technology Co., Ltd. is a limited liability company established in the PRC to be operated for a period of 15 years up to 2016. The equity interest is held by individual nominees on behalf of the Group.

The above table lists out the principal subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2014**	2013
Investment holding	Hong Kong	**21**	17
Investment holding	PRC	**2**	1
Provision of sports lottery management and marketing consultancy services	PRC	**1**	1
		24	19

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

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

The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2014 and 2013.

37. RESERVES OF THE COMPANY

The Company	Share premium HK$	Share options reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2013	1,174,554,927	75,317,280	47,191,476	(239,513,185)	1,057,550,498
Loss for the year	–	–	–	(63,437,577)	(63,437,577)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(63,437,577)	(63,437,577)
Recognition of equity-settled share-based payments	–	60,072,362	–	–	60,072,362
Lapse of share options	–	(11,504,495)	–	11,504,495	–
Shares issued by way of placing	139,436,957	–	–	–	139,436,957
Shares issue expenses	(2,020,706)				(2,020,706)
Shares issued on exercise of part of share options	79,011,492	(57,189,503)	–	–	21,821,989
Balance at 31 December 2013 and 1 January 2014	1,390,982,670	66,695,644	47,191,476	(291,446,267)	1,213,423,523
Loss for the year	–	–	–	(164,540,068)	(164,540,068)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(164,540,068)	(164,540,068)
Recognition of equity-settled share-based payments	–	136,279,494	–	–	136,279,494
Lapse of share options	–	(407,208)	–	407,208	–
Shares issued on exercise of part of share options	37,105,412	(9,424,183)	–	–	27,681,229
Balance at 31 December 2014	1,428,088,082	193,143,747	47,191,476	(455,579,127)	1,212,844,178

38. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$143,540,052 (2013: HK$63,437,575).

39. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2013: nil).

40. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Score Value Limited ("Score Value")

On 17 November 2014, Silvercreek Technology Holdings Limited ("Silvercreek Technology Holdings"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with independent third parties (the "Vendors"), pursuant to which Silvercreek Technology Holdings has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the 50,000 ordinary shares of Score Value (representing the entire issued share capital of Score Value) for a maximum consideration of approximately HK$489.5 million (subject to downward adjustments as set out in the agreement). The maximum consideration is to be satisfied as to approximately HK$239.5 million in cash and as to approximately HK$250.0 million by way of the allotment and issue of a maximum of 168,918,918 consideration shares at the issue price of HK$1.48 per Share. Subject to Score Value and its subsidiaries (collectively, the "Score Value Group") meeting certain operational targets as set out in the agreement, the Company shall also grant the bonus options to the Vendors which entitle the Vendors to subscribe for a maximum of 166,666,666 option shares at a subscription price of HK$1.80 per Share. Further details of such are set out in the announcements of the Company dated 17 November 2014 and 8 January 2015 and the investment circular of the Company dated 8 December 2014.

Score Value Group is principally engaged in the research and development, quality assurance and sale of handheld lottery sale equipment, the provision of aftersales maintenance of such devices, and the design of lottery games and system development in the PRC.

All the conditions precedent for the acquisition have been fulfilled and the acquisition was completed on 8 January 2015. As a result, Score Value has become an indirect wholly-owned subsidiary of the Company and the results, assets and liabilities of the Score Value Group will be consolidated into the consolidated financial statements of the Group.

As at the date of approval of these consolidated financial statements, the management of the Group is still in the midst of determining the financial effect of the aforesaid acquisition.