

Annual Report 2014

**China**  
**LotSynergy**

China LotSynergy Holdings Limited

華彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock code: 1371

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## Corporate Information

### DIRECTORS

#### Executive Directors

Ms. LAU Ting, *Chairperson and Chief Executive Officer*  
Mr. WU Jingwei, *President*  
Ms. CHAN Tan Na, Donna, *Chief Financial Officer*  
Mr. LI Zi Kui

#### Non-Executive Director

Mr. HOONG Cheong Thard

#### Independent Non-Executive Directors

Mr. HUANG Shenglan  
Mr. CHAN Ming Fai  
Mr. CUI Shuming

### COMPANY SECRETARY

Mr. WONG Hiu Wong

### AUTHORISED REPRESENTATIVES

Ms. CHAN Tan Na, Donna  
Mr. WONG Hiu Wong

### AUDIT COMMITTEE

Mr. HUANG Shenglan  
Mr. CHAN Ming Fai  
Mr. CUI Shuming

### REMUNERATION COMMITTEE

Ms. LAU Ting  
Mr. HUANG Shenglan  
Mr. CHAN Ming Fai

### NOMINATION COMMITTEE

Ms. LAU Ting  
Mr. HUANG Shenglan  
Mr. CHAN Ming Fai

### AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3308, 33rd Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2136 6618  
Fax: (852) 2136 6608

### COMPANY WEBSITE

[www.chinalotsynergy.com](http://www.chinalotsynergy.com)

### PRINCIPAL SHARE REGISTRARS

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08,  
Bermuda

### BRANCH SHARE REGISTRARS IN HONG KONG

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

### LEGAL ADVISERS

Appleby  
Baker & McKenzie

### PRINCIPAL BANKERS

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
China Construction Bank (Asia) Corporation Limited

## Financial Summary

A summary of results and the assets and liabilities of China LotSynergy Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are as follows:

### RESULTS

	Year ended 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	1,034,769	743,756	607,255	528,136	282,577
Gross profit	725,864	543,981	482,506	431,676	220,340
Share option expenses	(12,378)	(7,031)	(1,015)	(19,750)	(9,520)
Gain on redemption of convertible note, net of imputed interest expenses	–	–	–	–	151,119
Finance costs	(55,600)	(22,656)	(19,825)	(19,495)	(5,809)
Profit before income tax	435,752	349,202	271,529	267,006	250,221
Income tax expense	(93,433)	(87,000)	(69,196)	(48,703)	(33,477)
Profit for the year	342,319	262,202	202,333	218,303	216,744
<b>Profit attributable to:</b>					
Owners of the Company	100,010	88,556	67,513	66,485	152,254
Non-controlling interests	242,309	173,646	134,820	151,818	64,490
	342,319	262,202	202,333	218,303	216,744

### ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total current assets	2,621,235	1,169,688	938,338	948,416	614,238
Total assets	3,934,211	2,381,534	1,998,308	1,766,710	1,417,451
Total liabilities	(1,728,446)	(925,358)	(743,763)	(549,172)	(331,072)
Net assets	2,205,765	1,456,176	1,254,545	1,217,538	1,086,379

## Management Discussion and Analysis

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment, gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery ("VLT"), computer-generated ticket games ("CTG") and KENO-type lottery to new media lottery. By building up its technical competencies, expanding into new markets and upholding high standards of corporate governance, the Group has established a solid foundation and an outstanding corporate brand name, providing it with comprehensive capabilities for sustainable development.

### CHINA'S LOTTERY MARKET

According to figures published by the Ministry of Finance, China's lottery market continued to grow in 2014, with total lottery sales of RMB382.38 billion, representing growth of 23.6% year on year ("YOY"). Welfare Lottery accounted for RMB205.97 billion in sales, growing at 16.7% YOY, whereas Sports Lottery accounted for RMB176.41 billion, growing at 32.8% YOY. Lotto and Digit games, which are the industry's main source of revenue, grew at 17.7% YOY, accounting for 65.1% of total lottery sales. VLT continued to grow rapidly at 30.4% YOY, accounting for 9.9% of total lottery sales. Driven by the 2014 FIFA World Cup, match-based games witnessed substantial growth of 81.7% YOY, accounting for 16.1% of total sales. Paper-based Scratch Card sales declined by 2.4% YOY, accounting for 9.0% of total sales. The Lotto and Digit category forms the backbone of China's lottery industry, followed by the VLT, Match-based games and Scratch Card categories, which form the other three key pillars of the sector.

### BUSINESS REVIEW AND OUTLOOK

The Group's business segments continued to develop steadily in 2014. As Welfare Lottery's fastest growing lottery type, VLT sales reached record highs, growing at 30.4% YOY. All VLT terminals have been replaced with third generation units, with a connected terminal base of approximately 38,000 units. On the Welfare CTG side, Guangdong Welfare Lottery continued to maintain steady sales growth. Meanwhile, Chongqing Welfare Lottery's sales grew significantly on the back of additional terminal rollouts. On the Sports CTG side, the Group has won bids to supply terminals to 9 provinces and regions. At the same time, the Group has continued a comprehensive expansion of its new media lottery business, which comprises telephone lottery and new-type lottery. By establishing closer ties with lottery authorities and channel partners on new channels and lottery types, the Group ensures that it will maintain its competitive advantage in the new media lottery arena.

#### Video Lottery Business

##### *China Welfare Lottery Video Lottery (VLT) Business*

As a technology-rich product, VLT has been playing an important role in China's lottery industry. The Group is the exclusive terminal equipment provider for VLT, which is Welfare Lottery's fastest growing lottery type. In 2014, total nationwide sales were RMB37.75 billion, representing YOY growth of 30.4%, marking the first time that it has reached a 9.9% share of total lottery sales.

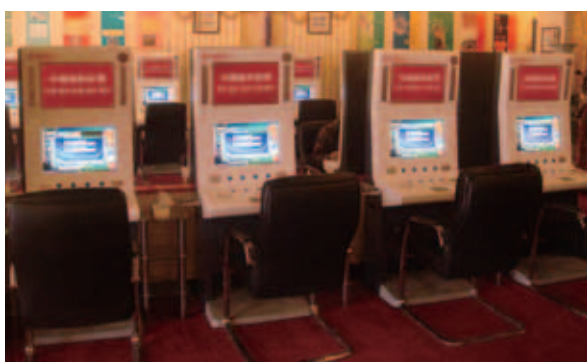
In 2014, VLT maintained consistently stable growth, with monthly sales climbing from RMB2.78 billion in January to a peak of RMB3.54 billion in December. During the FIFA World Cup in June and July, VLT was relatively unaffected by the surge in Match-based games sales growth, and maintained monthly sales of over RMB3 billion, indicating that it already has its own established consumer base. VLT is steadily expanding its markets, with its unique gameplay features attracting an ever-increasing number of young players.

VLT has become a key growth driver for Welfare Lottery across the provinces. In 2014, Zhejiang was the top selling province for VLT, with total sales of RMB4.26 billion. Shandong (RMB3.34 billion), Jiangsu (RMB3.16 billion), Guangdong (RMB2.91 billion) and Hubei (RMB2.35 billion) were respectively ranked from second to fifth place. They were closely followed by the provinces of Hunan and Anhui, where sales exceeded RMB2 billion. 18 provinces had annual sales growth exceeding 30%, out of which the provinces of Guizhou, Sichuan, Yunnan, Ningxia, Tianjin, Shanghai, Jiangxi and Hunan grew at more than 50%. Guizhou was the fastest growing province, with YOY sales growth of 97%.



## Management Discussion and Analysis

In 2014, all old generation VLT terminals were replaced with third generation units. The number of connected terminals approached an unprecedented 38,000 units, located in over 1,500 VLT halls. VLT's rapid growth is rooted in technological improvements and upgrades. Through close technical cooperation, the Group's research and development centre and subsidiary 東莞天意電子有限公司 ("DGTY") have fully utilized the DGTY-built R&D platform - Guangdong Lottery Terminal Equipment Engineering and Technology Research Centre. The Group has formed indispensable core strengths in providing comprehensive VLT solutions, including terminals, as well as cashier stations, servers and systems in VLT halls. Corresponding to an increase in the number of connected terminals, average daily sales of VLT reached RMB105 million, and average daily sales per terminal was nearly RMB3,200. Thus, VLT has become one of China's most pivotal lottery types. As the large scale rollout of third generation terminals is slated to continue across the nation in 2015, VLT is set to achieve new sales records once again.



In recent years, video lottery has been very favourably received in developed markets such as Europe and the U.S. In particular, the U.S. market has reached its maturity, with a penetration rate of one terminal per 10,000 people. China's VLT market is still in its growth phase, with only 38,000 terminals across 28 provinces. Based on China's current population of 1.4 billion, VLT's current penetration rate is far lower than that of developed countries. VLT has promising development prospects in terms of both market volume and growth potential. The Group is fully prepared to bring the development of VLT to new heights.

### CTG and KENO-type Lottery Business

#### CTG Business

Guangdong province, which is served by the Group's subsidiary, Guangzhou San Huan Yong Xin Technology Company ("GZSH"), remained the largest provincial Welfare Lottery market in China, with Welfare CTG sales of RMB12.48 billion in 2014. Chongqing, which is also served by GZSH, recorded Welfare CTG sales of RMB4.83 billion in 2014, representing growth of 43.7% YOY, which greatly exceeded overall Welfare Lottery sales growth. In June 2014, GZSH jointly won a bid with Beijing Bestinfo Cyber Technology Company Limited ("Bestinfo") to provide a comprehensive lottery sales and management system to Shanghai Welfare Lottery, along with the provision of 3,500 terminals for the Shanghai market. The system commenced a preliminary trial at the end of December 2014, and is slated to officially begin operation in April 2015. Additionally, GZSH continued to provide terminal maintenance services to Shenzhen Welfare Lottery Centre.



2014 was a year of major expansion for the Group's Sports CTG business. Guangzhou Lottnal Terminal Company Limited ("GZL"), a subsidiary of the Group, successively won bids to supply Sports Lottery CTG terminals to 9 provinces and regions, including Guizhou, Gansu, Zhejiang, Anhui, Guangxi, Heilongjiang, Inner Mongolia, Shanxi and Qinghai. The total number of supplied terminals reached over 6,000 units, placing the Group among the top three Sports Lottery terminal suppliers. Due to the rapid development of Match-based lottery games, demand for Sports Lottery terminals is strong. In 2015, the Group will leverage its unique technology and product advantages to increase its terminal sales, and provide more provinces with its high quality services. At the same time, the Group will continue to maintain its collaboration with domestic and international terminal manufacturers to provide specialized lottery products and core components, including lottery terminals and scanners.



## Management Discussion and Analysis

In December 2014, Bestinfo became a wholly owned subsidiary of the Group, upgrading the Group's CTG business from a terminal-only provider to a comprehensive terminal and system solutions provider. This has enhanced the Group's CTG business, and provided it with a solid foundation for further development.

### *KENO-type Lottery Business*

In 2014, KENO sales were approximately RMB80 million. In 2015, KENO's payout ratio is expected to increase. Management believes that once the payout ratio is increased, and beneficial measures such as co-location arrangements are implemented, KENO will break through its development bottleneck, and achieve rapid development in China.

### *New Media Lottery Business*

In the year ended 31 December 2014, the revenue generating portion of the Group's new media lottery business involved assisting various provincial lottery authorities in the distribution of lottery through telephone/mobile channels.

The use of telephone/mobile channels in the sale of lottery is in accordance with the "Provisional Regulation for the Administration of Telephone Lottery Sales", which was respectively promulgated and amended in October 2010 and March 2014 by China's lottery regulator, the Ministry of Finance. Each provincial lottery authority is responsible for telephone/mobile lottery sales, and may entrust and authorize companies to assist with the development of telephone/mobile lottery distribution. The Group has entered into lottery distribution contracts with several provincial lottery authorities, and is an authorized lottery distributor. In order to expand the scale of telephone/mobile lottery distribution, the Group has established cooperation with channel partners, such as telecom operators, financial institutions and social networking platforms, to tap into their telephone/mobile client base. On the aforementioned services, the group is paid service fees from each provincial lottery authority, which is calculated based on a mutually agreed percentage of total lottery sales generated from such telephone/mobile distribution.

Aside from the aforementioned business, the Group's new media lottery business also includes the provision of lottery information services (which does not include lottery sales services) through the Group's own lottery website, as well as the research and development of new lottery varieties. In the year ended 31 December 2014, these activities did not generate any revenue.

### *Telephone Lottery Business*

The 2014 FIFA World Cup ushered in unprecedented development opportunities for China's lottery industry, particularly for the new media lottery segment. The Group's telephone lottery business continued to sustain significant growth, along with enhancement of technical systems and products and closer cooperation with lottery authorities, telecom operators and financial institutions.

In 2014, the Group continued to work closely with multiple provincial lottery authorities, and achieved major progress in telephone lottery system construction and in its distribution business.



## Management Discussion and Analysis

The Group's mobile lottery app "華彩彩票" received a major facelift and upgrade in 2014, which greatly enhanced its product functionality and user experience. On the self-media side, the Group's WeChat official account "華彩彩票" was among the first to receive approval to conduct lottery sales on WeChat's platform, and its mobile lottery app "華彩彩票" became one of the first lottery apps to introduce WeChat payment in August 2014, further improving the lottery players' user experience.

The Group is an industry leader in terms of the breadth and depth of its collaborations with financial institutions and telecom operators. In January 2014, the Group commenced operations support for China Mobile's mobile payment-based lottery platform, with responsibilities for system construction, marketing and sales, providing lottery services to China Mobile's payment platform users nationwide. In March 2014, the Group became the lottery services provider for the e-commerce platform of China's largest financial institution, Industrial and Commercial Bank of China, launching its services through the bank's "融e購" platform and mobile banking app. In April 2014, the Group launched its mobile lottery business with China Minsheng Bank. At the end of 2014, the Group had established cooperation with close to 10 financial institutions.

In 2015, the Group will continue to leverage its advantages in new media lottery to implement and expand its collaborations with provincial lottery authorities on telephone lottery system construction and sales promotions. The Group will strive to seize market opportunities, develop its online-to-offline ("O2O") business, explore new business models and develop new sales channels. Additionally, it will continue to strengthen its collaborations with telecom operators and financial institutions, and expand the benefits of its cooperation. The Group hopes that its efforts will enable it to provide lottery authorities, financial institutions, telecom operators, and other important collaborators with innovative products and services, allowing it to make new contributions to China's lottery industry.

### *New-type Lottery Business*

The Ministry of Finance's amendment of the "Provisional Regulation for the Administration of Telephone Lottery Sales" further clarified policies supporting the development of new lottery types. The mobile lottery market's surging growth, favorable government policies and a strong market have driven lottery authorities at all levels to become highly confident about the enormous potential of new-type lottery. This has accelerated the construction of new-type lottery systems and project submission, as lottery authorities scramble to be the first to expand into this new area.

2015 will be filled with development opportunities for the Group's new-type lottery business. The Group has begun preparing for a strategic rollout in the new-type lottery area with industry leading systems, games and services. By capitalizing on its first mover advantage, the Group will capture more business opportunities in the new-type lottery area and create greater value.

### **Conclusion**

In 2014, the Group sustained healthy development of all parts of the VLT, CTG and new media lottery industry chain, and upgraded its role from a terminal provider to include the provision and operation of systems and services. In 2015, under the guidance of the State's "Internet Plus" grand strategy, the Group will take advantage of its status as an experienced professional lottery company, and capture development opportunities from the transformation of the lottery sector and lottery O2O strategies. The Group will further optimize its products and services, strengthen its competitive advantages, achieve breakthroughs and actively pursue new developments to create more value for shareholders.

### **FINANCIAL REVIEW**

The Group recorded a turnover of approximately HK\$1,034.8 million for the year ended 31 December 2014, representing an increase of approximately 39.1% over 2013. The Group recorded approximately HK\$100 million profit attributable to owners of the Company for the year ended 31 December 2014, representing an increase of approximately 12.9% over 2013. The improvement in both turnover and profit attributable to owners of the Company is mainly attributable to the sustained growth of the China lottery market in 2014.



## Management Discussion and Analysis

### LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

The Group believes that it has adequate financial resources to fund its capital and operating requirements. At 31 December 2014, the Company had an outstanding corporate guarantee for unlimited amount for total banking facilities of property installment loans of approximately HK\$153.7 million (2013: HK\$153.7 million), an outstanding corporate guarantee limited to approximately HK\$17 million (2013: HK\$17 million) for a banking facility of a property installment loan of approximately HK\$17 million (2013: HK\$17 million), and an outstanding corporate guarantee for unlimited amount for credit facilities of investment purpose of US\$20 million; whereas, a subsidiary of the Group had an outstanding corporate guarantee for a maximum of RMB140 million (2013: RMB150 million) plus interest and fees for a banking facility of a working capital loan of RMB200 million (2013: RMB200 million) granted to the Group. The Group had outstanding bank borrowings at 31 December 2014 of approximately HK\$911.2 million (2013: HK\$797.2 million). At 31 December 2014, the bank borrowings and banking facilities of the Group were secured by (i) leasehold land and buildings of the Group with a carrying amount of approximately HK\$169.3 million (2013: HK\$172.9 million); (ii) standby letters of credit issued by bank for an aggregate amount of US\$59 million (2013: US\$59 million); (iii) accounts receivable of approximately HK\$284 million (2013: HK\$60.5 million); (iv) deposits held with banks and financial institutions amounting to approximately HK\$500.7 million (2013: HK\$501.3 million); and (v) trading securities of approximately HK\$298.5 million (2013: Nil).

The Company has completed the issuance of convertible bonds (the “Convertible Bonds”) due 2019 in total aggregate principal amount of HK\$650 million during the year. The Convertible Bonds shall be convertible into the paid ordinary shares of HK\$0.0025 each of the Company at an initial conversion price of HK\$0.93 each (subject to adjustment). The Convertible bonds bear interest at the rate of 5% per annum payable semi-annually in arrears. As at 31 December 2014, no Convertible Bonds had been exercised by holders of the Convertible Bonds or redeemed by the Company.

The Company raised a net proceeds of approximately HK\$445 million during the year from the issuance of a total of 594,034,513 new shares of the Company at the subscription price of HK\$0.75 per share to Hongze Lake Investment Limited, being the subscriber and is a wholly owned subsidiary of Tencent Holdings Limited whose shares are listed on the Main Board of the Stock Exchange with stock code 700. The Company granted an option to the subscriber to subscribe for a further 273,140,969 new shares of the Company at the option price of HK\$0.83 per share subject to the terms of the option. As at 31 December 2014, no option as abovementioned has been exercised by the subscriber.

The Group’s total equity amounted to approximately HK\$2,205.8 million at 31 December 2014 (2013: HK\$1,456.2 million). At 31 December 2014, net current assets of the Group amounted to approximately HK\$1,561.1 million (2013: HK\$294.5 million), including approximately HK\$907.9 million in cash and deposits with banks and financial institutions (2013: HK\$841.1 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2014 was approximately 43.9% (2013: 38.9%).

### EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

All the Group’s assets, liabilities and transactions are denominated either in Hong Kong dollar, United States dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

### PLEDGE OF ASSETS

At 31 December 2014, the Group’s leasehold land and buildings at net book value of approximately HK\$169.3 million (2013: HK\$172.9 million) were pledged to banks to secure the bank borrowings granted to the Group. At 31 December 2014, the Group’s accounts receivable at outstanding balance of approximately HK\$284 million (2013: HK\$60.5 million) and bank deposits amounting to approximately HK\$488.8 million (2013: HK\$501.3 million) were pledged to secure bank borrowings and banking facilities granted to the Group. At 31 December 2014, the Group’s cash deposits and trading securities at an aggregate carrying value of approximately HK\$310.4 million (2013: Nil) were pledged to a financial institution to secure the credit facilities granted to the Group.

### CONTINGENT LIABILITIES

At 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

### STAFF

At 31 December 2014, the Group employed 499 full time employees (2013: 460). The management believes that the competence of employees is a major contributing factor to the Group’s sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund, medical insurance and regulated employees’ social security program in China. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programs for staff are provided as and when required. The Group will further strengthen its team buildup, in order to offer enhanced services for China’s lottery market.

## Biographies of Directors and Senior Management

### DIRECTORS

#### LAU Ting

*Board's Chairperson, Executive Director and Chief Executive Officer*

Ms. Lau, aged 58, is the Board's Chairperson, an Executive Director and the Chief Executive Officer of the Company. Ms. Lau is the founder of the Group and is responsible for planning and leading the implementation of the Group's overall strategies for operational development. She has over twenty years of solid experience in business planning and management, mergers and acquisitions, and financial and human resources management. Ms. Lau is also an executive director of Hong Kong listed Burwill Holdings Limited.

#### WU Jingwei

*Executive Director and President*

Mr. Wu, aged 43, joined the Group in 2007, and is an Executive Director and the President of the Company. Mr. Wu assists the Board's Chairperson in planning and leading the implementation of the Group's overall strategies for development. Mr. Wu has overall responsibilities for the operations and management of the Group's lottery business with extensive experience in leading the China Welfare Lottery Video Lottery Business, Computer-generated Ticket Games Business, Video Lottery Business and New Media Lottery Business. Mr. Wu has over fifteen years of experience in information technology. Prior to joining the Group, Mr. Wu had held senior management positions in PKU Founder Group and Hisense Group. Mr. Wu holds a Bachelor's degree in Mechanical Engineering from Beijing Technology and Business University.

#### CHAN Tan Na, Donna

*Executive Director and Chief Financial Officer*

Ms. Chan, aged 34, joined the Group in 2012, and is an Executive Director and Chief Financial Officer of the Company. Ms. Chan is responsible for the management of several departments of the Group including finance, investor relations and company secretarial. She holds a Bachelor's degree in Economics and Finance from the University of Hong Kong and a Master's degree in Economics from Boston University, USA. She is a qualified Chartered Financial Analyst (CFA) and holds licenses in relation to asset management from the Hong Kong Securities Institute. From 2005 to early 2012, Ms. Chan held positions at Deutsche Bank's Corporate Finance department and Atlantis Investment Management (Hong Kong) Limited, where she was involved in several initial public offerings, share placements, mergers and acquisitions, and bond issuances. Her experiences span across different sectors including technology, media, telecommunication, real estate, natural resources and consumer goods. In her capacity as a fund manager, she was in charge of equity investments in listed and unlisted companies in the Greater China region. She has also worked with a diverse portfolio of clients from Europe and the USA including sovereign wealth funds, mutual funds, endowment funds as well as other institutional investors.

#### LI Zi Kui

*Executive Director, Senior Vice President and General Manager of CTG Business Unit*

Mr. Li, aged 51, joined the Group in 2011, and is an Executive Director, Vice President and General Manager of the CTG Business Unit of the Company. Mr. Li has over twenty-five years of solid management experience in the information technology sector. He had been engaged in the China Welfare lottery space as a chief engineer with technical management responsibility for nearly twenty years, gaining extensive experience with proven track record in various lottery segments including video lottery, computer ticket game and instant lottery. Mr. Li holds a Bachelor's degree in Computer Science and Engineering from The PLA Information Engineering University and an EMBA from Beijing Institute of Technology, as well as a senior engineer qualification.

## Biographies of Directors and Senior Management

### **HOONG Cheong Thard**

#### *Non-Executive Director*

Mr. Hoong, aged 46, is currently a Non-Executive Director and the Consultant of the Company. Mr. Hoong joined the Group in September 2006 and had been an Executive Director and the Chief Executive Officer of the Company until September 2008. Mr. Hoong has over ten years of experience in investment banking and has extensive experience in international capital markets and mergers and acquisitions. Mr. Hoong was a director in Equity Capital Markets at Deutsche Bank responsible for Greater China. He was also previously an executive director in Equity Capital Markets at UBS and has held senior positions in Corporate Finance at Barclays Group and a major international accounting firm where he was involved in auditing. Mr. Hoong is currently the executive director of Far East Consortium International Limited, a company listed in Hong Kong, and the director and president of AGORA Hospitality Group Co., Ltd., a company listed in Tokyo, Japan. Mr. Hoong is also a non-executive director of Dorsett Hospitality International Limited (formerly known as "Kosmopolito Hotels International Limited"), a company listed in Hong Kong and a non-independent and a non-executive director of Land & General Berhad, a company listed in Malaysia. He is a member of the Institute of Chartered Accountants in England and Wales and holds a Bachelor's degree in Mechanical Engineering from Imperial College, University of London.

### **HUANG Shenglan**

#### *Independent Non-Executive Director*

Mr. Huang, aged 63, joined the Group in 2002 and is an Independent Non-Executive Director of the Company. Mr. Huang was an executive director and the deputy governor of China Everbright Bank, Head Office and was an executive director and the general manager of China Everbright Technology Limited. Mr. Huang holds a Diploma in Arts from Huazhong Normal University and in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University and in Advanced Management Programme from the Harvard Business School, USA. Mr. Huang is also an independent non-executive director of Burwill Holdings Limited and a non-executive director of China Fortune Investments (Holding) Limited, which are listed companies in Hong Kong. Mr. Huang was an independent director of Chongqing Road & Bridge Co. Limited, a company listed in Shanghai and an independent non-executive director of Symphony Holdings Limited, in the previous three years.

### **CHAN Ming Fai**

#### *Independent Non-Executive Director*

Mr. Chan, aged 53, joined the Group in 2006 and is an Independent Non-Executive Director of the Company. Mr. Chan is currently the chief executive officer of City Green Holdings Limited and is primarily responsible for the formulation and execution of the group's strategy. Prior to that, he was the chief executive officer of Full Seas Technology Group and the president of Dandelion Capital Group, which is a private financial advisory company. He has over twenty years of experience in investment banking and asset management. Mr. Chan had worked for Jardine Fleming Investment Management with a major responsibility to market unit trusts and asset management products in Hong Kong and subsequently in various Asian markets, and was particularly instrumental in the establishment of Jardine Fleming's investment trust operation in Japan, Korea and Indonesia. Mr. Chan also co-founded the KGI Group, which is a pan-Asian investment bank with shareholders including major investors and institutions in Asia, where he was the head of the asset management operation, which managed about USD400 million in hedge funds and other investment portfolios, and was also a member of the management committee of KGI Group. Mr. Chan is also an independent non-executive director of Burwill Holdings Limited, a company listed in Hong Kong. Mr. Chan holds a Bachelor's degree in Social Sciences with a major in Economics from the University of Hong Kong.

## Biographies of Directors and Senior Management

### **CUI Shuming**

*Independent Non-Executive Director*

Mr. Cui, aged 77, joined the Group in 2008 and is an Independent Non-Executive Director of the Company. Mr. Cui graduated from Renmin University of China. He was the deputy head of the Bank of China, Jiangsu branch, the executive director of The National Commercial Bank, Ltd. and the general manager of its Hong Kong branch, a director and the executive vice president of The Ka Wah Bank Limited and an independent non-executive director of two listed companies in Hong Kong, namely, Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) and Wah Sang Gas Holdings Limited. Mr. Cui is currently an independent non-executive director of Burwill Holdings Limited and Yue Da Mining Holdings Limited, both are listed companies in Hong Kong. He has over forty years of experience in international finance and corporate planning and management.

### **SENIOR MANAGEMENT**

#### **LAN Jianzhang**

*Senior Vice President and General Manager of New Type Lottery Business Unit*

Mr. Lan, aged 43, joined the Group in 2009. He is currently the Senior Vice President of the Group and General Manager of New Type Lottery Business Unit. Mr. Lan previously held a senior position at China Lottery Online Technology Co., Ltd, and was responsible for the strategy, product and business development. He has extensive and proven experience in the lottery industry including video lottery segment. Mr. Lan has over fifteen years' experience in the information technology and internet sector. He previously held management positions at leading companies in the sector including the PKU Founder Group, where he was responsible for the development of high-end information technology and household appliances. Mr. Lan holds a Bachelor's degree from Beijing University of Aeronautics & Astronautics, a Master's degree in Physics from Chinese Academy of Sciences, and an EMBA from Beijing Institute of Technology.

#### **HE Ying**

*Senior Vice President and General Manager of Mobile and Internet Services Business Unit*

Ms. He, aged 45, joined the Group in 2007. She is currently the Senior Vice President of the Group, General Manager of Mobile and Internet Services Business Unit and General Manager of the Marketing Department. Ms. He had been the general manager of the marketing department at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Ms. He has been engaged in the information technology industry for fifteen years, and has extensive experience in marketing and corporate management. Ms. He holds a Bachelor's degree in Computer Science from the Beijing University of Technology.

#### **CHEN Hengben**

*Vice President and the Chairman of Guangzhou San Huan and Lottnal*

Mr. Chen, aged 75, joined the Group in 2008. He is currently the Vice President of the Group and the Chairman of Guangzhou San Huan and Lottnal. Mr. Chen, who is among the pioneers in China engaged in the development of lottery systems and equipment, has over 40 years of practical experience in computer and electronic engineering. He was a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a senior engineer for the Research Institute of China Ordnance Industry and the vice president covering technology for the Computer Center of Guangdong Provincial Science and Technology Commission; In 1992, he took part in establishing the Guangzhou Horse Racecourse and assumed the position of vice chief commander for the project construction of the Real Time Racing Lottery Bidding System for Guangzhou Horse Racecourse; In 1999, he was appointed as chief commander for the project construction of Macau Greyhound Racing Club's Real Time Lottery Bidding System. Afterwards Mr. Chen founded Guangzhou San Huan Yong Xin Technology Company Limited and Guangzhou Lottnal Terminal Technology Company Limited. Mr. Chen holds a Bachelor's degree in Computer Science from South China University of Technology.

## Biographies of Directors and Senior Management

### **LUO Xiaobing**

*Vice President and the General Manager of Bestinfo Cyber*

Mr. Luo, aged 57, joined the Group in 2014. He is currently the Vice President of the Group and the General Manager of Bestinfo Cyber. Mr. Luo, who was a recipient of the First-class Prize of the State Science and Technology Progress Award, has over thirty years' experience in the information technology and lottery system sector. Mr. Luo has been engaged in the development of China Welfare Lottery's sales systems since 1991, and was the designer and developer of China's first generation lottery transaction, sales and management system. He participated in the planning and establishment of Welfare Lottery sales systems in numerous provinces, including Guangdong, Shanghai and Zhejiang. Mr. Luo founded Beijing Bestinfo Cyber Technology Co., Limited and holds a postgraduate degree in information technology from the PLA Information Engineering University.

### **Ji Youjun**

*Vice President and the General Manager of the Group's Technology Management Center*

Mr. Ji, aged 42, joined the Group in 2007. He is currently the Vice President and the General Manager of the Group's Technology Management Center. Mr. Ji had been the head of household product development at Founder Technology Group Corporation and vice general manager at Hisense Cyber Product Limited. Mr. Ji has extensive experience in the development and management of information technology software and hardware products. He holds a Bachelor's degree in Mechanical Engineering and Manufacturing from Harbin University of Science and Technology.

### **CHONG Ming, John**

*Vice President and Director of the Group's Investor Relations*

Mr. Chong, aged 43, joined the Group in 2001. He is currently the Vice President and Director of the Group's Investor Relations Department. Mr. Chong has over ten years of solid experience in corporate management and sino-foreign cooperation. Mr. Chong was an officer with the legal aid department of the Department of Justice and the Legislative Council Secretariat of Hong Kong respectively. Mr. Chong holds a Bachelor's degree in Translation and Interpretation from the City University of Hong Kong, and is currently completing a Juris Doctoral degree with the Chinese University of Hong Kong.

### **ZHU Xinxin**

*Vice President and Director of the Group's Human Resource and Administrative Department*

Ms. Zhu, aged 35, joined the Group in 2008. She is currently the Vice President and Director of the Group's Human Resource and Administrative Department. Ms. Zhu had been the operation manager of Protiviti Independent Risk Consulting, China, a global business consulting and internal audit firm. Ms. Zhu had also worked in Accenture, a global leading management consulting, information technology services and outsourcing company. At Accenture, she participated in various projects including the CNOOC SAP implementation project, Robert Half International PeopleSoft Implementation project and BP Finance & Accounting Outsourcing project. Ms. Zhu holds a Bachelor's degree in Business and Finance from the University of Westminster and a Master's degree in Development Finance from the University of Manchester. Ms. Zhu also holds the Chief Human Resource Officer certificate, conducted by the Business School at Renmin University of China and ILR School at Cornell University.

### **TAN Yung Kai, Richard**

*Financial Controller of the Group*

Mr. Tan, aged 43, joined the Group in 2000. He is currently the Group's Financial Controller, responsible for the overall financial accounting of the Group. Mr. Tan has over fifteen years of experience in the audit and the accounting fields. He had worked for Deloitte Touche Tohmatsu, an international accounting firm involved in the various auditing and due diligence activities. He holds a Bachelor's degree in Commerce from McGill University, Canada and a Master's degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Tan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

## Biographies of Directors and Senior Management

### **SONG Xiaojun**

*Head of the Group's Legal Department*

Ms. Song, aged 48, joined the Group in 2007. She is currently the Head of the Group's Legal Department. Ms. Song obtained her lawyer qualification certificate in Mainland China and has over seventeen years of experience in legal areas, specialising in business matters, dispute resolutions and intellectual property. Ms. Song has worked at the China University of Political Science and Law, law firms in Mainland China and Hong Kong respectively. Ms. Song holds a Bachelor's degree in Law from the China University of Political Science and Law and a Master's degree (Magister Juris) in European and Comparative Law from Oxford University.

### **ZHANG Yi**

*Financial Controller (China)*

Mr. Zhang, aged 38, joined the Group in 2008. He is currently the Financial Controller (China), responsible for the overall financing and investment management of the Group's China region. Prior to joining the Group, Mr. Zhang had previously been the Investment Head of Investment Development Department of Fosun Group. Fosun Group is one of the largest non-state-owned corporations in China with operations in pharmaceutical, property development, steel, mining, retail, services and strategic investment. Mr. Zhang had also worked for Yongjin Group and Jiuzhitang Co., Ltd, both of which are famous corporations in China. Mr. Zhang has nearly fifteen years of experience in the financial management and investment management fields. Mr. Zhang holds a Bachelor's degree in Economics from Peking University's Guanghua School of Management and a Master's degree of International Business Administration. Mr. Zhang is also a non-practicing member of the Chinese Institute of Certified Public Accountants (CICPA) and a member of the Association of Chartered Certified Accountants (ACCA).

### **WONG Hiu Wong**

*Company Secretary of the Group*

Mr. Wong, aged 31, joined the Group in 2009. He is currently the Group's Company Secretary, responsible for the overall compliance matters within the Group and providing advice to its corporate exercise and adaptation of latest corporate governance policies. Prior to joining the Group, Mr. Wong had worked for a Hong Kong listed group, responsible for the compliance issues of its companies listed on Main Board and GEM Board respectively. Mr. Wong is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of The Hong Kong Institute of Directors. He holds a Bachelor's degree in Business from LSE, the University of London and a Master's degree in Corporate Governance and Directorship from the Hong Kong Baptist University.



## Report of the Directors

The board of Directors of the Company (the “Board”) presents to the shareholders their report together with the audited financial statements of the Group for the year ended 31 December 2014.

### FINANCIAL RESULTS AND APPROPRIATIONS

Details of the Group’s results for the year ended 31 December 2014 are set out in the consolidated income statement on page 36.

No interim dividend was paid during the year.

The Board has recommended the payment of a final dividend of 0.25 HK cent (2013: 0.24 HK cent) per share for the year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on 5 June 2015. The proposed final dividend is subject to approval of shareholders at the Annual General Meeting to be held on 27 May 2015.

### PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding.

The Group is principally engaged in the business of provision of technology and operation services for lottery systems, terminal equipment, gaming products in China’s lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery.

Analysis of the Group’s turnover and segment information for the year ended 31 December 2014 are set out in note 5 to the consolidated financial statements.

### MAJOR SUPPLIERS AND CUSTOMERS

The Group’s five largest customers accounted for about 90% of its turnover for the year. In addition, the largest customer of the Group accounted for about 78% of the Group’s turnover.

The percentage of the Group’s purchases attributable to the Group’s five largest suppliers was about 38%. In addition, the largest supplier of the Group accounted for about 15% of the Group’s purchases.

Save as disclosed above, none of the Directors, their respective associates nor shareholders (which to the knowledge of the Directors owned more than 5% of the Company’s share capital) had any interest in the above customers and suppliers at any time during the year.

### PROPERTY, PLANT AND EQUIPMENT

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

### SUBSIDIARIES

The particulars of the Company’s principal subsidiaries as at 31 December 2014 are set out in note 18(a) to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in share capital during the year are set out in note 32 to the consolidated financial statements.

## Report of the Directors

### CONVERTIBLE BONDS

The Company had completed the issuance of convertible bonds in the principal amount of HK\$580 million on 17 April 2014 and additional convertible bonds in principal amount of HK\$70 million under the Subscription Agreement on 2 May 2014, bringing the total issue size of the convertible bonds (the "Convertible Bonds") to HK\$650 million in aggregate principal amount. The Convertible Bonds shall be convertible into the paid ordinary shares of HK\$0.0025 each of the Company at an initial conversion price of HK\$0.93 each (subject to adjustment pursuant to the terms of the Subscription Agreement). Such proceeds has been/will be used for financing working capital and general corporate purpose. As at 31 December 2014, no Convertible Bonds had been exercised by holders of the Convertible Bonds or redeemed by the Company. The Convertible Bonds are currently listed on the Stock Exchange. Details of the Convertible Bonds are set out in note 30 to the consolidated financial statements.

### ISSUE OF NEW SHARES AND GRANT OF OPTION UNDER GENERAL MANDATE

Pursuant to a subscription agreement dated 16 October 2014 entered into by the Company and Hongze Lake Investment Limited (the subscriber), a wholly owned subsidiary of Tencent Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code 700, on 4 November 2014, the Company has allotted and issued a total of 594,034,513 new shares of the Company at the subscription price of HK\$0.75 per share to the subscriber, and granted an option to the subscriber to subscribe for a further 273,140,969 new shares of the Company at the option price of HK\$0.83 per share subject to the terms of the option (both the number of shares and option price being subject to adjustments). Such proceeds has been/will be used as the Group's general working capital, general corporate purposes and investments when business opportunities arise. For the year ended 31 December 2014, no option as abovementioned has been exercised by the subscriber.

### CHANGE OF ADDRESS OF BERMUDA SHARE REGISTRAR

With effect from 30 July 2014, the Company's Bermuda principal share registrar and transfer agent MUFG Fund Services (Bermuda) Limited has changed its address to The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

### CHANGE IN AUDITOR

The practice of HLB Hodgson Impey Cheng, the former auditors of the Group, was reorganized as HLB Hodgson Impey Cheng Limited due to its internal corporate reorganization. HLB Hodgson Impey Cheng resigned as the auditors of the Group with effect from 27 January 2014 and HLB Hodgson Impey Cheng Limited has been appointed as the auditor of the Group with effect from 27 January 2014 to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng. The relevant resolution in relation to the re-appointment of HLB Hodgson Impey Cheng Limited has been approved at the annual general meeting of the Company on 27 May 2014.

### RESERVES

Details of movements in reserves during the year are set out in note 34 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2014, the distributable reserves to the shareholders in accordance with the Company's Bye-laws was approximately HK\$247,798,000 (As at 31 December 2013: HK\$27,522,000).

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no statutory restriction against the granting of such rights under the laws of Bermuda.

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

During the year ended 31 December 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid (including expenses) HK\$'000
April 2014	49,800,000	0.58	0.52	27,514
December 2014	50,000,000	0.57	0.54	27,729
	<u>99,800,000</u>			<u>55,243</u>

Save as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

## Report of the Directors

### SHARE OPTION SCHEME

As at 31 December 2014, there were options for 27,200,000 shares granted by the Company pursuant to the option scheme, as adopted by the shareholders of the Company on 30 July 2002 (the "2002 Option Scheme"), which were valid and outstanding. At the annual general meeting of the Company held on 18 May 2012, an ordinary resolution has been passed for the Company to terminate the operation of the 2002 Share Option Scheme in accordance with its terms (such that no further options could thereafter be offered under the 2002 Option Scheme but in all other respects the provisions of the 2002 Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid) and a new share option scheme (the "2012 Option Scheme") has been adopted by the shareholders of the Company at the same day. As at 31 December 2014, there were options for 280,125,000 shares granted by the Company pursuant to the 2012 Option Scheme which were valid and outstanding.

Summary of the principal terms of the 2012 Option Scheme is as follows:

**(i) Purpose of the Option Scheme**

The purpose of the option scheme is to provide incentives to Participants (as stated in paragraph (ii)) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group.

**(ii) Participants**

Any person being an employee, officer, buying agent, selling agent, consultant, sales representative, marketing representative, business representative of, or supplier or provider of goods or services to, the Group or its holding company or subsidiary, including any executive or non-executive director of the Group or its holding company or subsidiary.

**(iii) Maximum number of shares**

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the option scheme and any other share option schemes of the Company and/or its holding company and/or its subsidiary must not exceed 30% of the number of issued shares from time to time. The total number of Shares available for issue in respect of options which may be granted under the option scheme as at the date of this report is 33,466 Shares, representing approximately 0.0004% of the issued share capital of the Company as of that date.

**(iv) Maximum entitlement of each Participant**

Unless approved by shareholders of the Company in general meeting, no Participant shall be granted an option which would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such Participant in any 12-month period up to and including the proposed date of grant for such options would exceed 1% of the number of shares in issue as at the proposed date of grant.

**(v) Option period**

An option may be exercised in accordance with the terms of the option scheme at any time during a period of not exceeding ten years to be notified by the Board to the grantee, such period to commence on the date of grant or such later date as the Board may determine and expiring on the last day of the said period. Under the Option Scheme, the Board may, at its discretion, prescribe a minimum period for which an option must be held before it can be exercised.

## Report of the Directors

### SHARE OPTION SCHEME (Cont'd)

#### (vi) Payment on acceptance of option

HK\$1.00 in cash is payable by the Participant who accepts the grant of an option in accordance with the terms of the option scheme on acceptance of the grant of an option.

#### (vii) Subscription price

The subscription price for the shares under the options to be granted under the option scheme will be a price determined by the Board and notified to a Participant at the time the grant of the options is made to (and subject to acceptance by) the Participant and will be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant (subject to acceptance) of the option; and (c) the nominal value of the shares.

#### (viii) The life of the Option Scheme

The option scheme shall be valid and effective for a period of ten years commencing on 18 May 2012, after which period no further options will be granted or accepted but the provisions of the option scheme shall remain in full force and effect in all other respects.

Movements of share options granted under the 2002 Option Scheme and the 2012 Option Scheme during the year ended 31 December 2014:

	Date of grant	Exercise price per Share HK\$	Exercise period from until		No. of Shares under the options					Closing price per Share at the date of grant of the options during the year HK\$	
					outstanding at the beginning of the year	granted during the year	exercised during the year	cancelled during the year	lapsed during the year		outstanding at the end of the year
<b>2002 Option Scheme</b>											
<b>(i) Name of Director</b>											
Mr. WU Jingwei	04/07/2007	0.975	01/01/2012	31/12/2013	800,000	-	-	-	(800,000)	-	-
	02/10/2009	0.500	01/09/2011	31/08/2014	3,400,000	-	(3,400,000)	-	-	-	-
	02/10/2009	0.500	01/09/2012	31/08/2014	3,400,000	-	(3,400,000)	-	-	-	-
	02/10/2009	0.500	01/09/2013	31/08/2014	3,400,000	-	(3,400,000)	-	-	-	-
Mr. LI Zi Kui	17/08/2009	0.500	17/02/2010	16/08/2014	5,000,000	-	(5,000,000)	-	-	-	-
	17/08/2009	0.500	17/08/2010	16/08/2014	5,000,000	-	(5,000,000)	-	-	-	-
Mr. HOONG Cheong Thard	30/06/2006	0.285	16/08/2007	29/06/2016	17,600,000	-	(17,600,000)	-	-	-	-
	30/06/2006	0.285	16/08/2008	29/06/2016	17,600,000	-	(400,000)	-	-	17,200,000	-
<b>(ii) Continuous contract employees</b>											
	11/05/2007	0.775	02/05/2008	01/05/2014	1,800,000	-	-	-	(1,800,000)	-	-
	11/05/2007	0.775	02/05/2009	01/05/2014	1,800,000	-	-	-	(1,800,000)	-	-
	11/05/2007	0.775	02/05/2010	01/05/2014	1,800,000	-	-	-	(1,800,000)	-	-
	11/05/2007	0.775	02/05/2011	01/05/2014	1,800,000	-	-	-	(1,800,000)	-	-
	11/05/2007	0.775	02/05/2012	01/05/2014	1,800,000	-	-	-	(1,800,000)	-	-
	11/05/2007	0.775	02/05/2013	01/05/2014	3,000,000	-	-	-	(3,000,000)	-	-
	15/06/2009	0.500	15/06/2010	14/06/2015	5,000,000	-	-	-	-	5,000,000	-
	15/06/2009	0.500	15/06/2011	14/06/2015	5,000,000	-	-	-	-	5,000,000	-
	17/08/2009	0.500	17/02/2010	16/08/2014	36,000,000	-	(36,000,000)	-	-	-	-
	17/08/2009	0.500	17/08/2010	16/08/2014	36,000,000	-	(36,000,000)	-	-	-	-
	02/10/2009	0.500	01/09/2010	31/08/2014	1,450,000	-	(1,450,000)	-	-	-	-
	02/10/2009	0.500	01/09/2011	31/08/2014	1,450,000	-	(1,450,000)	-	-	-	-
	02/10/2009	0.500	01/09/2012	31/08/2014	1,450,000	-	(1,450,000)	-	-	-	-
	02/10/2009	0.500	01/09/2013	31/08/2014	1,450,000	-	(1,450,000)	-	-	-	-
<b>Total:</b>					156,000,000	-	(116,000,000)	-	(12,800,000)	27,200,000	

Note: For the share options exercised during the year, the weighted average closing price of Share immediately before the date on which the options for 116,000,000 Shares were exercised was approximately HK\$0.639.

## Report of the Directors

### SHARE OPTION SCHEME (Cont'd)

	Date of grant	Exercise price per Share HK\$	Exercise period		No. of Shares under the options					Closing price per Share at the date of grant of the options during the year HK\$	
			from	until	outstanding at the beginning of the year	granted during the year	exercised during the year	cancelled during the year	lapsed during the year		outstanding at the end of the year
<b>2012 Option Scheme</b>											
<b>(i) Name of Director</b>											
Ms. LAU Ting	13/11/2012	0.109	13/05/2014	12/05/2016	3,500,000	–	(3,500,000)	–	–	–	–
Mr. WU Jingwei	13/11/2012	0.109	13/05/2014	12/05/2016	24,000,000	–	(24,000,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	10,000,000	–	–	–	10,000,000	0.690
Ms. CHAN Tan Na, Donna	13/11/2012	0.109	13/05/2014	12/05/2016	20,000,000	–	(20,000,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	10,000,000	–	–	–	10,000,000	0.690
Mr. LI Zi Kui	13/11/2012	0.109	13/05/2014	12/05/2016	7,500,000	–	(7,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	5,000,000	–	–	–	5,000,000	0.690
Mr. HOONG Cheong Thard	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	–	(2,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	100,000	–	–	–	100,000	0.690
Mr. HUANG Shenglan	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	–	(2,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	100,000	–	–	–	100,000	0.690
Mr. CHAN Ming Fai	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	–	(2,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	100,000	–	–	–	100,000	0.690
Mr. CUI Shuming	13/11/2012	0.109	13/05/2014	12/05/2016	2,500,000	–	(2,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	100,000	–	–	–	100,000	0.690
<b>(ii) Continuous contract employees</b>											
	13/11/2012	0.109	13/05/2013	12/05/2015	38,100,000	–	(33,100,000)	–	–	5,000,000	–
	13/11/2012	0.109	13/05/2014	12/05/2016	92,000,000	–	(60,500,000)	–	–	31,500,000	–
	20/11/2012	0.109	20/05/2014	19/05/2016	1,500,000	–	(1,500,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	85,100,000	–	–	–	85,100,000	0.690
<b>(iii) Other participants</b>											
	13/11/2012	0.109	13/05/2014	12/05/2016	25,000,000	–	(25,000,000)	–	–	–	–
	20/11/2012	0.109	20/05/2013	19/05/2015	25,000,000	–	(25,000,000)	–	–	–	–
	20/11/2012	0.109	20/05/2014	19/05/2016	25,000,000	–	(25,000,000)	–	–	–	–
	14/07/2014	0.690	14/07/2017	13/07/2018	–	75,525,000	–	–	–	75,525,000	0.690
	29/10/2014	0.840	29/10/2015	28/10/2018	–	46,000,000	–	–	–	46,000,000	0.840
	29/10/2014	0.840	29/10/2017	28/10/2020	–	11,600,000	–	–	–	11,600,000	0.840
<b>Total:</b>					<b>271,600,000</b>	<b>243,625,000</b>	<b>(235,100,000)</b>	<b>–</b>	<b>–</b>	<b>280,125,000</b>	

#### Notes:

- The options are recognised as expenses in the accounts in accordance with Hong Kong Financial Reporting Standard 2. Other details of share options granted by the Company are set out in note 33 to the consolidated financial statements.
- For the share options granted during the year, (i) the closing price per Share immediately before the date of grant of 14 July 2014 was HK\$0.70 and (ii) the closing price per Share immediately before the date of grant of 29 October 2014 was HK\$0.83.
- For the share options exercised during the year, the weighted average closing price of Share immediately before the date on which the options for 235,100,000 Shares were exercised was approximately HK\$0.679.

## Report of the Directors

### DIRECTORS

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

#### Executive Directors

Ms. LAU Ting  
Mr. WU Jingwei  
Ms. CHAN Tan Na, Donna  
Mr. LI Zi Kui

#### Non-Executive Director

Mr. HOONG Cheong Thard

#### Independent Non-Executive Directors

Mr. HUANG Shenglan  
Mr. CHAN Ming Fai  
Mr. CUI Shuming

In accordance with bye-law 99 of the Bye-laws of the Company, Mr. WU Jingwei, Mr. HUANG Shenglan and Mr. CHAN Ming Fai shall retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Biographical details of the Directors of the Company are set out on pages 9 to 11.

### SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 11 to 13.



## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and/or short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), were as follows:

#### (1) Interests in Shares of the Company

Name of Director	Number of shares				Total	Approximate percentage of the Company's issued share capital
	Beneficial interests	Family interests	Corporate interests	Security interests in shares		
Ms. LAU Ting	37,974,373(L)	242,486,426(L)	727,213,326(L)	229,000,000(L)	1,236,674,125(L) (Note 1)	14.63%(L)
Mr. WU Jingwei	82,200,000(L)	-	-	-	82,200,000(L)	0.97%(L)
Ms. CHAN Tan Na, Donna	40,000,000(L)	-	-	-	40,000,000(L)	0.47%(L)
Mr. LI Zi Kui	27,000,000(L)	-	-	-	27,000,000(L)	0.32%(L)
Mr. HOONG Cheong Thard	6,000,000(L)	-	-	-	6,000,000(L)	0.07%(L)
Mr. HUANG Shenglan	1,100,000(L)	-	-	-	1,100,000(L)	0.01%(L)
Mr. CUI Shuming	2,000,000(L)	-	-	-	2,000,000(L)	0.02%(L)

#### Notes:

- For the corporate interests, 75,052,874 shares were held by Hang Sing Overseas Limited ("Hang Sing") which was wholly owned by Orient Strength Limited ("Orient Strength"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 512,492,594 shares were held by Glory Add Limited ("Glory Add") which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 shares were held by Burwill Holdings Limited of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. The shares of the family interests were owned by Mr. CHAN Shing. As Mr. CHAN Shing is the spouse of Ms. LAU Ting, the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- The letter "L" denotes long position(s).

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

#### (2) Interests in Underlying Shares

As at 31 December 2014, certain Directors of the Company had the interests in respect of options to subscribe for the shares of the Company under the option schemes. Details of their interests in the share options of the Company are separately disclosed in the section "Share Option Schemes" of this report.

Save as otherwise disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Appendix 10 of the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

#### Interests in Shares

Name of Shareholder	Number of shares						Approximate percentage interest in the Company's issued share capital
	Beneficial interests	Family Interest	Investment Manager	Security interests in shares	Corporate interests	Total	
Mr. CHAN Shing	242,486,426(L)	266,974,373(L)	-	-	727,213,326(L)	1,236,674,125(L) (Note 1)	14.63%(L)
Tencent Holdings Limited	-	-	-	-	867,175,482(L)	867,175,482(L)	10.26%(L)
MIH TC Holdings Limited	-	-	-	-	867,175,482(L)	867,175,482(L)	10.26%(L)
Naspers Limited	-	-	-	-	867,175,482(L)	867,175,482(L)	10.26%(L)
Favor King Limited	-	-	-	-	512,492,594(L)	512,492,594(L) (Note 1)	6.06%(L)
Barclays Plc	-	-	40,344,609(L)	160,000(L)	427,625,742(L) 163,478,000(S)	468,130,351(L) 163,478,000(S)	5.54%(L) 1.93%(L)

## Report of the Directors

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES** *(Cont'd)*

#### **Interests in Shares** *(Cont'd)*

Notes:

- For the corporate interests, 75,052,874 shares were held by Hang Sing Overseas Limited ("Hang Sing") which was wholly owned by Orient Strength Limited ("Orient Strength"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 137,735,546 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 512,492,594 shares were held by Glory Add Limited ("Glory Add") which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 1,932,312 shares were held by Burwill Holdings Limited of which Ms. LAU Ting and Mr. CHAN Shing were the controlling shareholders. The shares of the family interests were owned by Mr. CHAN Shing. As Mr. CHAN Shing is the spouse of Ms. LAU Ting, the interests of each of Ms. LAU Ting and Mr. CHAN Shing were deemed to be the interests of each other.
- The letter "L" denotes long position(s) and the letter "S" denotes short position(s).

Save as disclosed above, as at 31 December 2014, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the financial statements, there was no contracts of significance (as defined in Rule 15 of Appendix 16 of the Listing Rules) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **CONTRACTS WITH DIRECTORS**

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **FINANCIAL SUMMARY**

A summary of results, assets and liabilities of the Group is set out on page 3.

### **EMPLOYEE RETIREMENT BENEFIT**

Details of the retirement benefit schemes of the Group and the employee retirement benefit costs charged to the consolidated income statement for the year are set out in note 38 to the consolidated financial statements.

### **COMPETING INTERESTS**

The Directors believe that none of the Directors or their respective associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group.

## Report of the Directors

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

### CONTROL CONTRACTS

#### History and background

In the early of 2008, with the objective to expand into the New Media Business, the Group acquired 北京網人互聯科技有限公司 (“OPCO A”) and 北京華彩贏通科技有限公司 (“OPCO B”) (collectively referred to as “OPCOs”) in the form of loan extended to Ms. HE Ying and Mr. Ji Youjun (collectively referred to as the “Nominees”) and entered into the Control Contracts with the Nominees to control and extract all economic benefits from OPCOs for the benefit of the Group. The Nominees were appointed as directors of OPCOs or their subsidiaries respectively to oversee its operation under the instruction of the Company. The New Media Business, as the prospective business of OPCO A and the current business of OPCO B, involves mobile value-added telecommunications business activities. According to the relevant PRC laws and regulations, a wholly foreign-owned enterprise is prohibited from engaging in any value-added telecommunications business. Therefore, a wholly foreign-owned enterprise is ineligible to apply for and obtain a value-added telecommunications business operation permit. The Control Contracts were entered into in order for the Group to manage and operate the business of OPCOs, under which all the business, financial and operating activities of OPCOs are managed by the Group and all economic benefits and risks arising from the business, financial and operating activities of OPCOs are transferred to the Group by means of consulting fees payable by OPCOs.

#### Principal terms of the agreements under the Control Contracts

The Control Contracts comprise (i) the Loan Agreements; (ii) the Equity Pledge Agreements; (iii) the Exclusive Equity Transfer Agreements; (iv) the Consulting and Servicing Agreements; and (v) the Agency Agreements. The principal terms of which are set out below:

#### Loan Agreements

Pursuant to the Loan Agreements, 北京中大科訊科技有限公司 (formerly known as 華彩世紀科技發展(北京)有限公司; “WFOE A”) and 北京優昌源科技有限公司 (formerly known as 華彩之家科技發展(北京)有限公司; “WFOE B”) (collectively referred to as “WFOEs”) (as lenders) provided loans to the Nominees (as borrowers) respectively. Pursuant to the Loan Agreements, among others:

- the Nominees were required to pledge their equity interests in OPCO A and OPCO B to WFOE A and WFOE B, respectively;
- the loans have a term of 20 years;
- under any circumstances, the repayment of the loans by the Nominees (in part or in full) can only be satisfied by the transfer of the equity interests in the respective OPCOs (in part or in full) to the WFOEs (or the nominees of the WFOEs). For avoidance of doubt, regardless of whether the repayment is made upon the expiry of the loans, upon the request of the WFOEs or under any other circumstances, save for the aforesaid repayment method, any other repayment methods adopted by the Nominees shall be invalid;
- the Nominees do not have the right to repay the loans prior to its expiry without the written consent of the WFOEs; and

## Report of the Directors

### CONTROL CONTRACTS (Cont'd)

#### Loan Agreements (Cont'd)

- in the event that the consideration for the transfer of the equity interests in the OPCOs (please refer to the Exclusive Equity Transfer Agreements) is not more than the aggregated principal amount of the loans extended to the respective Nominees, the loans will be interest-free. However, if the consideration exceeds the aggregated principal amount of the loans extended to the respective Nominees, the interest of the loans shall be the difference between the consideration and the aggregated principal amount of the loans. Upon the completion of the transfer of the equity interests in the OPCOs, the Nominees shall be deemed to have satisfied all of their repayment obligations under the Loan Agreements.

#### Equity Pledge Agreements

Pursuant to the OPCO A Equity Pledge Agreement entered into by the Nominees, OPCO A and WFOE A, among others:

- the Nominees (as the pledgors) have pledged whole of the equity interest in OPCO A owned by them to WFOE A to guarantee the Nominees' obligations and liabilities owed to WFOE A, including those under the OPCO A Loan Agreements; and
- WFOE A can exercise its rights under the OPCO A Equity Pledge Agreement and enforce the right to the equity pledge, including, in the event of a breach, requiring the Nominees to dispose of the equity interest in OPCO A, or asking the Nominees to transfer the equity interest in OPCO A to WFOE A to discharge the Nominees' obligations and liabilities towards WFOE A if agreed by the parties.

The OPCO B Equity Pledge Agreement entered into by the Nominees, OPCO B and WFOE B, has similar terms as those set out in the OPCO A Equity Pledge Agreement.

#### Exclusive Equity Transfer Agreements

Pursuant to the OPCO A Exclusive Equity Transfer Agreement entered into by the Nominees, OPCO A and WFOE A, among others:

- the Nominees and OPCO A irrevocably grant the WFOE A with the exclusive right to acquire or to designate a qualified entity to acquire, the equity interest in OPCO A (in part or in whole) or the assets owned by the OPCO A (in part or in whole) at any time. Subject to the full compliance of the relevant PRC laws and regulations, WFOE A has the full discretion over the exercise time, manner and exercise price of the aforesaid purchase option. Shareholders of OPCO A shall not grant any parties, other than WFOE A or the designated entity, the same or similar rights;
- subject to the full compliance of the relevant PRC laws and regulations, upon the exercise of the rights attached to the purchase option, WFOE A or the designated entity has the right to acquire the entire equity interest in OPCO A or all the assets owned by OPCO A, and the consideration for the transfer will be offset against the total outstanding amount of loans under the OPCO A Loan Agreements (details of which are set out above); and
- in the event that, subject to the relevant PRC laws, the consideration for the entire equity interest in OPCO A or all the assets owned by OPCO A exceeds the outstanding amount of the loans, the loans shall bear interest and the consideration shall be offset against the principal of the loans and the accrued interest.

The OPCO B Exclusive Equity Transfer Agreement has similar terms as those set out in the OPCO A Exclusive Equity Transfer Agreement. However, pursuant to the OPCO B Exclusive Equity Transfer Agreement, the consideration under the purchase option is RMB50 million.

## Report of the Directors

### CONTROL CONTRACTS (Cont'd)

#### Consulting and Servicing Agreements

OPCO A and WFOE A entered into the OPCO A Consulting and Servicing Agreement. Pursuant to which, among others:

- OPCO A engages WFOE A to provide exclusive sales and consultancy services for a period of twenty years with an automatic extension for a further ten years in absence of a written termination notice from WFOE A;
- unless WFOE A consents in writing, OPCO A shall not accept sales and consultancy services provided by any third party;
- OPCO A warrants that OPCO A will not transfer, dispose, lease, encumber its assets (including tangible and intangible, existing and assets to be acquired), unless it is within the normal course of business of OPCO A; and
- OPCO A shall not distribute any dividend to its shareholders.

The OPCO B Consulting and Servicing Agreement was entered into by WFOE B (as the service provider) and OPCO B (as the service consumer) has similar terms as those set out in OPCO A Consulting and Servicing Agreement.

#### Agency Agreements

Pursuant to the OPCO A Agency Agreement between OPCO A, the Nominees and WFOE A, the Nominees unconditionally and irrevocably authorise the natural persons designated by WFOE A to exercise the rights of the Nominees as the shareholders of OPCO A, including but not limited to, the right to attend shareholders' meetings and exercise the voting rights attached to the equity interest in OPCO A held by the Nominees. The Nominees also agree to appoint the personnel recommended by WFOE A as director(s), general manager, finance director and other senior management of the OPCO A. The Nominees also agree to act on the recommendations of the aforesaid appointees. In addition, the Nominees and OPCO A shall grant to WFOE A the rights to manage all the assets of OPCO A in the event of liquidation, termination of business, deregistration and any business termination related procedures. The OPCO A Agency Agreement has a term of twenty years with an automatic extension for a further one year. WFOE A can terminate the Agency Agreements by serving a 30-day prior written notice. The OPCO B Agency Agreement entered into by WFOE B, the Nominees and OPCO B has similar terms as those set out in OPCO A Agency Agreement.

#### Dispute resolution

Each of the Control Contracts is governed by PRC laws and provides for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). The arbitration shall take place in Beijing and the outcome of the arbitration shall be final and binding. The Control Contracts provide that arbitrators may award remedies in rem over the equity interests in or assets of OPCOs in arbitration. They also provide that courts in the places where the parties of the Control Contracts are located shall have the power to grant interim remedies (such as property reservation and evidence reservation) in support of the arbitration pending formation of the arbitral tribunal or on appropriate time. The PRC Legal Adviser has also advised that the tribunal has no power to grant injunctive relief or winding up order under the PRC laws. Therefore, the dispute resolution provisions of the Control Contracts do not include the provision that an arbitral tribunal has the power to grant injunctive relief as remedy.



## Report of the Directors

### CONTROL CONTRACTS (Cont'd)

#### Succession

As advised by the PRC Legal Adviser, the provisions set out in the Control Contracts are also binding on the Nominees' successors. Under the Succession Law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Control Contracts. In case of a breach, the Group can enforce its rights against the successors. Therefore, the PRC Legal Adviser is of the view that (i) the Control Contracts are sufficient for the protection of the Group even in the event of death of any Nominee; and (ii) the death of any Nominee would not affect the validity of the Control Contracts, and the Group can enforce its right under the Control Contracts against the successors of the Nominees. The PRC Legal Adviser also confirmed that under the PRC law, a natural person cannot declare bankruptcy. Furthermore, pursuant to the Exclusive Equity Transfer Agreements, the WFOEs can exercise the purchase option to acquire or to designate a qualified entity to acquire, the equity interest in the OPCOs (in part or in whole) or the assets owned by the OPCOs (in part or in whole) at any time. Subject to the full compliance of the relevant PRC laws and regulations, the WFOEs shall have the full discretion over the exercise time, manner and exercise price of the aforesaid purchase option.

#### Financial Information of OPCOs

The revenue, profit/loss and net assets attributable to the OPCOs are set out in note 18(c) to the consolidated financial statements.

#### The Control Contracts in place during the Year

The Nominees have transferred the whole equity interests of OPCO A to an independent third party during the year by the order and authority of the Group. The Control Contracts for OPCO A entered into between WFOE A, OPCO A and Nominees were therefore lapsed upon the completion of the abovementioned transfer of equity interests. Given that the OPCO A has been loss making and did not engage in significant business, the abovementioned transfer of equity interests have no material effects to the Group.

The Control Contracts entered into between the Group, OPCO B and Nominees are continuously in place during the year.

#### Independent non-executive Directors' confirmation

Independent non-executive Directors have reviewed the Control Contracts in place during the year and confirm that:

- the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Control Contracts, so that the profits generated by the OPCOs have been retained by WFOEs;
- no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and
- any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the shareholders as a whole.

## Report of the Directors

### AUDITOR

HLB Hodgson Impey Cheng Limited, the auditor of the Company, will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**LAU Ting**

*Chairperson*

Hong Kong, 16 March 2015

## Corporate Governance Report

### CORPORATE GOVERNANCE PRACTICES

The Directors believe that good corporate governance is an essential element in enhancing the confidence of shareholders, investors, employees, business partners and the community as a whole and also the performance of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements to ensure business activities and decision-making processes are made in a proper and prudent manner.

In the opinion of the Directors, the Company, at each applicable time, has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Code") for the financial year ended 31 December 2014, except for the deviations as disclosed in this report.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings set out in the Code of Conduct throughout the financial year ended 31 December 2014.

### BOARD OF DIRECTORS

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

#### Executive Directors

Ms. LAU Ting  
Mr. WU Jingwei  
Ms. CHAN Tan Na, Donna  
Mr. LI Zi Kui

#### Non-Executive Director

Mr. HOONG Cheong Thard

#### Independent Non-Executive Directors

Mr. HUANG Shenglan  
Mr. CHAN Ming Fai  
Mr. CUI Shuming

As at the date of this report, the Board comprised eight Directors, four of whom are Executive Directors, one is a Non-Executive Director and three of whom are Independent Non-Executive Directors. Details of backgrounds and qualifications of each Director are set out on the section headed "Biographies of Directors and Senior Management" of this annual report. The Company has arranged appropriate insurance cover in respect of legal actions against the Directors.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. For the strategic development of the Group, the office of Mr. WU Jingwei was changed to President during the Year. The day-to-day running of the Company is delegated to the management with department heads responsible for different aspects of the business/functions.

## Corporate Governance Report

### BOARD OF DIRECTORS (Cont'd)

The Non-executive Directors (including the Independent Non-Executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. Although the Code provision A.6.7 stipulates that independent non-executive directors should, inter alia, attend general meetings, due to personal and other important engagement at the relevant time, Mr. HUANG Shenglan was absent from the 2014 annual general meeting of the Company.

Code provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. The relevant Code provision had not been fully complied with as the Company did not announce its quarterly results and that two regular Board meetings were held during the year. Board meetings will be held on other occasions when Board decisions are required. Notice of at least 14 days is given to all Directors for all regular Board meetings to give all Directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All Directors have access to Board papers and related materials, and are provided with adequate information which enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

The Board considers that each Independent Non-Executive Director of the Company is independent in character and judgement. The Company has received from each Independent Non-executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. To the best knowledge of the Directors, there is no financial, business and family relationship among the members of the Board except that Ms. CHAN Tan Na, Donna is the daughter of Ms. LAU Ting.

The attendance of the Board Meeting, Committee Meetings and Annual General Meeting during the year are as follows:

	Number of meetings attended/eligible to attend				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
<b>Executive Directors</b>					
Ms. LAU Ting	2/2	–	1/1	1/1	1/1
Mr. WU Jingwei	2/2	–	–	–	1/1
Ms. CHAN Tan Na, Donna	2/2	–	–	–	1/1
Mr. LI Zi Kui	2/2	–	–	–	0/1
<b>Non-Executive Director</b>					
Mr. HOONG Cheong Thard	2/2	–	–	–	1/1
<b>Independent Non-Executive Directors</b>					
Mr. HUANG Shenglan	2/2	2/2	1/1	1/1	0/1
Mr. CHAN Ming Fai	2/2	2/2	1/1	1/1	1/1
Mr. CUI Shuming	2/2	2/2	–	–	1/1

## Corporate Governance Report

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairperson of the Company, Ms. LAU Ting, currently also assumes the role of the Chief Executive Officer. Although the Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that given the nature of the Group's businesses which requires considerable market expertise, the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will from time to time review the effectiveness of the structure to balance the power and authority of the Board and the management.

### NON-EXECUTIVE DIRECTORS

Although more than half of the Non-Executive Directors of the Company are not appointed for a specific term as is stipulated in Code provision A.4.1, all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairperson or Managing Director, by rotation at least once every three years. The Chairperson is not subject to retirement by rotation as is stipulated in Code provision A.4.2 as the Board considers that the continuity of office of the Chairperson provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. Mr. WU Jingwei, Mr. HUANG Shenglan and Mr. CHAN Ming Fai are subject to retirement by rotation at the forthcoming annual general meeting in accordance with the Company's Bye-laws.

### REMUNERATION COMMITTEE

The Remuneration Committee was established on 10 August 2006 with specific written terms of reference which deal with its authority and duties. The terms of reference of the Remuneration Committee has been posted on the Company's website and is made available on request. The Remuneration Committee mainly responsible for determining the policy for the remuneration of Directors and the senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee has the delegated responsibility to determine the remuneration packages, in consultation with the Chairman, the Deputy Chairman, the Managing Director or the Chief Executive Officer of the Company, of individual Executive Directors and Senior Management. The Remuneration Committee currently consists of three members, namely Ms. LAU Ting, the Executive Director, and Mr. HUANG Shenglan and Mr. CHAN Ming Fai, both being Independent Non-Executive Directors. The chairperson of the Remuneration Committee is Mr. HUANG Shenglan.

In determining the emolument payable to Directors, the Remuneration Committee took into consideration factors such as time commitment and responsibilities of the Directors, abilities, performance and contribution of the Directors to the Group, the performance and profitability of the Group, the remuneration benchmark in the industry, the prevailing market/employment conditions and the desirability of performance-based remuneration. A meeting of the Remuneration Committee were held during the year.

## Corporate Governance Report

### NOMINATION COMMITTEE

The Nomination Committee was established on 15 March 2012 with specific written terms of reference which deal with its authority and duties. The terms of reference of the Nomination Committee has been posted on the Company's website and is made available on request. The Nomination Committee mainly responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and identifying individuals suitably qualified to become Board members and making recommendations to the Board on the selection. The Nomination Committee currently consists of three members, namely Ms. LAU Ting, the Executive Director, and Mr. HUANG Shenglan and Mr. CHAN Ming Fai, both being Independent Non-Executive Directors. The chairperson of the Nomination Committee is Ms. LAU Ting.

The Nomination Committee will identify suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary and will propose the appointment of such candidates to the Board for consideration. The Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. A meeting of the Nomination Committee were held during the year.

The Nomination Committee have a policy concerning diversity of Board members in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### AUDIT COMMITTEE

The Audit Committee was established in 2001 and currently comprises three members, Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming. All of them are Independent Non-Executive Directors. The chairman of the Audit Committee is Mr. HUANG Shenglan. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review and the external auditors, HLB Hodgson Impey Cheng Limited, has attended those two meetings.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial results of the Group for the financial year ended 31 December 2014 have been reviewed by the Audit Committee. The terms of reference of the Audit Committee has been posted on the Company's website and is made available on request.

### SENIOR MANAGEMENT'S REMUNERATION

The annual remuneration range of the Senior Management are set out as below:

	Number of Employees
From HK\$0 to HK\$1,000,000	4
From HK\$1,000,001 to above	7

## Corporate Governance Report

### AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the Group had engaged the Company's external auditor, HLB Hodgson Impey Cheng Limited, to provide the following services and their respective fees charged are set out as below:

	Fee Charged for the year ended 31 December	
	2014	2013
	HK\$	HK\$
<b>Types of Services:</b>		
Audit for the Group	880,000	880,000
Other Services	180,000	–

### DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 34.

### CORPORATE GOVERNANCE FUNCTION

The Board is to perform the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the Code. The Board has reviewed the compliance with the Code and disclosure of the Company in this Corporate Governance Report and review the policy for corporate governance of the Company and duties performed by the Board. All Directors are able to make further enquiries and they may seek independent professional advice and consultation when necessary. To enhance proper and up-to-date understanding of the Company's operations and business, legal and other regulatory requirements and appropriate emphasis on the roles, functions and duties of Directors, the Company has provide relevant reading materials as professional development programs to the Directors. The Company has received training records of all Directors who have participated in continuous professional development to develop and refresh their knowledge and skills during the year as below:

	Training Records Received*
<b>Executive Directors</b>	
Ms. LAU Ting	✓
Mr. WU Jingwei	✓
Ms. CHAN Tan Na, Donna	✓
Mr. LI Zi Kui	✓
<b>Non-Executive Director</b>	
Mr. HOONG Cheong Thard	✓
<b>Independent Non-Executive Directors</b>	
Mr. HUANG Shenglan	✓
Mr. CHAN Ming Fai	✓
Mr. CUI Shuming	✓

\* Finished the professional development programs including those provided by the Company in relation to the Ordinance Updating, Market Information Updating, Corporate Social Responsibility and Case Study.



## Corporate Governance Report

### INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group. The Board has delegated to the management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management functions.

### INVESTOR RELATIONS

The Company is committed to maintain an open and effective investor relations policy and to update investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

Shareholders may whenever it thinks fit require a special general meeting to be called.

Pursuant to Section 74 of the Bermuda Companies Act 1981, the Board, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. The Company arranges for the notice to its shareholders to be sent at least 10 clear business days before each of the general meetings of the Company in accordance with Code Provision E.1.3 to put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detail contact information to the Company Secretary at the Principal Place of Business. The request will be verified with the Company's Branch Share Registrars in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The corporate website of the Company (<http://www.chinalotsynergy.com/>) provides an effective communication platform via which the public and investor community can enjoy fast, easy access to up-to-date information regarding the Group. Enquiries to the Board or the Company are welcome and can be addressed to the Investor Relations Department by mail to Unit 3308, 33rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong or by fax to (852) 2136 6608.

## Independent Auditors' Report



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

**TO THE SHAREHOLDERS OF  
CHINA LOTSYNERGY HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of China LotSynergy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 110, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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.

## Independent Auditors' Report

### 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 profit 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, 16 March 2015

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Turnover	5	1,034,769	743,756
Costs of sales and services			
– Depreciation of lottery terminals		(109,339)	(80,083)
– Others		(199,566)	(119,692)
		(308,905)	(199,775)
Gross profit		725,864	543,981
Other income	6	31,510	20,171
Other (losses)/gains – net	7	(15,305)	4,298
General and administrative expenses		(239,256)	(182,513)
Share option expenses		(12,378)	(7,031)
Operating profit	8	490,435	378,906
Finance costs	9	(55,600)	(22,656)
Share of profits/(losses) of joint ventures	19	917	(7,048)
Profit before income tax		435,752	349,202
Income tax expense	10	(93,433)	(87,000)
Profit for the year		342,319	262,202
<b>Profit attributable to:</b>			
Owners of the Company		100,010	88,556
Non-controlling interests		242,309	173,646
		342,319	262,202
<b>Earnings per share attributable to owners of the Company during the year</b>			
– basic	12	1.27 HK cents	1.18 HK cents
– diluted	12	1.25 HK cents	1.17 HK cents

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Profit for the year		342,319	262,202
Other comprehensive (expense)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Fair value (loss)/gain on available-for-sale financial assets	21	(377)	4,410
Reclassification adjustment on disposal of available-for-sale financial assets		–	(3,755)
Release of currency translation reserve upon disposal of a subsidiary		1,394	–
Currency translation differences		(46,716)	21,625
Other comprehensive (expense)/income for the year		(45,699)	22,280
Total comprehensive income for the year		296,620	284,482
<b>Attributable to:</b>			
Owners of the Company		63,282	102,551
Non-controlling interests		233,338	181,931
<b>Total comprehensive income for the year</b>		<b>296,620</b>	<b>284,482</b>

## Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	661,758	635,111
Intangible assets	17	555,430	435,792
Investments in joint ventures	19	51,567	95,705
Available-for-sale financial assets	21	35,161	35,538
Deferred income tax assets	31	8,807	8,401
Prepaid rentals		253	1,299
		<b>1,312,976</b>	1,211,846
<b>Current assets</b>			
Inventories	22	54,160	28,168
Accounts receivable	23	301,007	83,607
Prepayments, deposits and other receivables	24	459,992	195,141
Amounts due from joint ventures	19	337	79
Amount due from a related company	25	21,564	21,564
Financial assets at fair value through profit or loss	26	876,245	–
Cash and bank balances	27	907,930	841,129
		<b>2,621,235</b>	1,169,688
<b>Total assets</b>		<b>3,934,211</b>	2,381,534
<b>Current liabilities</b>			
Accounts payable	28	41,513	7,638
Accruals and other payables		72,657	36,884
Amounts due to joint ventures	19	5,969	5,365
Income tax payable		28,822	28,058
Bank borrowings	29	911,213	797,243
		<b>1,060,174</b>	875,188
<b>Net current assets</b>		<b>1,561,061</b>	294,500
<b>Total assets less current liabilities</b>		<b>2,874,037</b>	1,506,346
<b>Non-current liabilities</b>			
Convertible bonds	30	588,321	–
Deferred income tax liabilities	31	79,951	50,170
		<b>668,272</b>	50,170
<b>Net assets</b>		<b>2,205,765</b>	1,456,176

## Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Equity attributable to owners of the Company</b>			
Share capital	32	21,131	19,017
Reserves	34	1,365,162	886,497
Retained profits		375,396	289,091
		<b>1,761,689</b>	1,194,605
<b>Non-controlling interests</b>			
		<b>444,076</b>	261,571
<b>Total equity</b>			
		<b>2,205,765</b>	1,456,176

**LAU TING**  
Director

**CHAN TAN NA, DONNA**  
Director



## Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	–	–
Investments in subsidiaries	18	9	9
		<b>9</b>	9
<b>Current assets</b>			
Prepayments, deposits and other receivables		1,112	1,115
Amounts due from subsidiaries	18	2,174,874	831,369
Cash and bank balances	27	779	1,253
		<b>2,176,765</b>	833,737
<b>Total assets</b>		<b>2,176,774</b>	833,746
<b>Current liabilities</b>			
Accruals and other payables		7,254	448
Amounts due to subsidiaries	18	8	8
		<b>7,262</b>	456
<b>Net current assets</b>		<b>2,169,503</b>	833,281
<b>Total assets less current liabilities</b>		<b>2,169,512</b>	833,290
<b>Non-current liabilities</b>			
Convertible bonds	30	588,321	–
Deferred income tax liabilities	31	10,177	–
		<b>598,498</b>	–
<b>Net assets</b>		<b>1,571,014</b>	833,290
<b>Equity attributable to owners of the Company</b>			
Share capital	32	21,131	19,017
Reserves	34	1,318,594	802,960
Retained profits	35	231,289	11,313
		<b>1,571,014</b>	833,290

**LAU TING**  
Director

**CHAN TAN NA, DONNA**  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (Note 32)	Reserves HK\$'000 (Note 34)	Retained profits HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2013	18,631	866,477	196,344	173,093	1,254,545
Comprehensive income					
Profit for the year	–	–	88,556	173,646	262,202
Other comprehensive income:					
Release of revaluation reserve upon depreciation of leasehold land and building	–	(241)	241	–	–
Fair value gain on available-for-sale financial assets	–	4,410	–	–	4,410
Reclassification adjustment on disposal of available-for-sale financial assets	–	(3,755)	–	–	(3,755)
Currency translation differences	–	13,340	–	8,285	21,625
Total other comprehensive income	–	13,754	241	8,285	22,280
Total comprehensive income	–	13,754	88,797	181,931	284,482
Issue of consideration shares	22	1,115	–	–	1,137
Share option scheme:					
– value of employee services	–	5,354	–	–	5,354
– value of other participants' services	–	1,677	–	–	1,677
– share options exercised	364	15,485	–	–	15,849
– vested share options expired	–	(17,365)	17,365	–	–
Dividends relating to 2012	–	–	(13,415)	–	(13,415)
Total contributions by and distributions to owners of the Company, recognised directly in equity	386	6,266	3,950	–	10,602
Dividends paid to non-controlling interests	–	–	–	(93,453)	(93,453)
Total transactions with owners, recognised directly in equity	386	6,266	3,950	(93,453)	(82,851)
At 31 December 2013	19,017	886,497	289,091	261,571	1,456,176

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (Note 32)	Reserves HK\$'000 (Note 34)	Retained profits HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2014	19,017	886,497	289,091	261,571	1,456,176
Comprehensive income					
Profit for the year	–	–	100,010	242,309	342,319
Other comprehensive (expense)/income:					
Release of revaluation reserve upon depreciation of leasehold land and building	–	(241)	241	–	–
Fair value loss on available-for-sale financial assets	–	(377)	–	–	(377)
Release of currency translation reserve upon disposal of a subsidiary	–	1,046	–	348	1,394
Currency translation differences	–	(37,397)	–	(9,319)	(46,716)
Total other comprehensive (expense)/income	–	(36,969)	241	(8,971)	(45,699)
Total comprehensive (expense)/income	–	(36,969)	100,251	233,338	296,620
Issue of new shares	1,485	444,040	–	–	445,525
Recognition of equity component of convertible bonds	–	51,692	–	–	51,692
Deferred tax on recognition of equity component of convertible bonds	–	(11,767)	–	–	(11,767)
Share option scheme:					
– value of employee services	–	6,131	–	–	6,131
– value of other participants' services	–	6,247	–	–	6,247
– share options exercised	878	78,878	–	–	79,756
– vested share options expired	–	(4,593)	4,593	–	–
Shares repurchased and cancelled	(249)	(54,994)	–	–	(55,243)
Dividends relating to 2013	–	–	(18,539)	–	(18,539)
Total contributions by and distributions to owners of the Company, recognised directly in equity	2,114	515,634	(13,946)	–	503,802
Dividends paid to non-controlling interests	–	–	–	(50,833)	(50,833)
Total transactions with owners, recognised directly in equity	2,114	515,634	(13,946)	(50,833)	452,969
<b>At 31 December 2014</b>	<b>21,131</b>	<b>1,365,162</b>	<b>375,396</b>	<b>444,076</b>	<b>2,205,765</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Operating cash flows before changes in working capital	36	616,470	456,352
Changes in working capital	36	(1,145,887)	(107,346)
Cash (used in)/generated from operation	36	(529,417)	349,006
Income tax paid		(87,443)	(54,002)
Net cash (used in)/generated from operating activities		(616,860)	295,004
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(152,822)	(217,677)
Proceeds from disposal of property, plant and equipment		1,138	547
Purchase of intangible assets		(40,733)	(25,613)
(Advance to)/Repayment from a joint venture		(258)	322
Increase in loan receivables		(202,927)	–
Interest received		33,181	8,693
Dividend received		38,281	–
Increase in pledged time deposits with maturity of more than three months		–	(54,365)
Increase in pledged bank deposits		(11,907)	–
Acquisition of a subsidiary	39	(71,346)	–
Disposal of a subsidiary	40	(570)	–
Net cash used in investing activities		(407,963)	(288,093)
<b>Cash flows from financing activities</b>			
Interest paid		(45,961)	(23,635)
Proceeds from issue of shares		525,281	15,849
Proceeds from issue of convertible bonds		630,374	–
Share repurchased		(55,243)	–
Repayment of bank borrowings		(214,171)	(288,447)
Proceeds from bank borrowings		332,767	467,724
Dividends paid to non-controlling interests		(50,833)	(93,453)
Dividends paid to Company's shareholders		(18,539)	(13,415)
Net cash generated from financing activities		1,103,675	64,623
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		339,850	266,692
Effect of foreign exchange rate changes		(11,457)	1,624
<b>Cash and cash equivalents at end of the year</b> (Note)	27	407,245	339,850

Note: Cash and cash equivalents include cash in hand, deposits held at call with banks and financial institutions, other short-term highly liquid investments with original maturities of three months or less.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

### 1. GENERAL INFORMATION

China LotSynergy Holdings Limited (the "Company") was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act of Bermuda. The addresses of its registered office and principal place of business are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (collectively referred to as the "Group") are technology and operation service providers of lottery systems, terminal equipment and game products in the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and high frequency lottery, to new media lottery.

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "Board") on 16 March 2015.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.1 Basis of preparation (Cont'd)

##### 2.1.1 Changes in accounting policy and disclosures

###### (a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and there have been no significant impact on the Group's consolidated financial statements.

Amendment to HKAS 32 "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment is to the application guidance in HKAS 32 "Financial instruments: Presentation" and clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Consolidation for investment entities". These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36 "Impairment of assets" on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39 "Financial instruments: Recognition and measurement – Novation of derivatives". This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 "Levies" is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual improvements to HKFRSs 2010-2012 cycle. These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect seven standards, only the below are effective for relevant transactions on or after 1 July 2014:

- HKFRS 2 "Share-based payment". The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and service condition'.
- HKFRS 3 "Business combinations" and consequential amendments to HKFRS 9 "Financial instruments", HKAS 37 "Provision, contingent liabilities and contingent assets", and HKAS 39 "Financial instruments – Recognition and measurement". The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.1 Basis of preparation (Cont'd)

##### 2.1.1 Changes in accounting policy and disclosures (Cont'd)

###### (b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.2 Subsidiaries

##### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

##### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.2 Subsidiaries (Cont'd)

##### 2.2.1 Consolidation (Cont'd)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or finance asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Joint arrangements

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

#### 2.5 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

##### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.5 Foreign currency translation (Cont'd)

##### (d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate the includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

#### 2.6 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	2.5%
Lottery terminals leased to third parties under operating leases	20%
Leasehold improvements	20% – 50% (over the period of leases)
Plant and equipment	10% – 20%
Computer equipment and software	20% – 33%
Office equipment and furniture	10% – 25%
Motor vehicles	10% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the statement of profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.7 Intangible assets

##### (a) CLO Contract

The CLO Contract acquired in a business combination are recognised at fair value at the acquisition date. The CLO Contract has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the CLO Contract over the period of the contract.

##### (b) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (c) Development costs

Development costs represent all direct costs incurred by the Group in setting up systems and networks, including the cost of equipment, development cost and subcontracting expenditure. Such assets are recognised as intangible assets only if all of the following conditions are met:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell the asset;
- how the asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the asset or the asset itself or, if it is to be used internally, the usefulness of the asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Development costs that do not fulfill the above conditions are recognised as expenses in the period in which it is incurred. Development costs which are implemented for its intended use and fulfill the above conditions are amortised on a straight-line basis over their estimated useful lives.

##### (d) Intellectual properties

Separately acquired intellectual properties are shown at historical cost. Intellectual properties acquired in a business combination are recognised at fair value at the acquisition date. Intellectual properties have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intellectual properties over their estimated useful lives of ten to fifteen years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.9 Financial assets

##### 2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of within 12 months of the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.9 Financial assets (Cont'd)

##### 2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the statement of profit or loss within “other (losses)/gains – net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group’s right to receive payments is established.

#### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.11 Impairment of financial assets

##### (a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

##### (b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists for the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

#### 2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

#### 2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.18 Borrowing costs

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

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

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

#### 2.19 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.20 Current and deferred income tax (Cont'd)

##### (b) *Deferred income tax*

###### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

##### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.21 Employee benefits

##### (a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (b) *Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.21 Employee benefits (Cont'd)

##### (c) Retirement benefits

The Group operates a number of defined contribution plans. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

##### (d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### 2.22 Share-based payments

##### (a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees or consultants as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.22 Share-based payments (Cont'd)

##### (b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

#### 2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value-added tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

- (a) Income from provision of lottery terminals and lottery sales channels is accounted for in accordance with the terms of the relevant contracts.
- (b) Income from provision of consultancy services is recognised when services are rendered.
- (c) Income from sale of equipment is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

#### 2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

#### 2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

#### 2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

##### (a) Market risk

###### (i) Foreign exchange risk

The Group's foreign exchange risk arising from future commercial transactions, recognised assets and liabilities is considered to be insignificant. This is due to the Group's transactions being generally denominated in the functional currency of the respective group entities.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's profit after tax and the Group's equity, mainly as a result of foreign exchange gains/losses on translation of the foreign operations' net assets to the Group's HK\$ reporting currency.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.1 Financial risk factors (Cont'd)

##### (a) Market risk (Cont'd)

##### (i) Foreign exchange risk (Cont'd)

	Increase/ (decrease) In RMB %	Increase/ (decrease) in profit after income tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>2014</b>			
If HK\$ weakens against RMB	5	12,702	53,712
If HK\$ strengthens against RMB	(5)	(12,077)	(48,554)
<b>2013</b>			
If HK\$ weakens against RMB	5	8,968	37,634
If HK\$ strengthens against RMB	(5)	(8,989)	(34,369)

##### (ii) Price risk

The Group is exposed to price risk arising from equity/debt investments classified as available-for-sale financial assets (Note 21) or held for trading investments (Note 26).

The following table demonstrates the sensitivity to 5% increase/decrease in the fair values of the investments with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of his analysis, for available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Increase/ (decrease) in profit after income tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>2014</b>		
5% increase in price	43,812	1,758
5% decrease in price	(43,812)	(1,758)
<b>2013</b>		
5% increase in price	–	1,777
5% decrease in price	–	(1,777)



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.1 Financial risk factors (Cont'd)

##### (a) Market risk (Cont'd)

##### (iii) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits and fixed-rate bank borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and LIBOR arising from the Group's bank borrowings denominated in HK\$ and United States dollars ("US\$").

The following table demonstrates the sensitivity to 5% increase/decrease in interest rates, with all other variables held constant, of the Group's profit after income tax (through the impact on floating rate bank borrowings) and the Group's equity.

	Increase/ (decrease) in interest rate %	Increase/ (decrease) in profit after income tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>2014</b>			
HK\$ and US\$	5	(622)	(622)
HK\$ and US\$	(5)	622	622
<b>2013</b>			
HK\$ and US\$	5	(573)	(573)
HK\$ and US\$	(5)	573	573

##### (b) Credit risk

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise bank balances, accounts receivable, loan receivables, amount due from joint ventures, amount due from a related company, debt securities, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group had certain concentrations of credit risk as 97% (2013: 72%) and 100% (2013: 86%) of the Group's accounts receivable 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 accounts receivable are disclosed in Note 23 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.1 Financial risk factors (Cont'd)

##### (c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

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

	Group					
	Carrying amount as per consolidated statement of financial position HK\$'000	Total contractual undiscounted cash flows HK\$'000	On demand or less than 1 month HK\$'000	Between 1 and 3 months HK\$'000	Between 3 months and 1 year HK\$'000	Between 2 and 5 years HK\$'000
<b>2014</b>						
Accounts payable	41,513	41,513	41,513	-	-	-
Accruals and other payables	65,295	65,295	65,295	-	-	-
Amounts due to joint ventures	5,969	5,969	5,969	-	-	-
Bank borrowings	911,213	937,951	798,820	38,800	100,331	-
Convertible bonds	588,321	796,250	-	-	32,500	763,750
	<b>1,612,311</b>	<b>1,846,978</b>	<b>911,597</b>	<b>38,800</b>	<b>132,831</b>	<b>763,750</b>
<b>2013</b>						
Accounts payable	7,638	7,638	7,638	-	-	-
Accruals and other payables	32,111	32,111	32,111	-	-	-
Amounts due to joint ventures	5,365	5,365	5,365	-	-	-
Bank borrowings	797,243	799,941	695,940	1,160	102,841	-
	<b>842,357</b>	<b>845,055</b>	<b>741,054</b>	<b>1,160</b>	<b>102,841</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.1 Financial risk factors (Cont'd)

##### (c) Liquidity risk (Cont'd)

	Carrying amount as per statement of financial position HK\$'000	Company			
		Total contractual undiscounted cash flows HK\$'000	On demand or less than 1 month HK\$'000	Between 3 months and 1 year HK\$'000	Between 2 and 5 years HK\$'000
<b>2014</b>					
Accruals and other payables	7,254	7,254	7,254	-	-
Amounts due to subsidiaries	8	8	8	-	-
Convertible bonds	588,321	796,250	-	32,500	763,750
	<b>595,583</b>	<b>803,512</b>	<b>7,262</b>	<b>32,500</b>	<b>763,750</b>
<b>2013</b>					
Accruals and other payables	448	448	448	-	-
Amounts due to subsidiaries	8	8	8	-	-
	<b>456</b>	<b>456</b>	<b>456</b>	<b>-</b>	<b>-</b>

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. At 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$760,591,000 (2013: HK\$605,428,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as total debt divided by adjusted capital. Total debt comprises accounts payable, accruals and other payables, amounts due to joint ventures and bank borrowings as shown in the consolidated statement of financial position. Adjusted capital comprises convertible bonds and all components of equity (including share capital, reserves, retained profits and non-controlling interests as shown in the consolidated statement of financial position).

The debt-to-adjusted capital ratios at 31 December 2014 and 2013 are as follows:

	2014 HK\$'000	2013 HK\$'000
Total debt	1,031,352	847,130
Adjusted capital	2,794,086	1,456,176
Debt-to-adjusted capital ratio	36.9%	58.2%

#### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised to three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.3 Fair value estimation (Cont'd)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Listed debt securities	454,169	–	–	454,169
– Listed equity securities	269,580	–	–	269,580
– Unlisted fund investments	–	152,496	–	152,496
Available-for-sale financial assets				
– Unlisted fund investment	–	35,161	–	35,161
	<b>723,749</b>	<b>187,657</b>	<b>–</b>	<b>911,406</b>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale financial assets				
– Unlisted fund investment	–	35,538	–	35,538

There were no transfers between levels 1 and 2 during the year.

#### (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

#### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 2 fair values for fund investments have been determined based on net asset value of the relevant fund investments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. FINANCIAL RISK MANAGEMENT (Cont'd)

#### 3.3 Fair value estimation (Cont'd)

##### (c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Contingent consideration in a business combination HK\$'000
Opening balance	1,093
Loss recognised in profit or loss	44
Settlements	(1,137)
Closing balance	–
Total gains or losses for the year included in profit or loss for liabilities held at the end of the year	–
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	–

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (a) The Group tests whether intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 2.8. Determining whether intangible assets are impaired requires an estimate of the value-in-use of the asset. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the assets and also choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise.
- (b) The Group's management determines the impairment of accounts receivable on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of accounts receivable at the end of the reporting period.
- (c) Financial instruments such as equity investments and debt investments are carried at the consolidated statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses valuation models or independent professional valuations to estimate the fair value. The use of methodologies, models and assumptions in valuing these financial instruments is subjective and requires varying degrees of judgement, which may result in significantly different fair values and results.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 5. TURNOVER AND SEGMENT INFORMATION

The Group is a technology and operation service provider of lottery systems, terminal equipment and game products in the lottery market in China. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and high frequency lottery, to new media lottery. An analysis of the Group's turnover for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Income from provision of lottery terminals and lottery sales channels	973,847	728,201
Income from sales of equipment	60,712	15,197
Income from provision of consultancy services	210	358
	<b>1,034,769</b>	743,756

#### Segment information

The Group's revenue and contribution to profit were mainly derived from the provision of technology and operation service for lottery systems, terminal equipment and game products in the lottery market in China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

#### Geographical information

##### (a) Revenue from external customers

	2014 HK\$'000	2013 HK\$'000
People's Republic of China ("PRC") (Country of domicile)	1,034,769	743,756

The revenue information above is based on the locations of the customers.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 5. TURNOVER AND SEGMENT INFORMATION (Cont'd)

Geographical information (Cont'd)

(b) Non-current assets

	2014		2013	
	Total assets HK\$'000	Additions to non-current assets HK\$'000	Total assets HK\$'000	Additions to non-current assets HK\$'000
PRC	1,093,816	283,605	993,227	233,039
Hong Kong	175,192	4,715	174,680	11,562
	<b>1,269,008</b>	<b>288,320</b>	1,167,907	244,601

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred income tax assets.

#### Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2014 HK\$'000	2013 HK\$'000
Customer A	N/A <sup>1</sup>	43,771
Customer B	810,212	618,041

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

### 6. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income from bank deposits and loans receivables	31,510	20,171

### 7. OTHER (LOSSES)/GAINS – NET

	2014 HK\$'000	2013 HK\$'000
Fair value adjustment of contingent consideration	–	(44)
Fair value loss on financial assets at fair value through profit or loss	(17,802)	–
Reclassification adjustment on disposal of available-for-sale financial assets	–	3,755
(Loss)/Gain on disposal of property, plant and equipment	(476)	71
Loss on disposal of a subsidiary (Note 40)	(1,010)	–
Foreign exchange gains	3,983	516
	<b>(15,305)</b>	4,298



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 8. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Costs of sales and services		
– Depreciation of lottery terminals	109,339	80,083
– Amortisation of intangible assets	330	–
– Business tax	48,647	38,376
– Cost of inventories recognised as expense	48,439	8,820
– Repairs and maintenance	7,738	6,270
– Commission and handling charges	86,764	57,597
– Other costs	7,648	8,629
	<b>308,905</b>	199,775
Operating lease rentals in respect of land and buildings	12,132	8,782
Auditors' remuneration	880	880
Amortisation of intangible assets	6,528	6,528
Depreciation of other items of property, plant and equipment	9,682	7,757

### 9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expense on bank borrowings wholly repayable within five years	22,940	22,656
Interest expense on convertible bonds wholly repayable within five years (Note 30)	32,660	–
	<b>55,600</b>	22,656

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 10. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group had no assessable profits arising in or derived from Hong Kong for both years.

The applicable corporate income tax rate for PRC subsidiaries are 25% (2013: 25%) except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2013: 15%).

	2014 HK\$'000	2013 HK\$'000
Current tax		
– PRC Enterprise Income Tax	88,540	67,295
– Adjustments in respect of prior years	(333)	40
Total current tax	88,207	67,335
Deferred tax (Note 31)		
– Origination and reversal of temporary differences	5,226	19,665
Income tax expense	93,433	87,000

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	435,752	349,202
Tax calculated at 16.5%	71,899	57,618
Income not subject to tax	(5,029)	(3,365)
Expenses not deductible for tax purposes	18,654	4,198
Tax losses which no deferred income tax asset recognised	1,985	11,207
Utilisation of previously unrecognised tax losses	(2,370)	–
Adjustments in respect of prior years	(333)	40
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	9,975	20,094
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,348)	(2,792)
Tax charge	93,433	87,000

### 11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit (2013: loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$233,922,000 (2013: HK\$11,235,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 12. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the Company (HK\$'000)	100,010	88,556
Weighted average number of ordinary shares in issue	7,856,192,688	7,478,558,573
Basic earnings per share	1.27 HK cents	1.18 HK cents

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2014	2013
Profit attributable to owners of the Company (HK\$'000)	100,010	88,556
Weighted average number of ordinary shares in issue	7,856,192,688	7,478,558,573
Effect of dilutive potential ordinary shares:		
– Share options	147,787,262	96,288,242
Weighted average number of ordinary shares for diluted earnings per share	8,003,979,950	7,574,846,815
Diluted earnings per share	1.25 HK cents	1.17 HK cents

The computation of diluted earnings per share for the year ended 31 December 2014 did not assume the conversion of the convertible bonds since their exercise would result in an increase in earnings per share.

In addition, the computation of diluted earnings per share for the year ended 31 December 2014 did not assume the exercise of the option granted by the Company to a wholly owned subsidiary of Tencent Holdings Limited because the exercise price of that option was higher than the average market price for shares.

### 13. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2014 HK\$'000	2013 HK\$'000
Wages and salaries	109,641	92,610
Employee share option benefits	6,131	5,354
Social security costs	6,772	5,533
Pension costs – defined contribution plans	870	786
Other staff welfare	3,937	3,316
	127,351	107,599

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2014 is set out below:

Name of director	Fees HK\$'000	Salaries and allowance HK\$'000	Discretionary bonuses HK\$'000	Employee share option benefits HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Ms. Lau Ting	-	8,290	2,780	25	395	11,490
Mr. Wu Jingwei	-	5,199	2,670	624	17	8,510
Ms. Chan Tan Na, Donna	-	4,391	2,599	595	17	7,602
Mr. Li Zi Kui	-	1,786	-	280	17	2,083
<i>Non-executive director</i>						
Mr. Hoong Cheong Thard	553	-	119	23	-	695
<i>Independent non-executive directors</i>						
Mr. Huang Shenglan	455	-	105	23	-	583
Mr. Chan Ming Fai	341	-	112	23	-	476
Mr. Cui Shuming	313	-	116	23	-	452
	1,662	19,666	8,501	1,616	446	31,891

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Cont'd)

#### (a) Directors' and chief executive's emoluments (Cont'd)

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2013 is set out below:

Name of director	Fees HK\$'000	Salaries and allowance HK\$'000	Discretionary bonuses HK\$'000	Employee share option benefits HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Ms. Lau Ting	–	7,830	1,580	112	377	9,899
Mr. Wu Jingwei	–	4,758	2,703	904	15	8,380
Ms. Chan Tan Na, Donna	–	2,823	2,291	642	15	5,771
Mr. Li Zi Kui	–	1,065	–	241	15	1,321
<i>Non-executive director</i>						
Mr. Hoong Cheong Thard	522	–	122	17	–	661
<i>Independent non-executive directors</i>						
Mr. Huang Shenglan	439	–	120	80	–	639
Mr. Chan Ming Fai	323	–	115	80	–	518
Mr. Cui Shuming	293	–	113	80	–	486
	1,577	16,476	7,044	2,156	422	27,675

Ms. Lau Ting is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

Neither the chief executive nor any of directors of the Company waived or agreed to waive any emoluments in the years ended 31 December 2014 and 2013.

During the year, 25,400,000 (2013: Nil) share options were granted to certain directors of the Company (including the chief executive) under the Company's share option scheme.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Cont'd)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included three (2013: three) directors of the Company, whose emoluments are set out above. The emoluments payable to the remaining two (2013: two) non-director and non-chief executive highest paid individual during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, other allowances and benefits in kind	8,949	8,313
Discretionary bonuses	840	1,626
Employer's contributions to pension schemes	142	133
	<b>9,931</b>	<b>10,072</b>

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	1

No emoluments were paid by the Group to the directors, the chief executive and non-director and non-chief executive highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the year (2013: Nil).

### 15. DIVIDENDS

The dividends paid in 2014 and 2013 were approximately HK\$18,539,000 (0.24 HK cent per share) and HK\$13,415,000 (0.18 HK cent per share) respectively.

A final dividend in respect of the year ended 31 December 2014 of 0.25 HK cent (2013: 0.24 HK cent) per share, amounting to a total dividend of approximately HK\$21,137,000 (2013: HK\$18,319,000) is to be proposed at the Annual General Meeting on 27 May 2015. The consolidated financial statements do not reflect this dividend payable.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 16. PROPERTY, PLANT AND EQUIPMENT

	Group									
	Leasehold land held for own use under finance lease HK\$'000	Buildings HK\$'000	Lottery terminals leased to third parties under operating leases HK\$'000	Lottery terminals under construction HK\$'000	Leasehold improvements HK\$'000	Plant and equipment HK\$'000	Computer equipment and software HK\$'000	Office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>										
Cost	171,995	13,346	440,756	44,356	10,485	11,559	13,483	5,224	6,688	717,892
Accumulated depreciation	(7,343)	(780)	(181,924)	-	(8,919)	(4,559)	(10,608)	(3,416)	(4,479)	(222,028)
Net book amount	164,652	12,566	258,832	44,356	1,566	7,000	2,875	1,808	2,209	495,864
<b>Year ended 31 December 2013</b>										
Opening net book amount	164,652	12,566	258,832	44,356	1,566	7,000	2,875	1,808	2,209	495,864
Exchange differences	-	28	7,834	1,589	34	229	76	39	57	9,886
Additions	-	-	-	208,567	172	4,504	2,220	857	2,668	218,988
Transfers	-	-	214,391	(214,557)	-	-	166	-	-	-
Disposals	-	-	-	-	-	(10)	(263)	(7)	(196)	(476)
Depreciation	(3,235)	(357)	(80,083)	-	(857)	(2,044)	(1,295)	(532)	(748)	(89,151)
Closing net book amount	161,417	12,237	400,974	39,955	915	9,679	3,779	2,165	3,990	635,111
<b>At 31 December 2013</b>										
Cost	171,995	13,380	670,930	39,955	9,280	16,374	15,048	6,113	7,575	950,650
Accumulated depreciation	(10,578)	(1,143)	(269,956)	-	(8,365)	(6,695)	(11,269)	(3,948)	(3,585)	(315,539)
Net book amount	161,417	12,237	400,974	39,955	915	9,679	3,779	2,165	3,990	635,111
<b>Year ended 31 December 2014</b>										
Opening net book amount	161,417	12,237	400,974	39,955	915	9,679	3,779	2,165	3,990	635,111
Exchange differences	-	(19)	(8,629)	(997)	(13)	(209)	(70)	(25)	(66)	(10,028)
Acquisition of a subsidiary	-	-	-	-	-	-	4,505	-	-	4,505
Additions	-	-	-	129,332	2,230	6,992	9,009	4,702	1,883	154,148
Transfers	-	-	127,314	(127,397)	-	-	83	-	-	-
Disposals	-	-	(452)	-	-	-	(159)	(21)	(982)	(1,614)
Disposal of a subsidiary	-	-	-	-	-	-	(17)	-	-	(17)
Depreciation	(3,235)	(357)	(109,339)	-	(621)	(2,601)	(1,917)	(1,162)	(1,115)	(120,347)
Closing net book amount	158,182	11,861	409,868	40,893	2,511	13,861	15,213	5,659	3,710	661,758
<b>At 31 December 2014</b>										
Cost	171,995	13,355	780,100	40,893	11,392	22,958	25,313	10,323	8,295	1,084,624
Accumulated depreciation	(13,813)	(1,494)	(370,232)	-	(8,881)	(9,097)	(10,100)	(4,664)	(4,585)	(422,866)
Net book amount	158,182	11,861	409,868	40,893	2,511	13,861	15,213	5,659	3,710	661,758

**Notes:**

- (i) Depreciation of lottery terminals leased to third parties under operating leases of approximately HK\$109,339,000 (2013: HK\$80,083,000) has been charged in costs of sales and services. Depreciation of other items of property, plant and equipment of approximately HK\$1,326,000 (2013: HK\$1,311,000) has been capitalised in lottery terminals under construction and of approximately HK\$9,682,000 (2013: HK\$7,757,000) has been charged in general and administrative expenses.
- (ii) The Group's leasehold land held for own use under finance lease with a carrying amount of approximately HK\$119,728,000 (2013: HK\$122,384,000) is held on long-term lease in Hong Kong. The Group's leasehold land held for own use under finance lease with a carrying amount of approximately HK\$38,454,000 (2013: HK\$39,033,000) is held on medium-term lease in Hong Kong.
- (iii) At 31 December 2014, the Group's leasehold land and buildings with a carrying amount of approximately HK\$169,310,000 (2013: HK\$172,854,000) was pledged to secure bank borrowings granted to the Group.

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### 16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Company			
	Leasehold improvements HK\$'000	Computer equipment and software HK\$'000	Office equipment and furniture HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>				
Cost	260	120	576	956
Accumulated depreciation	(225)	(120)	(572)	(917)
Net book amount	35	–	4	39
<b>Year ended 31 December 2013</b>				
Opening net book amount	35	–	4	39
Depreciation	(35)	–	(4)	(39)
Closing net book amount	–	–	–	–
<b>At 31 December 2013</b>				
Cost	260	120	576	956
Accumulated depreciation	(260)	(120)	(576)	(956)
Net book amount	–	–	–	–
<b>Year ended 31 December 2014</b>				
Opening net book amount	–	–	–	–
Depreciation	–	–	–	–
Closing net book amount	–	–	–	–
<b>At 31 December 2014</b>				
Cost	260	120	576	956
Accumulated depreciation	(260)	(120)	(576)	(956)
Net book amount	–	–	–	–



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### 17. INTANGIBLE ASSETS

	Group				
	Goodwill HK\$'000	CLO Contract HK\$'000	Internally generated development costs HK\$'000	Intellectual properties HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>					
Cost	1,177,373	60,382	74,796	–	1,312,551
Accumulated amortisation and impairment	(854,725)	(44,063)	–	–	(898,788)
Net book amount	322,648	16,319	74,796	–	413,763
<b>Year ended 31 December 2013</b>					
Opening net book amount	322,648	16,319	74,796	–	413,763
Exchange difference	1,000	–	1,944	–	2,944
Additions	–	–	25,613	–	25,613
Amortisation charge	–	(6,528)	–	–	(6,528)
Closing net book amount	323,648	9,791	102,353	–	435,792
<b>At 31 December 2013</b>					
Cost	1,178,373	60,382	102,353	–	1,341,108
Accumulated amortisation and impairment	(854,725)	(50,591)	–	–	(905,316)
Net book amount	323,648	9,791	102,353	–	435,792
<b>Year ended 31 December 2014</b>					
Opening net book amount	323,648	9,791	102,353	–	435,792
Exchange difference	(1,059)	–	(1,597)	(515)	(3,171)
Acquisition of a subsidiary	38,620	–	–	50,314	88,934
Additions	–	–	34,420	6,313	40,733
Amortisation charge	–	(6,528)	–	(330)	(6,858)
Closing net book amount	361,209	3,263	135,176	55,782	555,430
<b>At 31 December 2014</b>					
Cost	1,201,209	60,382	135,176	56,110	1,452,877
Accumulated amortisation and impairment	(840,000)	(57,119)	–	(328)	(897,447)
Net book amount	361,209	3,263	135,176	55,782	555,430

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### 17. INTANGIBLE ASSETS (Cont'd)

Notes:

- (i) Amortisation of approximately HK\$330,000 (2013: Nil) and HK\$6,528,000 (2013: HK\$6,528,000) are included in "costs of sales and services" and "general and administrative expenses" respectively.
- (ii) Internally generated development costs include all direct costs incurred in the setting up and development of systems and networks. The development costs for systems and networks are not yet implemented for intended use.
- (iii) **Impairment tests for goodwill**  
Goodwill is allocated to the CGU as follows:

	2014 HK\$'000	2013 HK\$'000
Provision of video lottery terminals ("VLT")	95,319	95,319
Provision of traditional computer lottery system and equipment	199,403	199,403
Provision of sales platform for high frequency lottery games	15,887	16,294
Provision of new media sales and marketing platform in telecom value-added business chain	12,317	12,632
Development of lottery transaction and management systems	38,283	–
	<b>361,209</b>	<b>323,648</b>

The recoverable amounts of the CGUs are determined based on a value-in-use calculation.

(a) **Provision of VLT**

The Company through its subsidiary, 東莞天意電子有限公司 ("東莞天意") is principally engaged in the provision of VLT. 東莞天意 entered into a contract ("CLO Contract") with Beijing Lottery Online Technology Co., Ltd. ("CLO"), pursuant to which 東莞天意 provides CLO with VLT on an exclusive basis in the PRC. In consideration for the provision of VLT by 東莞天意, CLO has agreed to pay to 東莞天意 a service fee of 2% (inclusive of a maintenance fee of 0.4%) of the total revenue generated from the VLT sales system of CLO in the PRC. On 5 June 2012, 東莞天意 entered into a supplementary agreement with CLO, pursuant to which both parties agreed to revise the service fee from 2% to 1.7% with effect from 1 January 2012.

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include the average number of VLT connected and the daily turnover of each VLT during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 16.08% (2013: 16.25%), which reflects the specific risks relating to this CGU.

(b) **Provision of traditional computer lottery system and equipment**

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include the budgeted turnover and expenses during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 16.01% (2013: 16.17%), which reflects the specific risks relating to this CGU.

(c) **Provision of sales platform for high frequency lottery games**

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include the budgeted turnover and expenses during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 16.08% (2013: 16.25%), which reflects the specific risks relating to this CGU.

## Notes to the Consolidated Financial Statements

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### 17. INTANGIBLE ASSETS (Cont'd)

Notes: (Cont'd)

(iii) Impairment tests for goodwill (Cont'd)

(d) *Provision of new media sales and marketing platform in telecom value-added business chain*

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include the budgeted turnover and expenses during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 18.08% (2013: 18.71%), which reflects the specific risks relating to this CGU.

(e) *Development of lottery transaction and management systems*

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include the budgeted turnover and expenses during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 16.01% (2013: Nil), which reflects the specific risks relating to this CGU.

No impairment loss was recognised in respect of goodwill for the year ended 31 December 2014 as the recoverable amounts of the CGUs exceeded their carrying amounts (2013: Nil).

(iv) Impairment test for development costs

The recoverable amount of development costs is based on a value-in-use calculation. The value-in-use calculation uses pre-tax cash flow projections approved by management covering a 5-year period. The key assumptions used for the cash flow projections included the budgeted revenue and expenses during each of the forecasting periods, which are determined by management based on its expectation of market development. All cash flows are discounted at a discount rate of 16.08% (2013: 16.25%). No impairment loss was recognised in respect of development costs for the year ended 31 December 2014 as the recoverable amount exceeded the carrying amount (2013: Nil).

### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2014	2013
	HK\$'000	HK\$'000
Unlisted shares, at cost	9	9

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (a) Investments in subsidiaries (Cont'd)

The following is a list of the principal subsidiaries at the end of the reporting period:

Name	Place of incorporation/ establishment, Kind of legal entity (Note (xii))	Particulars of issued share capital/ registered capital	Interest held		Principal activities
			2014	2013	
<i>Held directly:</i>					
China LotSynergy Limited	British Virgin Islands, Limited liability company	US\$100	100%	100%	Investment holding
Flynn Technology Limited	British Virgin Islands, Limited liability company	US\$1,000	100%	100%	Investment holding
Onwealth Holdings Limited	British Virgin Islands, Limited liability company	US\$1	100%	100%	Investment holding
<i>Held indirectly:</i>					
Champ Mark Investments Limited	British Virgin Islands, Limited liability company	3,600 issued shares of no par value	100%	100%	Investment holding
Champ Technology Limited	Hong Kong, Limited liability company	HK\$1	100%	100%	Investment holding
China LotSynergy Limited	Hong Kong, Limited liability company	US\$500,000	100%	100%	Investment holding and provision of management service
China LotSynergy Asset Management Limited	Hong Kong, Limited liability company	US\$2	100%	100%	Treasury management
China LotSynergy Development Limited	Hong Kong, Limited liability company	HK\$1	100%	100%	Investment holding
China LotSynergy Group Limited	Hong Kong, Limited liability company	HK\$1	100%	100%	Investment holding
Corich International Limited ("Corich")	British Virgin Islands, Limited liability company	US\$2,000,000	50% (Note (xiii))	50% (Note (xiii))	Investment holding
East Grand Enterprises Limited	Hong Kong, Limited liability company	HK\$1	50% (Note (xiii))	50% (Note (xiii))	Investment holding
Goldwide Limited	Hong Kong, Limited liability company	HK\$1	100%	100%	Investment holding
Lottnal Holdings Limited	Hong Kong, Limited liability company	US\$350,000	80%	80%	Investment holding
Upmax Investments Limited	British Virgin Islands, Limited liability company	US\$1	100%	100%	Investment holding
Willstrong Investments Limited	British Virgin Islands, Limited liability company	US\$1	80%	80%	Provision of lottery system and equipment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (a) Investments in subsidiaries (Cont'd)

Name	Place of incorporation/ establishment, Kind of legal entity (Note (xii))	Particulars of issued share capital/ registered capital	Interest held		Principal activities
			2014	2013	
<i>Held indirectly: (Cont'd)</i>					
東莞天意 (Note (i))	PRC, Wholly foreign owned enterprise	HK\$8,000,000	50% (Note (xiii))	50% (Note (xiii))	Provision of VLT
北京靈彩科技有限公司 ("北京靈彩") (Note (iii))	PRC, Wholly foreign owned enterprise	HK\$1,200,000	50% (Note (xiii))	50% (Note (xiii))	Research and development of lottery system and equipment in the PRC
廣州洛圖終端技術有限公司 (Guangzhou Lottnal Terminal Company Limited) ("GZL") (Note (iii))	PRC, Wholly foreign owned enterprise	RMB20,274,063	80%	80%	Research and development and manufacturing of lottery ticket scanners and terminal equipment in the PRC and overseas
廣州市三環永新科技有限公司 (Guangzhou San Huan Yong Xin Technology Company Limited) ("GZSH") (Note (iv))	PRC, Sino-foreign equity joint venture enterprise	RMB10,000,000	80%	80%	Provision of lottery system and equipment in the PRC
北京優昌源科技有限公司 (Formerly known as 華彩之家 科技發展(北京)有限公司) ("優昌源") (Note (v))	PRC, Wholly foreign owned enterprise	HK\$10,000,000	75%	75%	Research and development of lottery system and equipment in the PRC
北京中大彩訊科技有限公司 (Formerly known as 華彩世紀 科技發展(北京)有限公司) ("中大彩訊") (Note (vi))	PRC, Wholly foreign owned enterprise	HK\$10,000,000	75%	75%	Research and development of lottery system and equipment in the PRC
北京網人互聯科技有限公司 ("網人互聯") (Note (vii))	PRC, Limited liability company	RMB50,000,000	–	75%	Provision of internet information services
北京華彩贏通科技有限公司 ("華彩贏通") (Note (viii))	PRC, Limited liability company	RMB50,000,000	75%	75%	Research and development of lottery system and equipment in the PRC
北京贏彩通科技有限公司 ("贏彩通") (Note (ix))	PRC, Limited liability company	RMB5,000,000	75%	75%	Research and development of lottery system and equipment in the PRC
成都華彩贏通科技有限公司 ("成都華彩") (Note (x))	PRC, Limited liability company	RMB1,000,000	75%	75%	Research and development of lottery system and equipment in the PRC

## Notes to the Consolidated Financial Statements

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### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (a) Investments in subsidiaries (Cont'd)

Name	Place of incorporation/ establishment, Kind of legal entity (Note (xii))	Particulars of issued share capital/ registered capital	Interest held		Principal activities
			2014	2013	
<i>Held indirectly: (Cont'd)</i>					
重慶拓扣網絡科技有限公司 ("重慶拓扣") (Note (xi))	PRC, Limited liability company	RMB1,665,000	52.5%	52.5%	Research and development and operation of sales platform for high frequency lottery in the PRC
廣州頂尚信息科技有限公司 ("廣州頂尚") (Note (xi))	PRC, Limited liability company	RMB10,000,000	52.5%	52.5%	Provision of new media sales and marketing platform in telecom value-added business chain in the PRC
廣州市射頻通信諮詢有限公司 ("廣州射頻") (Note (xi))	PRC, Limited liability company	RMB1,000,000	52.5%	52.5%	Provision of new media sales and marketing platform in telecom value-added business chain in the PRC
廣州千訊信息科技有限公司 ("廣州千訊") (Note (xi))	PRC, Limited liability company	RMB1,000,000	52.5%	52.5%	Provision of new media sales and marketing platform in telecom value-added business chain in the PRC
廣州市天驕信息科技有限公司 ("廣州天驕") (Note (xi))	PRC, Limited liability company	RMB3,000,000	52.5%	52.5%	Provision of new media sales and marketing platform in telecom value-added business chain in the PRC
廣州博富電子科技有限公司 ("廣州博富") (Note (xi))	PRC, Limited liability company	RMB1,000,000	52.5%	52.5%	Provision of new media sales and marketing platform in telecom value-added business chain in the PRC
北京貝英斯數碼技術有限公司 (Beijing Bestinfo Cyber Technology Co., Ltd) ("Bestinfo") (Note (xi))	PRC, Limited liability company	RMB5,000,000	100%	–	Development of lottery transaction and management systems

## Notes to the Consolidated Financial Statements

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### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (a) Investments in subsidiaries (Cont'd)

Notes:

- (i) 東莞天意 is a wholly foreign owned enterprise established in the PRC to be operated for a period of 15 years up to 2018.
- (ii) 北京靈彩 is a wholly foreign owned enterprise established in the PRC to be operated for a period of 50 years up to 2057.
- (iii) GZL is a wholly foreign owned enterprise established in the PRC to be operated for a period of 20 years up to 2020.
- (iv) GZSH is a sino-foreign equity joint venture established in the PRC to be operated for a period of 20 years up to 2027.
- (v) 優昌源 is a wholly foreign owned enterprise established in the PRC to be operated for a period of 50 years up to 2057.
- (vi) 中大彩訊 is a wholly foreign owned enterprise established in the PRC to be operated for a period of 50 years up to 2057.
- (vii) 網人互聯 is a limited liability company established in the PRC to be operated for a period of 20 years up to 2023. The equity interest is held by individual nominees on behalf of the Group.
- (viii) 華彩贏通 is a limited liability company established in the PRC to be operated for a period of 20 years up to 2028. The equity interest is held by individual nominees on behalf of the Group.
- (ix) 贏彩通 is a limited liability company established in the PRC to be operated for a period of 20 years up to 2030. The equity interest is held by individual nominees on behalf of the Group.
- (x) These companies are limited liability companies established in the PRC to be operated for an infinite period. The equity interests are held by individual nominees on behalf of the Group.
- (xi) Bestinfo is a limited liability company established in the PRC to be operated for a period of 20 years up to 2021.
- (xii) The subsidiaries operate principally in their respective places of incorporation/establishment.
- (xiii) These companies are consolidated by the Group as the Group owns more than one half of the voting rights in the board of directors of these companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

#### (b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries as shown on the Company's statement of financial position are unsecured, interest-free and repayable on demand.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (c) Material non-controlling interests

The total non-controlling interest for the period approximately HK\$444,076,000 (2013: HK\$261,571,000), of which approximately HK\$429,991,000 (2013: HK\$247,117,000) is for Corich. The remaining non-controlling interests are not material.

#### Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Corich.

#### Summarised statement of financial position

	Corich	
	2014	2013
	HK\$'000	HK\$'000
<b>Current</b>		
Assets	1,070,151	779,011
Liabilities	(684,430)	(686,873)
Total current net assets	385,721	92,138
<b>Non-current</b>		
Assets	451,741	422,005
Liabilities	(54,401)	(47,107)
Total non-current net assets	397,340	374,898
<b>Net assets</b>	<b>783,061</b>	467,036

#### Summarised statement of profit or loss and other comprehensive income

	Corich	
	2014	2013
	HK\$'000	HK\$'000
Revenue	810,212	618,041
Profit before income tax	516,159	390,193
Income tax expense	(92,385)	(76,513)
Profit for the year	423,774	313,680
Other comprehensive (expense)/income	(16,187)	15,101
Total comprehensive income for the year	407,587	328,781
Profit allocated to non-controlling interests	236,749	176,041
Dividends paid to non-controlling interests	45,782	93,453



## Notes to the Consolidated Financial Statements

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### 18. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Cont'd)

#### (c) Material non-controlling interests (Cont'd)

*Summarised cash flows*

	Corich	
	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities		
Cash generated from operations	235,190	486,386
Income tax paid	(84,733)	(54,345)
Net cash generated from operating activities	150,457	432,041
Net cash used in investing activities	(26,008)	(243,083)
Net cash used in financing activities	(123,441)	(90,324)
Net increase in cash and cash equivalents	1,008	98,634
Cash and cash equivalents at beginning of year	167,723	61,367
Effect of foreign exchange rate changes	(4,185)	7,722
Cash and cash equivalents at end of year	164,546	167,723

The information above is the amount before inter-company eliminations.

#### (d) Significant restrictions

Cash and short-term deposits of approximately HK\$733,611,000 (2013: HK\$717,887,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

#### (e) Aggregate financial information of subsidiaries in which the equity interest are held by individual nominees on behalf of the Group

	2014 HK\$'000	2013 HK\$'000
Revenue	146,583	64,726
Profit/(Loss) for the year	47,524	(4,908)
Net assets	95,608	101,320

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### 19. INVESTMENTS IN AND AMOUNTS DUE FROM/TO JOINT VENTURES

	2014 HK\$'000	2013 HK\$'000
At 1 January	95,705	99,782
Share of profits/(losses)	917	(7,048)
Dividends received	(38,281)	–
Exchange differences	(6,774)	2,971
At 31 December	51,567	95,705

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

Particulars of the joint ventures of the Group at the end of the reporting period are as follows:

Name	Particulars of issued share capital	Place of business/ incorporation	Interest held		Nature of the relationship	Measurement method
			2014	2013		
CLS-GTECH Company Limited ("CLS-GTECH")	US\$25,689,900	PRC/ British Virgin Islands	50%	50%	CLS-GTECH's principal activity is development of nationwide unified platform for lottery operation in the PRC	Equity
IGT Synergy Holding Limited ("IGT Synergy")	HK\$92,508,000	PRC/ Cayman Islands	50%	50%	IGT Synergy's principal activity is investment holding	Equity

The joint ventures listed above are private companies and there is no quoted market price available for their shares.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 19. INVESTMENTS IN AND AMOUNTS DUE FROM/TO JOINT VENTURES (Cont'd)

#### Summarised financial information for material joint ventures

Set out below are the summarised financial information for CLS-GTECH and IGT Synergy which are accounted for using the equity method.

#### Summarised statement of financial position

	CLS-GTECH		IGT Synergy	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Current</b>				
Cash and cash equivalents	7,324	10,415	–	77,266
Other current assets (excluding cash and cash equivalents)	59,082	59,242	112	848
Total current assets	66,406	69,657	112	78,114
Financial liabilities (excluding trade payables and provisions)	27,307	28,245	–	627
Other current liabilities (including trade payables and provisions)	–	–	–	–
Total current liabilities	27,307	28,245	–	627
<b>Non-current</b>				
Non-current assets	39,815	49,806	–	586
Financial liabilities	–	–	–	–
Other non-current liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
<b>Net assets</b>	<b>78,914</b>	<b>91,218</b>	<b>112</b>	<b>78,073</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 19. INVESTMENTS IN AND AMOUNTS DUE FROM/TO JOINT VENTURES (Cont'd)

Summarised statement of profit or loss and other comprehensive income

	CLS-GTECH		IGT Synergy	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	863	1,603	–	–
Depreciation and amortisation	8,860	8,832	–	414
Interest income	2	5	–	76
Interest expense	–	–	–	–
(Loss)/profit from continuing operations	(10,156)	(12,392)	10,001	(3,606)
Income tax expense	–	–	–	–
Post-tax (loss)/profit from continuing operations	(10,156)	(12,392)	10,001	(3,606)
Post-tax profit from discontinued operations	–	–	–	–
Other comprehensive (expense)/income	(2,148)	3,075	(11,400)	3,077
Total comprehensive expense	(12,304)	(9,317)	(1,399)	(529)
Dividends received from joint ventures	–	–	38,281	–

The summarised financial information above represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRS.

#### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in CLS-GTECH and IGT Synergy.

	CLS-GTECH		IGT Synergy	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Opening net assets	91,218	100,535	78,073	78,602
(Loss)/Profit for the year	(10,156)	(12,392)	10,001	(3,606)
Other comprehensive (expense)/income	(2,148)	3,075	(11,400)	3,077
Dividends received	–	–	(76,562)	–
Closing net assets	78,914	91,218	112	78,073
Interests in joint ventures @ 50%	39,457	45,609	56	39,037
Goodwill	13,367	13,367	–	–
Unrealised gain on transaction between the Group and joint ventures	(1,313)	(2,308)	–	–
Carrying value	51,511	56,668	56	39,037

#### Significant restrictions

Cash and short-term deposits of approximately HK\$201,000 (2013: HK\$12,634,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 20. FINANCIAL INSTRUMENTS BY CATEGORY

	Group			Total HK\$'000
	Loans and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	
<b>2014</b>				
Financial assets as per consolidated statement of financial position				
Available-for-sale financial assets	–	–	35,161	35,161
Accounts receivable	301,007	–	–	301,007
Deposits and other receivables	401,362	–	–	401,362
Amounts due from joint ventures	337	–	–	337
Amount due from a related company	21,564	–	–	21,564
Financial assets at fair value through profit or loss	–	876,245	–	876,245
Cash and bank balances	907,930	–	–	907,930
	<b>1,632,200</b>	<b>876,245</b>	<b>35,161</b>	<b>2,543,606</b>

	Group
	Financial liabilities at amortised cost HK\$'000
<b>2014</b>	
Financial liabilities as per consolidated statement of financial position	
Accounts payable	41,513
Accruals and other payables	65,295
Amounts due to joint ventures	5,969
Bank borrowings	911,213
Convertible bonds	588,321
	<b>1,612,311</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 20. FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

	Group		
	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
2013			
Financial assets as per consolidated statement of financial position			
Available-for-sale financial assets	–	35,538	35,538
Accounts receivable	83,607	–	83,607
Deposits and other receivables	163,522	–	163,522
Amounts due from joint ventures	79	–	79
Amount due from a related company	21,564	–	21,564
Cash and bank balances	841,129	–	841,129
	1,109,901	35,538	1,145,439

	Group
	Financial liabilities at amortised cost HK\$'000
2013	
Financial liabilities as per consolidated statement of financial position	
Accounts payable	7,638
Accruals and other payables	32,111
Amounts due to joint ventures	5,365
Bank borrowings	797,243
	842,357

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 20. FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

	Company Loans and receivables	
	2014	2013
	HK\$'000	HK\$'000
Financial assets as per statement of financial position		
Deposits and other receivables	1,075	1,075
Amounts due from subsidiaries	2,174,874	831,369
Cash and bank balances	779	1,253
	<b>2,176,728</b>	<b>833,697</b>

	Company Financial liabilities at amortised cost	
	2014	2013
	HK\$'000	HK\$'000
Financial liabilities as per statement of financial position		
Accruals and other payables	7,254	448
Amounts due to subsidiaries	8	8
Convertible bonds	588,321	–
	<b>595,583</b>	<b>456</b>

### 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	35,538	31,128
Additions	–	14,318
Disposals	–	(14,318)
Net (loss)/gain transferred to equity (Note 34)	(377)	4,410
At 31 December	<b>35,161</b>	<b>35,538</b>

Available-for-sale financial assets including the following:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Unlisted fund investments, at fair value	35,161	35,538

The fair value of the unlisted fund investments is determined based on net asset value of the relevant fund investments.

Available-for-sale financial asset is denominated in US\$.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 22. INVENTORIES

	Group	
	2014	2013
	HK\$'000	HK\$'000
Raw materials	17,382	18,881
Work in progress	23,400	3,669
Finished goods	14,868	7,146
	55,650	29,696
Provision	(1,490)	(1,528)
	54,160	28,168

### 23. ACCOUNTS RECEIVABLE

Income from provision of lottery terminals and lottery sales channels is billed on a monthly basis and is due 15 to 30 days after month-end. Income from sales of equipment is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Income from provision of consultancy services is billed on a monthly or yearly basis and is due 30 days after the invoice date. The ageing analysis of the accounts receivable at the end of the reporting period, based on invoice date, is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Less than three months	230,304	82,828
Over three months but less than one year	69,333	728
Over one year	1,370	51
	301,007	83,607

At 31 December 2014, accounts receivables of approximately HK\$214,109,000 (2013: HK\$10,791,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Of the total accounts receivable outstanding at 31 December 2014, the amount of approximately HK\$295,043,000 has been subsequently collected up to the date of approval of these consolidated financial statements. The ageing analysis of these accounts receivables is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Less than three months	212,739	10,625
Over three months but less than one year	–	115
Over one year	1,370	51
	214,109	10,791

At 31 December 2014, accounts receivable of approximately HK\$284,004,000 (2013: HK\$60,521,000) were pledged to secure bank borrowings granted to the Group.

The carrying amounts of the Group's accounts receivable are denominated in RMB.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's prepayments, deposits and other receivables at 31 December 2014 are loans receivables of approximately HK\$223,596,000 (2013: HK\$55,214,000), which are unsecured and repayment on demand. Except for an amount of approximately HK\$212,405,000 (2013: HK\$10,265,000) which bears interest ranging from 2% to 10% (2013: 2% to 5%) per annum, the remaining loan receivables are interest-free.

### 25. AMOUNT DUE FROM A RELATED COMPANY

The balance represents an amount due from a subsidiary of Burwill Holdings Limited, a company in which Ms. Lau Ting, the director of the Company has beneficial interests. The amount due is unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was approximately HK\$21,564,000 (2013: HK\$21,564,000).

### 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK\$'000	2013 HK\$'000
Listed debt securities		
– in Hong Kong	98,419	–
– outside Hong Kong	355,750	–
Listed equity securities		
– in Hong Kong	13,909	–
– outside Hong Kong	255,671	–
Unlisted fund investments	152,496	–
	<b>876,245</b>	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other (losses)/gains – net" in the consolidated statement of profit or loss.

The fair value of listed securities is based on their current bid prices in an active market.

The fair value of the unlisted fund investments is determined based on net asset value of the relevant fund investments.

At 31 December 2014, listed securities of approximately HK\$298,537,000 (2013: Nil) were pledged to secure bank borrowings granted to the Group.

### 27. CASH AND BANK BALANCES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank deposits	344,220	222,603	779	1,253
Time deposits	563,710	618,526	–	–
	<b>907,930</b>	841,129	<b>779</b>	1,253
Less: Pledged time deposits with maturity of more than three months	(488,778)	(501,279)	–	–
Pledged bank deposits	(11,907)	–	–	–
Cash and cash equivalents	<b>407,245</b>	339,850	<b>779</b>	1,253

At 31 December 2014, the Group had cash and bank balances of approximately HK\$733,611,000 (2013: HK\$717,887,000) which are denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

At 31 December 2014, deposits of approximately HK\$500,685,000 (2013: HK\$501,279,000) were pledged to secure bank borrowings and banking facilities granted to the Group.

The bank balances are deposited with creditworthy financial institutions with no recent history of default.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 28. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable at the end of the reporting period, based on invoice date, is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Less than three months	33,865	6,980
Over three months but less than one year	7,530	596
Over one year	118	62
	<b>41,513</b>	<b>7,638</b>

The carrying amounts of the Group's accounts payable are denominated in RMB.

### 29. BANK BORROWINGS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Current		
Portion of term loans from bank due for repayment within one year	561,752	458,694
Portion of term loans from bank due for repayment after one year which contain a repayment on demand clause	349,461	338,549
	<b>911,213</b>	<b>797,243</b>

At 31 December 2014, the Group's bank borrowings were due for repayment as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Portion of term loans due for repayment within one year	561,752	458,694
Term loans due for repayment after one year ( <i>Note</i> )		
After one year but within two years	262,678	231,188
After two years but within five years	42,778	57,253
After five years	44,005	50,108
	<b>349,461</b>	<b>338,549</b>
	<b>911,213</b>	<b>797,243</b>

*Note:* The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank borrowings carry interest at rates ranging from 0.96% to 6.9% (2013: 0.96% to 6.9%) per annum.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 29. BANK BORROWINGS (Cont'd)

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Group	
	2014	2013
	HK\$'000	HK\$'000
HK\$	134,255	159,033
US\$	602,394	446,394
RMB	174,564	191,816
	<b>911,213</b>	797,243

At 31 December 2014, the Group's bank borrowings and banking facilities were secured by:

- (i) the Group's leasehold land and buildings with a carrying amount of approximately HK\$169,310,000 (2013: HK\$172,854,000);
- (ii) standby letters of credit issued by bank for an aggregate amount of US\$59,000,000 (2013: US\$59,000,000);
- (iii) the Group's accounts receivable of approximately HK\$284,004,000 (2013: HK\$60,521,000);
- (iv) the Group's bank deposits amounting to approximately HK\$500,685,000 (2013: HK\$501,279,000); and
- (v) the Group's trading securities of approximately HK\$298,537,000 (2013: Nil).

### 30. CONVERTIBLE BONDS

On 8 April 2014, the Company entered into a subscription agreement (the "Subscription Agreement") to issue 5% convertible bonds due 2019 of up to an aggregate principal amount of HK\$780,000,000. On 17 April 2014, the issue of the convertible bonds in the principal amount of HK\$580,000,000 (the "Firm Bonds") was completed. On 2 May 2014, the issue of the convertible bonds in aggregate principal amount of HK\$70,000,000 (the "Exercised Option Bonds", and together with the Firm Bonds, the "Bonds") was completed pursuant to an option under the Subscription Agreement being partially exercised before the closing date of the option, bringing the total issue size of the convertible bonds to HK\$650,000,000 in principal amount.

The Bonds are denominated in HK\$ and listed on the Stock Exchange. The Bonds entitle the holders to convert them into ordinary shares of the Company at any time on or after 28 May 2014 up to the close of business on the 7th day prior to 17 April 2019 (the "Maturity Date") at an initial conversion price of HK\$0.93 per ordinary share (subject to adjustment).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 30. CONVERTIBLE BONDS (Cont'd)

If the Bonds have not been converted, they will be redeemed on Maturity Date at par. Interest of 5% will be payable semi-annually in arrear.

The Company will, at the option of the holder of any bond, redeem all or some of that holder's bonds on 17 April 2017, at the principal amount of the Bonds together with interest accrued.

The Company may at any time after 1 May 2017 redeem the Bonds, in whole or in part, at their principal amount together with any interest accrued but unpaid to the date fixed for redemption, provided that the closing price of the shares of the Company for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is given was at least 130% of the conversion price then in effect.

The Company may at any time redeem the Bonds, in whole but not in part, at their principal amount together with any interest accrued but unpaid to the date fixed for redemption, if prior to the date of the notice at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Bonds contains two components, liability and equity elements. The equity element is presented in equity heading "convertible bond equity reserve". The effective interest rate of the liability component is approximately 7.59% per annum.

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

	Group and Company	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	–	–
Issue	578,682	–
Interest charge	32,660	–
Interest paid	(23,021)	–
At 31 December	588,321	–

The fair value of the liability component of the convertible bonds at 31 December 2014 amounted to approximately HK\$657,254,000 (2013: Nil). The fair value is determined based on the market price of these bonds on the reporting date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 31. DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the year is as follows:

#### Deferred income tax liabilities:

	Group				Company	
	Intangible assets HK\$'000	Convertible bonds HK\$'000	Accelerated tax depreciation HK\$'000	Withholding tax on dividend income HK\$'000	Total HK\$'000	Convertible bonds HK\$'000
At 1 January 2013	5,712	–	3,422	29,987	39,121	–
(Credited)/charged to profit or loss	(3,264)	–	6,481	7,673	10,890	–
Exchange difference	–	–	159	–	159	–
At 31 December 2013	<b>2,448</b>	–	<b>10,062</b>	<b>37,660</b>	<b>50,170</b>	–
Acquisition of a subsidiary	<b>12,579</b>	–	–	–	<b>12,579</b>	–
Charged to equity	–	<b>11,767</b>	–	–	<b>11,767</b>	<b>11,767</b>
(Credited)/charged to profit or loss	<b>(1,632)</b>	<b>(1,590)</b>	<b>8,666</b>	<b>406</b>	<b>5,850</b>	<b>(1,590)</b>
Exchange difference	<b>(110)</b>	–	<b>(305)</b>	–	<b>(415)</b>	–
<b>At 31 December 2014</b>	<b>13,285</b>	<b>10,177</b>	<b>18,423</b>	<b>38,066</b>	<b>79,951</b>	<b>10,177</b>

#### Deferred income tax assets:

	Group
	Tax losses HK\$'000
At 1 January 2013	17,176
Charged to profit or loss	(8,775)
At 31 December 2013	<b>8,401</b>
Credited to profit or loss	<b>623</b>
Exchange difference	<b>(217)</b>
<b>At 31 December 2014</b>	<b>8,807</b>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2014, the Group did not recognise deferred income tax asset in respect of tax losses amounting to approximately HK\$70,236,000 (2013: HK\$158,259,000) that can be carried forward to offset against future taxable profits. Tax losses amounting to approximately HK\$39,202,000 (2013: HK\$32,634,000) will expire from 2015 to 2019 (2013: 2014 to 2018).

At 31 December 2014, deferred tax liabilities has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$593,216,000 (2013: HK\$256,710,000) 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 32. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.0025 each	
	Number of shares	HK\$'000
At 1 January 2013, 31 December 2013 and 31 December 2014	16,000,000,000	40,000

	Issued and fully paid ordinary shares of HK\$0.0025 each	
	Number of shares	HK\$'000
At 1 January 2013	7,452,584,666	18,631
Issue of consideration shares (Note (i))	8,888,154	22
Share options exercised (Note (ii))	145,400,000	364
At 31 December 2013	7,606,872,820	19,017
Issue of new shares (Note (iii))	594,034,513	1,485
Share options exercised (Note (iv))	351,100,000	878
Share repurchased and cancelled (Note (v))	(99,800,000)	(249)
<b>At 31 December 2014</b>	<b>8,452,207,333</b>	<b>21,131</b>

Notes:

- (i) Pursuant to the equity interests transfer agreement dated 2 November 2011, the Company allotted and issued 8,888,154 consideration shares of HK\$0.0025 each at HK\$0.128 to the vendors on 9 April 2013 as payment of part of the consideration for the acquisition of 70% equity interest in 廣州頂尚.
- (ii) Share options were exercised by optionholders during the year ended 31 December 2013 to subscribe for a total of 145,400,000 shares of HK\$0.0025 each by payment of subscription monies of approximately HK\$15,849,000, of which approximately HK\$364,000 was credited to share capital and the balance of approximately HK\$15,485,000 was credited to the share premium account.
- (iii) Pursuant to a subscription agreement entered into between the Company and a wholly owned subsidiary of Tencent Holdings Limited (the "Subscriber") on 16 October 2014, the Subscriber has subscribed for an aggregate of 594,034,513 new shares of the Company at a subscription price of HK\$0.75 per share, and the Company has also agreed to irrevocably and unconditionally grant the option to the Subscriber to subscribe for a further 273,140,969 new shares at the option price of HK\$0.83 per share (subject to adjustments (if any)) during the period from 4 November 2014 to 3 November 2015.
- (iv) Share options were exercised by optionholders during the year ended 31 December 2014 to subscribe for a total of 351,100,000 shares of HK\$0.0025 each by payment of subscription monies of approximately HK\$79,756,000, of which approximately HK\$878,000 was credited to share capital and the balance of approximately HK\$78,878,000 was credited to the share premium account.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 32. SHARE CAPITAL (Cont'd)

Notes: (Cont'd)

- (v) During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$'000
April 2014	49,800,000	0.58	0.52	27,514
December 2014	50,000,000	0.57	0.54	27,729
				55,243

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of approximately HK\$54,994,000 was charged to the share premium account.

### 33. SHARE OPTION SCHEMES

#### (a) Share option scheme adopted on 30 July 2002 (the "2002 Option Scheme")

At the annual general meeting of the Company held on 30 July 2002, the shareholders of the Company approved the adoption of the 2002 Option Scheme.

Under the 2002 Option Scheme, the Company may grant options to employees (including executive and non-executive directors) of the Group and other participants to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of the shares. A nominal consideration at HK\$1 is payable for each grant. Share options can be exercised within a period of not exceeding 10 years commencing on the date of grant or such later date as the Board may determine and expiring on the last day of the period.

#### (b) Share option scheme adopted on 18 May 2012 (the "2012 Option Scheme")

At the annual general meeting of the Company held on 18 May 2012, the shareholders of the Company approved the termination of 2002 Option Scheme and the adoption of 2012 Option Scheme.

Under the 2012 Option Scheme, the Company may grant options to employees (including executive and non-executive directors) of the Group and other participants to subscribe for shares in the Company. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of issued shares from time to time.

The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of the shares. A nominal consideration at HK\$1 is payable for each grant. Share options can be exercised within a period of not exceeding 10 years commencing on the date of grant or such later date as the Board may determine and expiring on the last day of the period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 33. SHARE OPTION SCHEMES (Cont'd)

The purpose of the share option schemes is to provide incentives to employees (including executive and non-executive directors) and other eligible participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are value to the Group.

Movements in number of share options outstanding and their related weighted average exercise prices are as follows:

	2002 Option Scheme		2012 Option Scheme		Total
	Average exercise price (HK\$ per share)	Options (thousands)	Average exercise price (HK\$ per share)	Options (thousands)	Options (thousands)
At 1 January 2013	0.31	600,400	0.11	417,000	1,017,400
Exercised	–	–	0.11	(145,400)	(145,400)
Expired	0.25	(444,400)	–	–	(444,400)
At 31 December 2013	0.48	156,000	0.11	271,600	427,600
Exercisable at 31 December 2013	0.48	156,000	0.11	63,100	219,100
At 1 January 2014	0.48	156,000	0.11	271,600	427,600
Granted	–	–	0.73	243,625	243,625
Exercised	0.47	(116,000)	0.11	(235,100)	(351,100)
Expired	0.79	(12,800)	–	–	(12,800)
<b>At 31 December 2014</b>	<b>0.36</b>	<b>27,200</b>	<b>0.65</b>	<b>280,125</b>	<b>307,325</b>
<b>Exercisable at 31 December 2014</b>	<b>0.36</b>	<b>27,200</b>	<b>0.11</b>	<b>36,500</b>	<b>63,700</b>

Options exercised in 2014 resulted in 351,100,000 (2013: 145,400,000) shares being issued at a weighted average price of HK\$0.23 (2013: HK\$0.11) each. The related weighted average share price at the time of exercise was HK\$0.67 (2013: HK\$0.27) per share.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 33. SHARE OPTION SCHEMES (Cont'd)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK\$ per share)	Options (thousands)	
		2014	2013
2002 Option Scheme			
1 January 2014	0.975	–	800
2 May 2014	0.775	–	12,000
17 August 2014	0.500	–	82,000
1 September 2014	0.500	–	16,000
15 June 2015	0.500	10,000	10,000
30 June 2016	0.285	17,200	35,200
		<b>27,200</b>	156,000
2012 Option Scheme			
13 May 2015	0.109	5,000	38,100
20 May 2015	0.109	–	25,000
13 May 2016	0.109	31,500	182,000
20 May 2016	0.109	–	26,500
14 July 2018	0.690	186,025	–
29 October 2018	0.840	46,000	–
29 October 2020	0.840	11,600	–
		<b>280,125</b>	271,600
		<b>307,325</b>	427,600

The fair value of the options granted to employees during the year was approximately HK\$32,598,000 (2013: Nil), of which the Group recognised the share option expenses of approximately HK\$4,980,000 (2013: Nil) during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 33. SHARE OPTION SCHEMES (Cont'd)

The fair value of the options granted to employees during the year was estimated as at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

<b>Grant date</b>	<b>14 July 2014</b>
<b>Expiry date</b>	<b>14 July 2018</b>
Risk-free interest rate (%)	0.97
Expected volatility (%)	64
Expected life of options (year)	3.5
Dividend yield (%)	1
Share price (HK\$ per share)	0.69

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had a total of 307,325,000 (2013: 427,600,000) share options outstanding under the 2002 Option Scheme and the 2012 Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 307,325,000 (2013: 427,600,000) additional ordinary shares of the Company and additional share capital of approximately HK\$768,000 (2013: HK\$1,069,000) and share premium of approximately HK\$189,853,000 (2013: HK\$102,647,400) (before issue expenses).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 34. RESERVES

	Group							Total HK\$'000
	Share premium HK\$'000	Convertible bond equity reserve HK\$'000	Capital reserve HK\$'000 (Note (b))	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000	Available- for-sale investments HK\$'000	
At 1 January 2013	739,973	-	15,158	51,755	40,512	11,351	7,728	866,477
Issue of consideration shares	1,115	-	-	-	-	-	-	1,115
Share option scheme:								
- value of employee services	-	-	-	-	5,354	-	-	5,354
- value of other participants' services	-	-	-	-	1,677	-	-	1,677
- share options exercised	17,959	-	-	-	(2,474)	-	-	15,485
- vested share options expired	-	-	-	-	(17,365)	-	-	(17,365)
Release of revaluation reserve upon depreciation of leasehold land and building	-	-	-	-	-	(241)	-	(241)
Fair value gain on available-for-sale financial assets (Note 21)	-	-	-	-	-	-	4,410	4,410
Reclassification adjustment on disposal of available-for-sale financial assets	-	-	-	-	-	-	(3,755)	(3,755)
Currency translation differences								
- overseas subsidiaries	-	-	-	10,369	-	-	-	10,369
- overseas joint ventures	-	-	-	2,971	-	-	-	2,971
<b>At 31 December 2013</b>	<b>759,047</b>	<b>-</b>	<b>15,158</b>	<b>65,095</b>	<b>27,704</b>	<b>11,110</b>	<b>8,383</b>	<b>886,497</b>
Issue of new shares	444,040	-	-	-	-	-	-	444,040
Recognition of equity component of convertible bonds	-	51,692	-	-	-	-	-	51,692
Deferred tax on recognition of equity component of convertible bonds	-	(11,767)	-	-	-	-	-	(11,767)
Share option scheme:								
- value of employee services	-	-	-	-	6,131	-	-	6,131
- value of other participants' services	-	-	-	-	6,247	-	-	6,247
- share options exercised	100,086	-	-	-	(21,208)	-	-	78,878
- vested share options expired	-	-	-	-	(4,593)	-	-	(4,593)
Release of revaluation reserve upon depreciation of leasehold land and building	-	-	-	-	-	(241)	-	(241)
Fair value loss on available-for-sale financial assets (Note 21)	-	-	-	-	-	-	(377)	(377)
Release of currency translation reserve upon disposal of a subsidiary	-	-	-	1,046	-	-	-	1,046
Currency translation differences								
- overseas subsidiaries	-	-	-	(30,623)	-	-	-	(30,623)
- overseas joint ventures	-	-	-	(6,774)	-	-	-	(6,774)
Shares repurchased and cancelled	(54,994)	-	-	-	-	-	-	(54,994)
<b>At 31 December 2014</b>	<b>1,248,179</b>	<b>39,925</b>	<b>15,158</b>	<b>28,744</b>	<b>14,281</b>	<b>10,869</b>	<b>8,006</b>	<b>1,365,162</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 34. RESERVES (Cont'd)

	Company				
	Share premium HK\$'000	Convertible bond equity reserve HK\$'000	Contributed surplus HK\$'000 (Note (c))	Share-based compensation reserve HK\$'000	Total HK\$'000
At 1 January 2013	739,973	–	16,209	40,512	796,694
Issue of consideration shares	1,115	–	–	–	1,115
Share option scheme:					
– value of employee services	–	–	–	5,354	5,354
– value of other participants' services	–	–	–	1,677	1,677
– share options exercised	17,959	–	–	(2,474)	15,485
– vested share options expired	–	–	–	(17,365)	(17,365)
<b>At 31 December 2013</b>	<b>759,047</b>	<b>–</b>	<b>16,209</b>	<b>27,704</b>	<b>802,960</b>
Issue of new shares	444,040	–	–	–	444,040
Recognition of equity component of convertible bonds	–	51,692	–	–	51,692
Deferred tax on recognition of equity component of convertible bonds	–	(11,767)	–	–	(11,767)
Share option scheme:					
– value of employee services	–	–	–	6,131	6,131
– value of other participants' services	–	–	–	6,247	6,247
– share options exercised	100,086	–	–	(21,208)	78,878
– vested share options expired	–	–	–	(4,593)	(4,593)
Shares repurchased and cancelled	(54,994)	–	–	–	(54,994)
<b>At 31 December 2014</b>	<b>1,248,179</b>	<b>39,925</b>	<b>16,209</b>	<b>14,281</b>	<b>1,318,594</b>

Notes:

- On 6 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") at the time of listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange.
- Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.
- Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 35. RETAINED PROFITS

	Company	
	2014 HK\$'000	2013 HK\$'000
At 1 January	11,313	18,598
Vested share options expired	4,593	17,365
Profit/(Loss) for the year	233,922	(11,235)
Dividends relating to 2013/2012	(18,539)	(13,415)
At 31 December	231,289	11,313

### 36. CASH (USED IN)/GENERATED FROM OPERATION

	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	435,752	349,202
Adjustments for:		
Depreciation	119,021	87,840
Amortisation of intangible assets	6,858	6,528
Loss/(Gain) on disposal of property, plant and equipment	476	(71)
Loss on disposal of a subsidiary	1,010	–
Share option expenses	12,378	7,031
Fair value loss on financial assets at fair value through profit or loss	17,802	–
Fair value adjustment of contingent consideration	–	44
Reclassification adjustment on disposal of available-for-sale financial assets	–	(3,755)
Interest income	(31,510)	(20,171)
Finance costs	55,600	22,656
Share of (profits)/losses of joint ventures	(917)	7,048
Operating cash flows before changes in working capital	616,470	456,352
Changes in working capital:		
– Prepaid rentals	1,026	958
– Inventories	(27,032)	1,514
– Accounts receivable	(221,072)	(15,111)
– Prepayments, deposits and other receivables	(64,197)	(68,523)
– Financial assets at fair value through profit or loss	(894,047)	–
– Accounts payable	34,497	(39,503)
– Accruals and other payables	24,334	14,127
– Amounts due to joint ventures	604	(808)
	(1,145,887)	(107,346)
<b>Cash (used in)/generated from operation</b>	<b>(529,417)</b>	<b>349,006</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 37. OPERATING LEASE COMMITMENTS

At 31 December 2014, the Group had aggregate future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	15,303	10,991
In the second to fifth years inclusive	28,314	4,689
Over five years	37,520	–
	<b>81,137</b>	15,680

At 31 December 2014, the Company had no significant operating lease commitments (2013: Nil).

### 38. EMPLOYEE RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to participate in a defined contribution retirement scheme (the "Original Scheme"), which is managed by independently administered funds. The Group's monthly contributions are based on 5% of employees' monthly salaries. The employees are entitled to receive 100% of the Group's contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service or at a reduced scale of 30% to 90% after completing three to nine years of services.

For the Group's Hong Kong employees employed after 1 December 2000, the Group has arranged for these employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a maximum contribution, which has been adjusted from HK\$1,250 to HK\$1,500 per month per employee with effect from 1 June 2014.

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans at rates ranging from approximately 8% to 19% of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year, the aggregate amount of the Group's contributions to the aforementioned schemes and plans were approximately HK\$7,642,000 (2013: HK\$6,319,000), with no (2013: Nil) deduction of forfeited contributions. At 31 December 2014, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods (2013: Nil).

The Group's contribution payable at 31 December 2014 amounted to approximately HK\$132,000 (2013: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 39. BUSINESS COMBINATION

On 15 December 2014, the Group acquired 100% of the equity interests in Bestinfo for a consideration of RMB60,000,000 (approximately HK\$75,472,000). Bestinfo is a company specialised in the research and development of lottery transaction and management systems.

As a result of the acquisition, the Group is expected to further consolidate its presence at all levels of the lottery value chain. The goodwill of HK\$38,620,000 arising from the acquisition is attributable to the anticipated profitability and the anticipated future operating synergy from the business combination.

The following table summarises the consideration paid for Bestinfo, the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK\$'000
<b>Consideration:</b>	
– cash	75,472
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	4,505
Intangible assets	50,314
Accounts receivables	1,183
Prepayments, deposits and other receivables	3,256
Cash and bank balances	4,126
Accruals and other payables	(13,953)
Deferred tax liabilities	(12,579)
<b>Total identifiable net assets</b>	<b>36,852</b>
Goodwill ( <i>Note 17</i> )	38,620
	<b>75,472</b>
<b>Net cash outflow on acquisition of Bestinfo</b>	
Cash consideration paid	75,472
Cash and cash equivalents acquired	(4,126)
	<b>71,346</b>

Acquisition-related costs of HK\$253,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

The fair value and gross contractual amounts of accounts receivable and other receivables as at the date of acquisition amounted to HK\$1,183,000 and HK\$187,000, respectively.

The loss included in the consolidated statement of profit or loss since 15 December 2014 contributed by Bestinfo was approximately HK\$2,417,000. Bestinfo contributed no revenue over the same period.

Had Bestinfo been consolidated from 1 January 2014, the consolidated statement of profit or loss would show pro-forma revenue of approximately HK\$1,059,672,000 and profit of approximately HK\$339,256,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 40. DISPOSAL OF A SUBSIDIARY

On 1 April 2014, the Group disposed of its entire interest in 網人互聯. The consideration for the disposal was settled through offsetting the amount due by the Group to 網人互聯 at 1 April 2014. The net assets of 網人互聯 at the date of disposal were as follows:

	HK\$'000
<b>Net assets disposed of:</b>	
Property, plant and equipment	17
Prepayments, deposits and other receivables	733
Amount due from immediate holding company	49,741
Cash and bank balances	570
Accruals and other payables	(1,704)
	49,357
Release of currency translation reserve upon disposal	1,394
Loss on disposal of a subsidiary	(1,010)
	49,741
<b>Net cash outflow on disposal of a subsidiary</b>	
Cash consideration received	–
Less: Cash and cash equivalents disposed of	(570)
	(570)

### 41. FINANCIAL GUARANTEE CONTRACT

At 31 December 2014, the Company provided an unlimited (2013: unlimited) guarantee and a guarantee limited to approximately HK\$16,986,000 (2013: HK\$16,986,000) to secure bank borrowings granted to subsidiaries. The fair value of the guarantees is not significant and therefore no provision has been made in the financial statements for the guarantees.

### 42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transaction during the year:

	2014 HK\$'000	2013 HK\$'000
Consultancy service income from joint ventures	172	205

Note: The above transaction was carried out in the normal course of business and in accordance with terms as agreed with related party.

### Compensation of key management personnel

Key management includes directors and certain senior management who have important roles in making operational and financial decision. The compensation paid or payable to key management is shown below:

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	39,618	35,036
Post-employment benefits	588	555
Employee share option benefits	1,616	2,156
	41,822	37,747



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

### **43. EVENT AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2014 and up to the date of approval of these consolidated financial statements, 2,500,000 share options were exercised by optionholders to subscribe for a total of 2,500,000 shares of HK\$0.0025 each.