AGTech
www.agtech.com

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

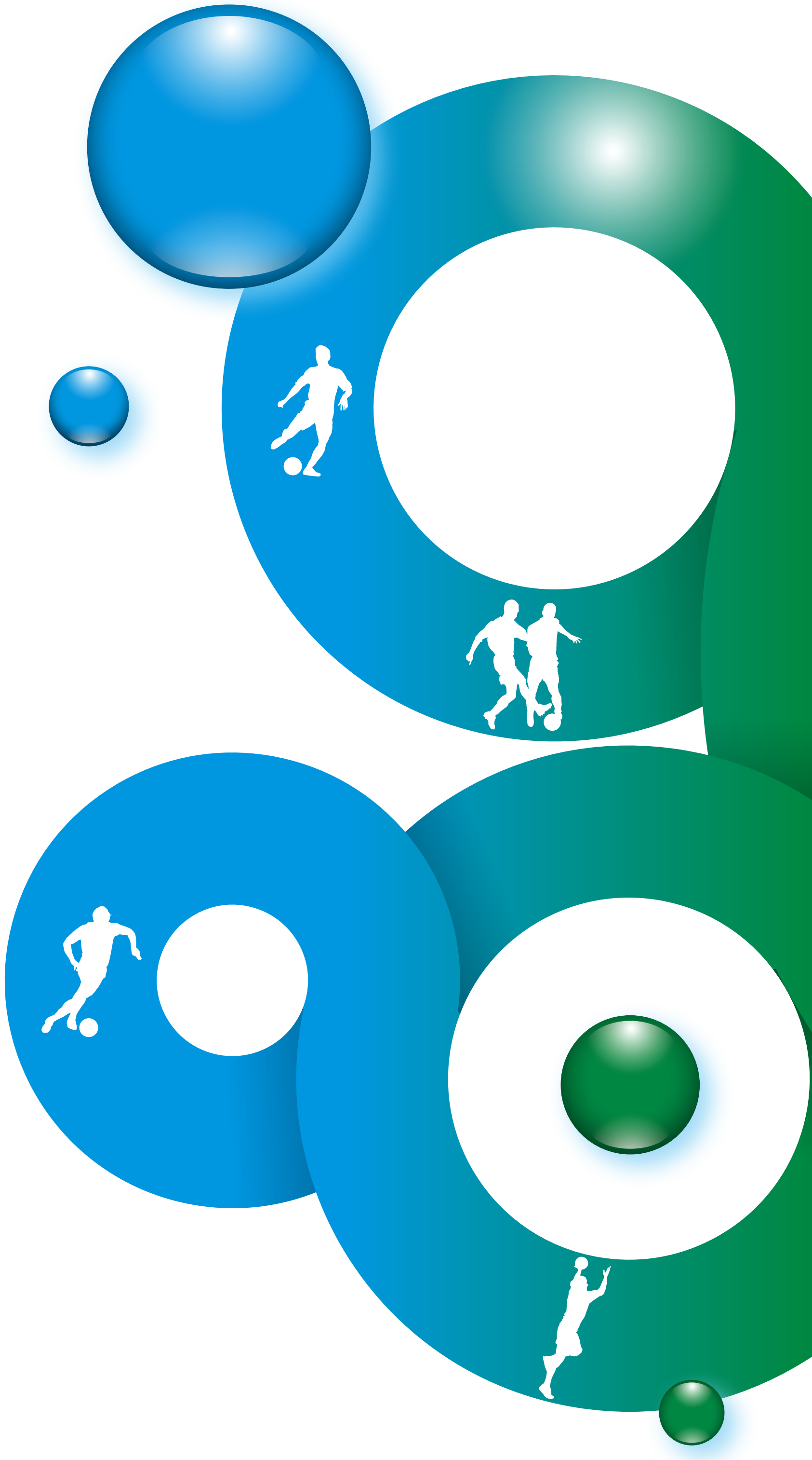
CHARACTERISTICS OF GEM

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

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

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

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



Contents

Fortune

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

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Directors
Yang Yang
Ho King Fung, Eric

Independent Non-executive Directors
Monica Maria Nunes
Wang Ronghua
Hua Fengmao

AUTHORISED REPRESENTATIVE*

Sun Ho

COMPLIANCE OFFICER

Sun Ho

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE*

Sun Ho

AUDITORS

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

* *The Company's former company secretary, authorised representative and member of the corporate governance committee, Mr. Wong Wai Sing, has resigned with effect from 7 March 2014. The Company will make a further announcement when a suitable replacement is appointed.*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

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

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

BANKERS

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

SHARE REGISTRAR IN BERMUDA

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11, Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

Note: The address of Tricor Abacus Limited will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effect from 31 March 2014.

STOCK CODE

8279

WEBSITE

http://www.agtech.com

Definitions

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

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

"Silvercreek"	means 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and its 100% equity interest is held by the Group
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Notes:

1. *In this report, the exchange rate of HK$1.2680 to RMB1.00 has been used for reference only.*

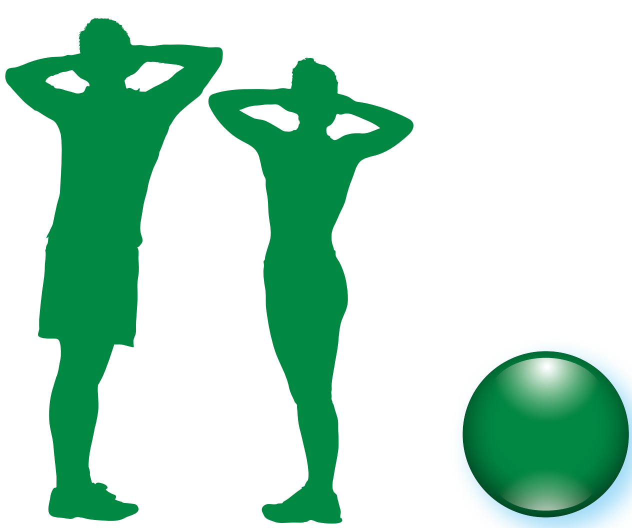
2. *The English translation of the Chinese company names in this report are included for reference only and should not be regarded as the official English translation of such Chinese company names.*

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

* *For identification purpose only*

Health

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



Corporate Profile

ABOUT AGTECH

Vision: Becoming the leading total solution provider and integrated company in global lottery market

China's First & Only Virtual Sports Betting System & Game Provider and the Largest Sports Lottery Terminal Manufacturer/Supplier in China
The Group is the leading integrated gaming company in China's lottery market.

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

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

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

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

INDUSTRY OVERVIEW

China: A rapidly growing, under-penetrated lottery market

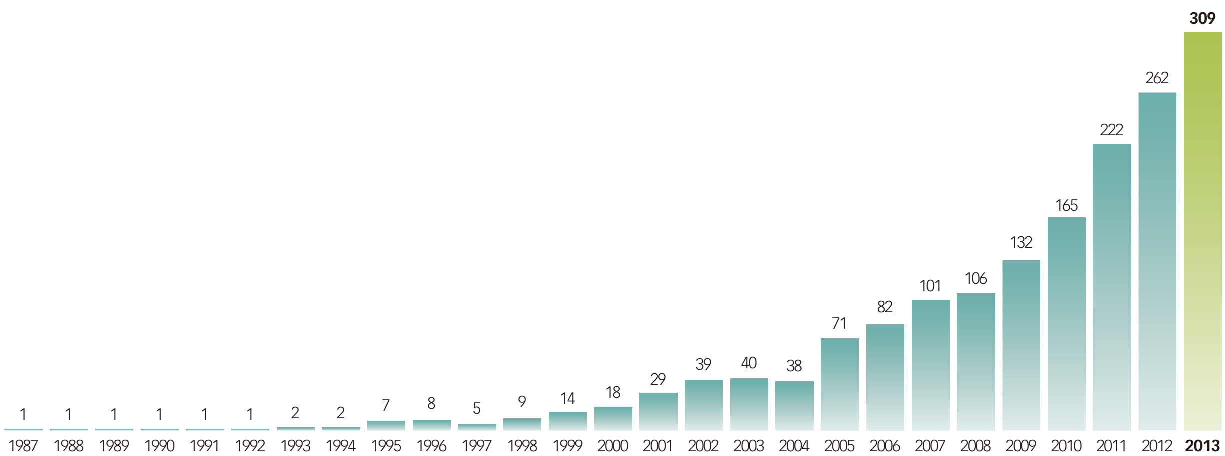
The regulated lottery industry in China was launched in 1987 and has since grown rapidly to become one of the world's largest lottery markets by sales volume. Lottery sales have increased at a compound annual growth rate of approximately 33% between 1987 and 2013. During this time, the products on offer have gradually expanded from an initial base of simple, weekly-draw lotto games to today's comprehensive range which includes weekly draw games as well as high frequency games, scratch cards, video lottery terminals ("VLTs"), sports betting and virtual sports betting. The two authorised lottery operators in China, the Welfare Lottery and the Sports Lottery, provide very significant levels of funding for good causes such as social welfare in the country and building community sports facilities.

2013 was a record year for the China lottery industry, with combined sales from Welfare and Sports of over RMB309 billion, implying an annual growth rate of approximately 18%. Despite the significant size of today's China lottery market, the penetration rate of regulated lottery in China remains comparatively low by international standards. Given that the illegal gambling market in China is estimated to be approximately 10-20 times that of the legal lottery market, there is enormous potential for future growth in China's legal lottery market.

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

For further details on recent industry developments and a more detailed review of trends in the lottery, please refer to the "Management Discussion and Analysis" section on pages 50 to 59.

China's Regulated Lottery Sales: 1987–2013 (RMB billion)



Source: PRC Ministry of Finance

GAMING TECHNOLOGIES

Virtual Sports Betting

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

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

Gaming Hardware and Technology Development

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

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

During 2013, China's sports lottery market entered a significant terminal replacement cycle, following the conclusion of the terminal supplier selection and evaluation process undertaken by the sports lottery authorities. GOT's new range of terminals were extensively recognised during the process and received approval. We expect that our new M6 Smart Terminal, C8 Terminal and the A210 Portable Terminal will play leading roles in the replacement cycle.

2013 saw GOT deliver its first international order of over 500 of GOT's C8 terminals to a client in South Africa. This is expected to be the first of many international orders for GOT. The Group is in active discussions with a number of other potential international customers and distributors and promotes international sales.

GOT plans to broaden its product spectrum suitable for domestic and international markets. The Group possesses many international strategic cooperating partners in this area and valuable experience in project operation.

ONLINE AND MOBILE LOTTERY

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

The Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile. In Silvercreek, we own one of the most competitive mobile lottery service providers in China, capable of providing lottery organisations with comprehensive mobile betting solutions.

The provincial mobile systems trials that are being prepared in the lottery industry are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. With the valuable PRC internet service provider and PRC internet content provider experience of Silvercreek, as well as its track-record and relationships in the lottery industry, the Group is fully qualified to grasp the opportunities in mobile and internet lottery systems and distribution. In this area, the Group is working with the most advanced international companies and will provide a full range of support and services to localise and develop China's mobile lottery systems and games.

The authorities are working on a national (as opposed to provincial) remote distribution system, sales of the Group's approved games, Lucky Racing and e-Ball Lottery, should benefit strongly when such a system is introduced.

LOTTERY MANAGEMENT

Fully Integrated Solution Provider for China's Sports Lottery

AGTech has been providing fully integrated lottery solutions to China's provincial sports lottery authorities since early 2007. In this time, we have provided a wide range of products and services to our provincial clients to assist them in growing sales in an advanced and efficient manner. Our services include lottery management/consulting and access to international technologies and management concepts. We are responsible for the operational management of approximately 1,000 lottery retail outlets.

RESPONSIBLE LOTTERY

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

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

CORPORATE VALUES

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

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

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

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

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

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

CONTRIBUTING TO THE SOCIETY

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

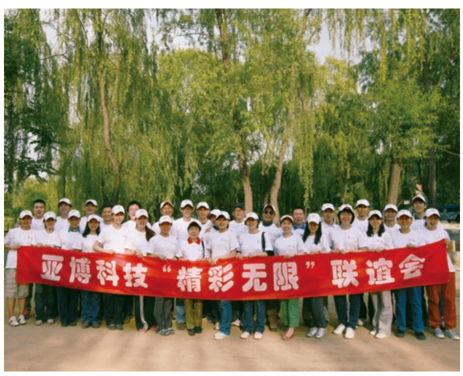
AGTech is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA). We will work closely with other members to ensure healthy and stable development of the Asian and global lottery markets.

EXCELLENT TEAM

Professional and Solid Management Team

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

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



FOOTPRINT OF OUR BUSINESS

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

Happiness

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

Chairman's Statement

Dear Shareholders,

2013 was a momentous year for the Group that saw strategic delivery in a number of areas.

In our Gaming Technologies division, 2013 saw the launch of our second virtual sports game, e-Ball Lottery, turning our vision for virtual sports as a fully accepted, high growth, multi-product game category in China into a reality. e-Ball Lottery, which is a football themed virtual sports lottery game, joins the Group's exceptionally popular and highly successful motor racing themed "Lucky Racing Game" as only the second nationally-approved, rapid-draw, fixed-odds virtual sports lottery game in China. e-Ball Lottery was launched in China's largest sports lottery province, Jiangsu, in November 2013 and has been classified by the National Sports Lottery Administration Centre as a sports betting game and accordingly operates with a 69% payout ratio, the highest payout category in China. The launch of the game went smoothly and, like Lucky Racing Game, we expect that e-Ball Lottery will roll-out nationally in due course. In the hardware side of our Gaming Technology division, GOT was named as an approved supplier in the China sports lottery supplier selection process which was concluded in May 2013. We are encouraged that GOT has successfully participated in most of the provincial tenders during the new replacement cycle. In addition, GOT delivered its first ever batch of terminals to the South African gaming market. This deal created history since it marked the first ever international lottery hardware sale in China.

We were pleased to see that the performance of our partner and main client, the China sports lottery, was even stronger in 2013 than the prior year with an annual growth of approximately 20%. In order to maintain and improve on this rate of growth, we believe that regulatory change will be required and we anticipate that this will lead to the roll-out of new products as well as the development of remote distribution channels. Our Virtual Sports, lottery terminals and Online and Mobile Lottery businesses are poised to grasp the opportunities from these trends and development.

Although major strategic strides have been made during the period, the benefits are not yet fully reflected in the Group's financial performance. As such, during the financial year under review, Group revenue and gross profit declined to approximately HK$208,400,000 (2012: approximately HK$229,300,000) and approximately HK$91,300,000 (2012: approximately HK$101,600,000), respectively. We ended 2013 with a robust balance sheet. The Group has no borrowings and a cash balance of approximately HK$286,500,000, thanks in part to the share placing carried out in May 2013.

The Board believes that 2014 will be a year of growth for the Group. Firstly, as expected, during the course of 2013 our partners at the sports lottery made major strides in completing the "next generation" national high frequency game platform that will carry our Lucky Racing game. Accordingly, the Group expects the game to be promoted to more provinces during this year. Secondly, the Group expects e-Ball Lottery to successfully roll-out in Jiangsu province during this year, paving the way for a national deployment in due course. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery system and distribution business and is well equipped to react quickly in response to any new development of government policies. Such developments will bring opportunities in terms of our approved content (games) in online and mobile distribution. Fourthly, in the GOT division, the Group will continue to capitalise on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLTs. Finally, through its relationship with strategic shareholder, the Group will continue to explore business opportunities in Macau.

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

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

Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 24 March 2014

Luck

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

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

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

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

- under the code provision A.6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "Annual Contributions Review"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;

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

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

(The above deviations were similarly disclosed on pages 29 and 30 of the Company's annual report for the year ended 31 December 2012, and on pages 30 to 32 of the Company's interim report for the six months ended 30 June 2013.)

DIRECTORS' SECURITIES TRANSACTIONS

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

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

THE BOARD

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

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

Executive Directors:	Mr. Sun Ho *(Chairman)* Mr. Robert Geoffrey Ryan Mr. Bai Jinmin Mr. Liang Yu
Non-executive Directors:	Ms. Yang Yang Mr. Ho King Fung, Eric (appointed on 23 May 2013)
Independent non-executive Directors:	Mr. Kwok Wing Leung Andy (resigned on 20 June 2013) Ms. Monica Maria Nunes (appointed on 20 June 2013) Mr. Wang Ronghua Mr. Hua Fengmao

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

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

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

Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting of the Company are Mr. Bai Jinmin and Mr. Liang Yu. Ms. Yang Yang has decided to retire and will not offer herself for re-election as a director of the Company at its forthcoming annual general meeting when she is due to retire by rotation. Details are contained in the circular to Shareholders dated 31 March 2014.

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

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

Respective responsibilities of Directors and auditors

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year under review, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year under review, for which the auditors of the Company have reporting responsibilities as stated in the independent auditors' report on pages 78 to 79.

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

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

Directors' work commitments outside of the Group

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

Directors' training

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

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

Directors	Type of trainings
Executive Directors	
SUN Ho	A,B,C
Robert Geoffrey RYAN	A,B
BAI Jinmin	A,B,C
LIANG Yu	A,B
Non-executive Directors	
YANG Yang	A,B
HO King Fung, Eric (appointed on 23 May 2013)	A,B
Independent non-executive Directors	
KWOK Wing Leung, Andy (resigned on 20 June 2013)	A,B
Monica Maria NUNES (appointed on 20 June 2013)	A,B
WANG Ronghua	A,B
HUA Fengmao	A,B

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

Furthermore, the chairman is responsible for ensuring that:

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

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

NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

1. Remuneration committee

The remuneration committee was established on 24 June 2005. During the year under review, Mr. Kwok Wing Leung Andy (resigned on 20 June 2013), Ms. Monica Maria Nunes (appointed on 20 June 2013), Mr. Wang Ronghua and Mr. Hua Fengmao (all of whom being independent non-executive Directors) were appointed as members of the remuneration committee. The current chairperson of the remuneration committee is Ms. Monica Maria Nunes.

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

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

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

During the year under review, meetings of the remuneration committee were held to assess whether there needs to be any change in its terms of reference, and to consider and recommend to the Board the remuneration packages (including share options) for the two newly appointed Directors, namely, Mr. Ho King Fung Eric (appointed on 23 May 2013) and Ms. Monica Maria Nunes (appointed on 20 June 2013).

2. Nomination committee

The nomination committee was established on 24 June 2005. During the year under review, Mr. Sun Ho, Mr. Kwok Wing Leung Andy (resigned on 20 June 2013), Ms. Monica Maria Nunes (appointed on 20 June 2013), Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the nomination committee. The current chairperson of the nomination committee is Ms. Monica Maria Nunes. Except for the executive Director, Mr. Sun Ho, all other members of the nomination committee were independent non-executive Directors.

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

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

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

During the year under review, meetings of the nomination committee were held to nominate the two newly appointed Directors, namely, Mr. Ho King Fung Eric as non-executive Director (appointed on 23 May 2013) and Ms. Monica Maria Nunes as independent non-executive Director (appointed on 20 June 2013).

During the year under review, the new Code A.5.6 on the policy concerning diversity of Board members (the "Policy") was considered. The nomination committee adopted the Policy and also reviewed the board composition and measurable objectives to assess the achievement of the Policy since 1 September 2013 (being the effective date of the said Code provision). The Policy, the review of the board composition and the corresponding amendments to the terms of reference of the nomination committee were recommended to the Board for approval. The terms of reference of the nomination committee were revised accordingly to reflect the adoption of the Policy by the Company.

Summary of the Company's Board diversity policy

(a) Purpose

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

(b) Scope of application

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

(c) Policy statement

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

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

(d) Measureable objectives

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

(e) Monitoring and reporting

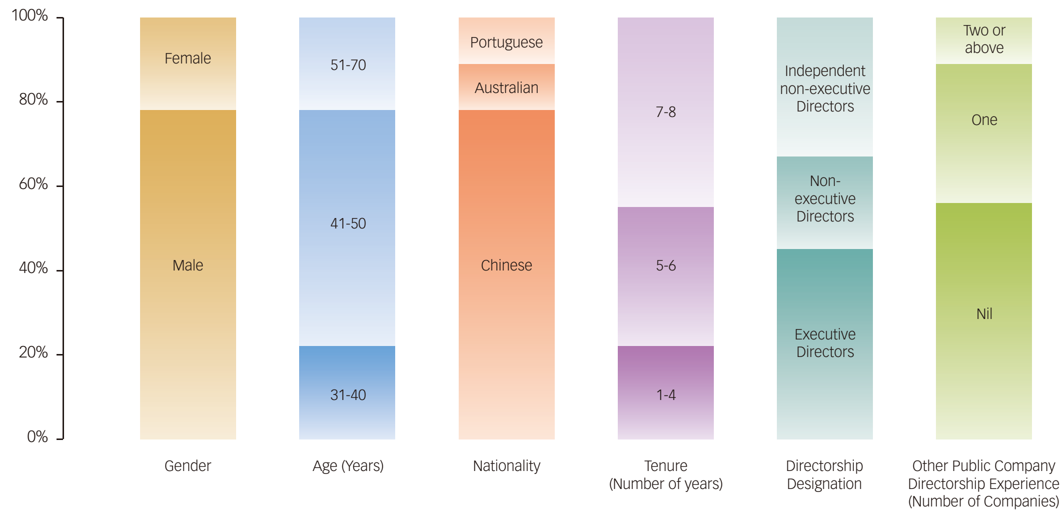
The nomination committee will review and monitor whether the measurable objectives of the Policy have been achieved annually. The Corporate Governance Report contained in the annual report of the Company each year will also disclose a summary of the Policy, the measurable objectives set for implementing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

(f) Review of the Policy

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

Having reviewed the Board composition and the measurable objectives (including the gender, age, nationality, Tenure, Directorship Designation and Other Public Company Directorship Experience) chosen to assess the achievement of the Policy since 1 September 2013 as set out below, the nomination committee is of the view that the Board composition has achieved the measurable objectives and has complied with the Policy.

Board composition of the Company (composed of 9 directors since 23 May 2013)



		No. of Directors	%
Gender	Male	7	78%
	Female	2	22%
Age (Years)	31-40	2	22%
	41-50	5	56%
	51-70	2	22%
Nationality	Chinese	7	78%
	Australian	1	11%
	Portuguese	1	11%
Tenure (Number of years)	1 - 4	2	22%
	5 - 6	3	33%
	7 - 8	4	45%
Directorship Designation	Executive Directors	4	45%
	Non-executive Directors	2	22%
	Independent non-executive Directors	3	33%
Other Public Company Directorship Experience	Nil	5	56%
	One	3	33%
	Two or above	1	11%

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

3. Corporate governance committee

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

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

During the year under review, the corporate governance committee has reviewed and approved (a) the "Policies on internal control system to comply with the new SFO regarding Inside Information", which was subsequently incorporated in the "Disclosure Policy" discussed and approved by the audit committee and the Board; and (b) the "Board Diversity Policy" to ensure compliance with the Code.

4. Audit committee

The Company has established an audit committee with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, consider the appointment or reappointment of auditors and provide advice and comments on the Group's draft annual, interim and quarterly results and reports to the Board. During the year under review, the audit committee has discussed and recommended the "Disclosure Policy" to the Board for approval. The Disclosure Policy was designed to provide a general guide for the staff of the Company in handling confidential information and/or monitoring information disclosure regarding inside information pursuant to Part XIVA of the SFO and rules 17.10, 17.11 and 17.11A of the GEM Listing Rules.

During the year under review, the three independent non-executive Directors, Mr. Kwok Wing Leung Andy (resigned on 20 June 2013), Ms. Monica Maria Nunes (appointed on 20 June 2013), Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as members of the audit committee. The current chairperson of the audit committee is Ms. Monica Maria Nunes. The committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

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

AUDITORS' REMUNERATION

Remuneration to the auditors of the Company, HLB, amounted to HK$950,000 for the year ended 31 December 2013. A resolution for re-appointment of HLB as auditors of the Company will be proposed at the forthcoming annual general meeting. The Board concurs with the views of the audit committee in determining the re-appointment of auditors of the Company. There has been no change in auditors in any of the preceding five financial years.

MEETING ATTENDANCE

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

	Meetings attended/held					
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**Annual General Meeting**
Executive Directors						
SUN Ho	5/7	N/A*	N/A*	2/4	1/1	1/1
Robert Geoffrey RYAN	7/7	N/A*	N/A*	N/A*	N/A*	1/1
BAI Jinmin	5/7	N/A*	N/A*	N/A*	N/A*	1/1
LIANG Yu	7/7	N/A*	N/A*	N/A*	N/A*	1/1
Non-executive Directors						
YANG Yang	2/7	N/A*	N/A*	N/A*	N/A*	1/1
HO King Fung, Eric (appointed on 23 May 2013)	3/3 *(Note a)*	N/A*	N/A*	N/A*	N/A*	N/A#
Independent non-executive Directors						
KWOK Wing Leung, Andy (resigned on 20 June 2013)	4/5 *(Note b)*	2/2 *(Note b)*	3/3 *(Note b)*	3/3 *(Note b)*	N/A*	1/1
Monica Maria NUNES (appointed on 20 June 2013)	2/2 *(Note c)*	3/3 *(Note c)*	N/A *(Note c)*	1/1 *(Note c)*	N/A*	N/A#
WANG Ronghua	7/7	5/5	3/3	4/4	N/A*	1/1
HUA Fengmao	6/7	4/5	3/3	4/4	N/A*	1/1

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

\# Not applicable, as these Directors were appointed after the date of the annual general meeting of the Company held on 6 May 2013.

Notes:

a. *Only 3 Board meetings had been held during the year under review since Mr. Ho King Fung, Eric was appointed as non-executive Director on 23 May 2013.*

b. *Only 5 Board meetings, 2 audit committee meetings, 3 remuneration committee meetings and 3 nomination committee meetings had been held during the year under review before Mr. Kwok Wing Leung, Andy resigned as independent non-executive Director on 20 June 2013.*

c. *Only 2 Board meetings, 3 audit committee meetings and 1 nomination committee meeting (but no remuneration committee meeting) had been held during the year under review since Ms. Monica Maria Nunes was appointed as independent non-executive Director on 20 June 2013.*

COMPANY SECRETARY

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

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

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

INTERNAL CONTROL

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

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

To ensure compliance with relevant governing rules and regulations and internal control procedures, the "Disclosure Policy" was adopted during the year under review.

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

With effect from 1 February 2014, the Company's principal share registrar and transfer agent in Bermuda has been changed to Codan Services Limited, Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's branch share registrar and transfer office in Hong Kong will remain unchanged.

Share registration matters shall be handled for the Shareholders by the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, the address of which will be changed from 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effect from 31 March 2014.

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

(B) Shareholders sending enquiries to the Board

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

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

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

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

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

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

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

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

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

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

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

Required information of the candidate(s) nominated by Shareholders

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

a) full name and age;

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

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

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

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

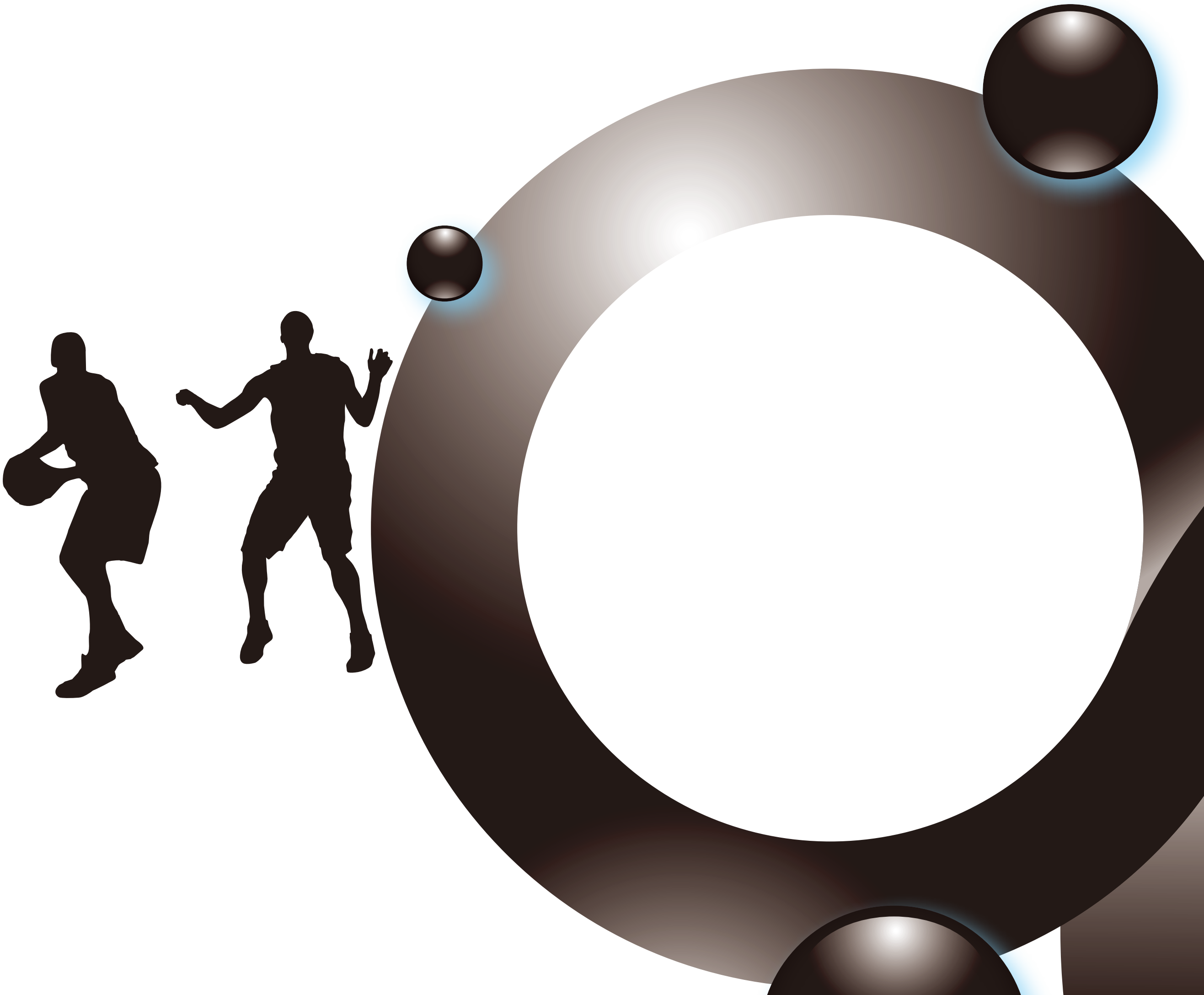
f) relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company, or an appropriate negative statement;

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

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

i) contact details of the nominated candidate.

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



Responsibility

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

Management Discussion and Analysis

ABOUT THE GROUP

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

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

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

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

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

CORPORATE STRATEGY AND OBJECTIVES

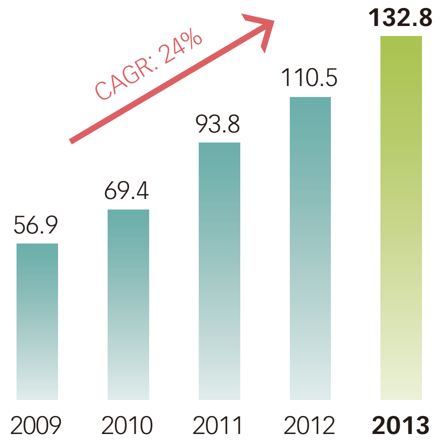
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and competitive legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together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

INDUSTRY OVERVIEW

China's Sports Lottery Market Achieved Sales of over RMB132 billion in 2013

2013 was another record year for China's second largest permitted operator, the China Sports Lottery. According to data published by the PRC's Ministry of Finance, total sports lottery sales reached RMB132.8 billion. Sales increased by RMB22.3 billion from the prior year, representing an annual growth rate of approximately 20%. This growth enabled the sports lottery to raise over RMB35.1 billion for good causes, the largest annual amount in the sports lottery's history.

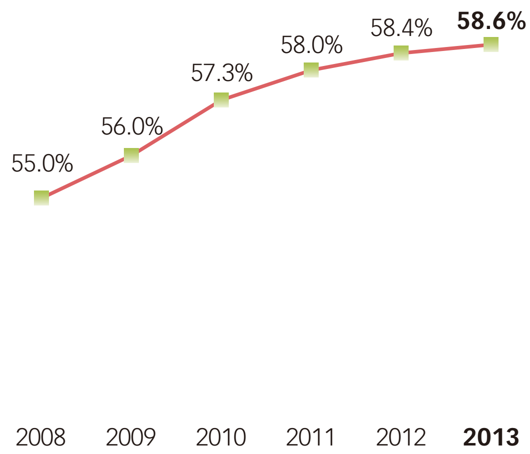
China's Sports Lottery Sales Development 2009–2013 (RMB billion)



Source: PRC Ministry of Finance

As shown in the accompanying chart, the sports lottery has delivered ever increasing sales between 2009 and 2013, growing at a compound rate of approximately 24% in this period. This growth has been driven by a number of factors, not only the increased prize payout ratios shown here, but also the introduction of more appealing products as well as improvements to the retail distribution network, both in terms of increased absolute shop numbers as well as the nascent interface between the retail network and remote channels.

Sports Lottery Payout Ratio Development 2008–2013



Source: China Sports Lottery

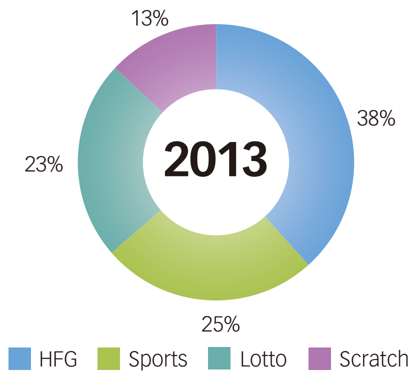
Despite the impressive growth of the sports and welfare lotteries in recent years, compared with other countries, China's lottery participation rates are at an extremely low level. Gross win (stakes less prizes) as a proportion of GDP is far lower than in other countries in the region. This lack of penetration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

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

Industry Highlights

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

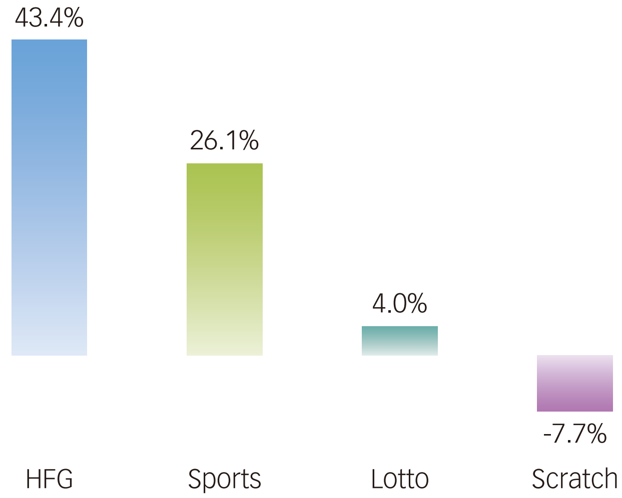
Sports Lottery Market Share by Major Game Type (2013)



Source: China Sports Lottery

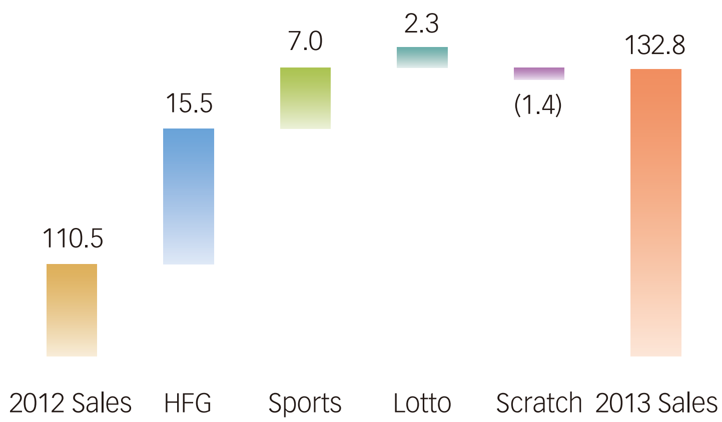
The overall growth of approximately 20% for sports lottery in 2013 was a product of widely differing performance in each of the products. Whilst HFG and Sports enjoyed very strong growth, Lotto grew more modestly and Scratch posted another year of declining sales figures.

Sports Lottery Growth Comparison by Product (2013 vs 2012)



Source: China Sports Lottery

Sports Lottery Sales Bridge 2012–2013 (RMB billion)



Source: China Sports Lottery

Performance by Product Type

1. **High Frequency Games**

   With an annual growth rate of over 40%, 2013 was another strong year for HFG. The growth in HFG reflects the continuation of a number of trends seen in the prior year: the on-going introduction of HFG to more provinces, the full year effect of such new launches in 2012 and an increase in the payout ratio in a number of provinces. Lucky Racing, AGT's proprietary game, is currently classified as a high frequency game and operates within the higher payout category of 59%.

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

2. **Sports**

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

Sports as a category grew by 26% in 2013. Of the RMB33.8 billion of Sports sales in 2013, approximately RMB22.9 billion was accounted for by Jing Cai. This represents an approximate 68% share of the Sports market (from 65% in 2012) and an annual growth rate for Jing Cai of 32%.

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

3. **Lotto**

The traditional lotto games contributed sales of approximately RMB31 billion during the year, this represents a return to growth for this category. These traditional draw games are dominated by three games, Super Lotto (51% of the category) and Rank 3 and Rank 5 (30% combined). Lotto was the first game category to be introduced in the sports lottery and as such is relatively mature compared to the other categories.

4. **Scratch**

In 2013, sales of Scratch tickets were approximately RMB16.6 billion, a decline of approximately 8% from the previous year. Scratch accounted for approximately 13% of the total sports lottery market in 2013 compared to 16% and 21% in the preceding two years. The poor performance of Scratch continues to be attributed to logistical and capacity constraints within the national distribution network and a glut of historical inventory at the retailer level. It is also possible that the increase in the payout ratio of HFG may have created a more directly substitutable product in the market. The paper scratch product, like Lotto, is arguably a relatively mature product in the China lottery market.

BUSINESS REVIEW

Gaming Technologies Business

Virtual Sports Betting

During the period under review, the group launched a new virtual sports lottery game "e-Ball Lottery" ("e球彩") while our first game, "Lucky Racing" ("幸運賽車"), has continued to be operated successfully in the province of Hunan, in advance of a planned national rollout across the PRC.

The launch of e-Ball Lottery confirmed virtual sports as a fully accepted, high growth, multi-product game category in China. The game, which is a football themed virtual sports lottery game, joins the Group's Lucky Racing as only the second nationally-approved, rapid-draw, fixed-odds virtual sports lottery game in China. e-Ball Lottery was launched in China's largest sports lottery province, Jiangsu, in November 2013 and has been approved by the National Sports Lottery Administration Centre as a sports betting game and accordingly operates with a 69% payout ratio, the highest payout category in China. The launch of the game went smoothly and, like Lucky Racing, we expect that e-Ball Lottery will roll-out nationally in due course.

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

Having completed its second full calendar year of operation, Lucky Racing continues to be a very popular and successful game. Lucky Racing delivered approximately 26% of total sports lottery sales in Hunan province during 2013. During the year under review, our partners at the sports lottery made major strides in completing the "next generation" national high frequency game platform that will carry our Lucky Racing game beyond Hunan. The Group therefore expects the game to be launched in more provinces during this year.

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

Gaming Hardware and Technology Development

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

GOT enjoyed a strong 2013 domestically, thanks partly to the initiation of the terminal replacement cycle in China's sports lottery market earlier in the year, following the conclusion of the terminal supplier selection and evaluation process undertaken by the sports lottery authorities. This encouraging performance is testament to GOT's unparalleled reputation in the sports lottery field, gained during more than ten years of successful operation. The Group is pleased to note that GOT's new range of terminals, the M6 Smart Terminal, the C8 Terminal and the A210 Portable Terminal, are already proving to be very popular and that GOT was chosen as a supplier by most of the provinces who concluded tenders during the year.

During 2013, we delivered our first international order of over 500 terminals to a client in South Africa. The Group is in active discussions with a number of other potential international customers and distributors.

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

Online and Mobile Lottery

In light of the very high levels of internet and smart phone penetration in China (>560m and >330m respectively according to recent publicly available estimates), the potential regulation of online and mobile distribution of approved lottery products in China promises to create enormous opportunities for the Group.

The Group intends to directly participate in this exciting development via the provision of internet/mobile systems and as a distributor/retailer. Sales of the Group's approved games, such as Lucky Racing and e-Ball Lottery, should also benefit from remote distribution channels (including internet and mobile) in China.

The provincial mobile systems trials that are being prepared in the lottery industry are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. With the valuable PRC internet service provider and PRC internet content provider experience of Silvercreek, as well as its track-record and relationships in the lottery industry, the Group is fully qualified to grasp the opportunities in mobile and internet lottery systems and distribution as and when they become available. In this area, the Group is working with the most advanced international technology companies and will provide a full range of support and services to localise and develop China's mobile lottery system and games.

Lottery Management Business

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

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

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

BUSINESS OUTLOOK

In light of the continued strategic progress seen in 2013 as well as the further strengthening of our balance sheet through the May 2013 share placing, the Directors have confidence in the strong foundations of the business and are excited about the growth opportunities they see ahead in 2014 and beyond. The Board believes that 2014 will be a year of growth for the Group. Firstly, as expected, during the course of 2013 our partners at the sports lottery made major strides in completing the "next generation" national high frequency game platform that could carry our Lucky Racing game. Accordingly, the Group expects the game to be promoted to more provinces during the year. Secondly, the Group expects e-Ball Lottery to successfully roll-out in Jiangsu province during this year, paving the way for a national deployment in due course. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any developments in government policy. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Fourthly, in the GOT division, the Group will continue to capitalise on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLTs. Finally, through its relationship with strategic shareholder in Macau, the Group will continue to explore business development opportunities in Macau.

The Directors believe that the Chinese government will start to regulate the development of the online and mobile lottery systems and the lottery distribution market. As a prudent lottery group that has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government for many years, and in light of its Silvercreek acquisition and first class international partnerships, the Group is well positioned to react to any such regulatory progress. The Directors believe that such developments would bring great opportunities for the Group to further expand its business into more innovative lottery games and distribution channels in the future.

Taken together with the continuing underlying revenue growth of the lottery business in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group for 2014 and beyond.

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

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK$208.4 million (2012: approximately HK$229.3 million). Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) services and from sports lottery management and marketing consultancy services in the PRC. During the year under review, the gross profit percentage stood at approximately 43.8% (2012: approximately 44.3%).

The Group strives to maintain its leading position in lottery technologies through continuous investment in research and development. For the year under review, the total research and development expenses amounted to approximately HK$9.6 million (2012: approximately HK$10.6 million).

Loss attributable to owners of the Company for the year under review amounted to approximately HK$82.9 million, primarily due to the share-based payments (totalling approximately HK$60.1 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company.

Capital Resources, Liquidity and Gearing Ratio

Net bank balances and cash (defined as total bank balances and cash and pledged bank deposits less total bank borrowings) as at 31 December 2013 were approximately HK$286.5 million (2012: approximately HK138.6 million). The total assets and net current assets of the Group as at 31 December 2013 were approximately HK$1,314.4 million and approximately HK$381.6 million respectively (2012: approximately HK$1,152.2 million and approximately HK$240.9 million respectively).

The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the Share Option Scheme. The gearing ratio (determined as the proportion of bank borrowing to equity) of the Group as at 31 December 2013 was nil (2012: 0.02). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 31 December 2013 was approximately 9.6 (2012: 5.1) which continuously reflected adequacy of financial resources.

Charges on Group's assets

As at 31 December 2013, there was no charge on the assets of the Group.

Foreign Exchange Exposure

As at 31 December 2013, majority of the Group's bank deposits were denominated in HK$ and RMB. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in HK$ and RMB, which is not freely convertible into foreign currencies, the Group faced minimal exchange rate risk during the year under review.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Employees' Information

As at 31 December 2013, the Group had 215 (2012: 198) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2013 amounted to approximately HK$45.8 million.

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

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Sun Ho – Executive Director, Chairman & CEO

Mr. Sun Ho, aged 45, is the executive director, chairman & CEO, authorised representative, compliance officer and member of each of the nomination and corporate governance committees of the Company. He is also the director of various subsidiaries of the Company and is responsible for the strategic planning, business development and general management of the Group. Other than the Company, Mr. Sun did not hold any directorship in any listed companies in the past three years.

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

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

Mr. Robert Geoffrey Ryan, aged 55, is the executive director and head of gaming of the Company. He is also the director of various subsidiaries of the Company, responsible for corporate strategic planning and business development.

Mr. Ryan brings to the Company over 21 years of experience in senior roles within the international gaming and wagering industry. Mr. Ryan has accumulated a broad range of operational, business development and implementation expertise across industry sectors including sports betting operations, on-line lottery operations, pari-mutuel and fixed odds wagering, electronic gaming machine (EGM) and video lottery terminal (VLT) operations, casino operations and gaming systems implementation/integration. Through his tenure with Australia's leading gaming companies, Tabcorp Holdings Limited (Australia's largest gaming and wagering company), Jupiters Limited (casinos and hospitality) and AWA Limited (gaming systems), Mr. Ryan has developed and/or managed gaming operations within Asia and the Asia Pacific region including India, Malaysia, Philippines, Vietnam and Thailand. In his previous role of Regional Manager with Tabcorp, Mr. Ryan was instrumental over a 3-year campaign to have Tabcorp systems, lottery game designs and operations approved in China at the central government level. Mr. Ryan shall provide advice and assistance to the Group with respect to gaming operations design and implementation, business development and gaming business review.

Mr. Bai Jinmin – Executive Director

Mr. Bai Jinmin, aged 47, is the executive director of the Company. He is also the director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

Mr. Bai has over 19 years of experience in business development, investment, corporate management and strategic planning. Prior to joining the Group, Mr. Bai was the director of Louis DreFus Energy (SPEC) Pte Ltd., managing director of SPEC Overseas (Holdings) Pte Ltd., vice president of Shenzhen Petrochemical Industry (Holdings) Co., Ltd., chairman of Shenzhen GETOS Fine Silicons Co., Ltd., director of Sinoying Logistics Pte Ltd. and executive director of STAR Pharmaceutical Limited, the issued shares of which are listed on Singapore Exchange Limited.

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

Mr. Liang Yu – Executive Director

Mr. Liang Yu, aged 41, is the executive director of the Company. He also acts as director of various subsidiaries of the Company in the PRC, responsible for their business development, strategic planning and operational supervision.

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

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

Ms. Yang Yang – Non-Executive Director

Ms. Yang Yang, aged 37, is the non-executive director of the Company.

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

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

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

Mr. Ho King Fung, Eric, aged 36, graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees, is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and an associate solicitor between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and the head of Hong Kong and Macau Origination. He is a committee member of the Chinese People's Political Consultative Conference of Beijing and the president of Macau Money Exchangers' Association of Macao. Mr. Ho was also the award winner of the Chinese Economics Elite Award in 2009.

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

Ms. Monica Maria Nunes – Independent Non-executive Director

Ms. Monica Maria Nunes, aged 45, has been appointed as independent non-executive Director as well as chairperson of each of the audit, remuneration and nomination committees of the Company. She was first appointed as an executive director of Vodatel Networks Holdings Limited ("Vodatel"), the shares of which are listed on GEM (stock code: 8033), on 13th December 1999. She is the finance director and the Compliance Officer of Vodatel. She graduated from the University of Calgary, Canada with a bachelor degree in commerce. She has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is an associate of the Chartered Institute of Management Accountants and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of Chartered Global Management Accountant.

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 68, is the First Advisory Officer of Beijing Budding Flower International Cultural Promotions Co., Ltd. and the senior advisor of Forterra Trust (formerly known as Treasury Holdings China Limited) in Beijing. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

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

Mr. Hua Fengmao – Independent Non-executive Director

Mr. Hua Fengmao, aged 45, is the Managing Director of BOCOM International Holdings Company Limited. He has been appointed as independent non-executive Director as well as member of each of the audit, remuneration and nomination committees of the Company since 19 July 2006.

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

SENIOR MANAGEMENT

Mr. Shen Weihong

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

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

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

Mr. Fu Xiaobing

Mr. Fu is appointed as the Chief Technical Officer of the Company. Mr. Fu has over 10 years of experience in the lottery industry in terms of technology business research and development. Prior to joining the group, Mr. Fu was the chief of the Lottery Technology Security Research and Development Centre in Chinese Academic of Sciences. Mr. Fu has rich experience with lottery industry as well as system architecture technology and has been engaged in researching and developing lottery games, lottery system security, testing as well as industry standard development. Mr. Fu holds a bachelor degree in Engineering from China University of Petroleum as well as MBA from Renmin University of China.

Mr. Xu Zhengning

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

Mr. Xu has nearly 16 years of experience in China's sports lottery business and possesses professional knowledge of the system design, lottery game development, technical implementation, maintenance and support of the computerised sports lottery system. Prior to joining the Group, Mr. Xu was a system engineer and project manager of 北京電彩計算機系統有限公司 (Beijing Lottery Computer Systems Co., Ltd.) and 中體彩科技發展有限公司 (China Sports Lottery Technology Development Co., Ltd.), respectively.

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

Mr. Geaspar Byrne, CFA

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

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

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

Ms. Lo Kei Chi

Ms. Lo Kei Chi is the financial controller of the Company. Ms. Lo holds a bachelor degree in Arts from the University of Hong Kong. Ms. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia and has over 19 years of experience in accounting. Prior to joining the Company, Ms. Lo had worked as finance manager in a multinational company.

Ms. Lam Yan Tung Connie, CFA

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

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

Mr. Adam Greenblatt

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

Mr. Andy Wilson

Mr. Andy Wilson is a director of the Company's subsidiary, namely, Asia Gaming Technologies Limited. Mr. Wilson joined Hilton Group plc as Financial Analyst in 1999 and moved to the Group Consolidation Accountant role two years later. By 2002, Mr. Wilson moved to the role of Head of Management Reporting for Ladbrokes plc. In 2006, Mr. Wilson was appointed as Head of Group Financial Reporting, and subsequently was appointed to his current role as Group Financial Controller for Ladbrokes plc in 2009. Prior to this Andy worked at KPMG in the Travel, Leisure and Tourism practice. Andy holds a degree in Mathematics and Accounting from the University of Kent and is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Michael Charlton

Mr. Michael Charlton, is a director of three of the Company's subsidiaries, namely, Asia Gaming Technologies Limited, 亞博泰科科技（北京）有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) and 亞博泰科科技（天津）有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.). Mr. Charlton has over 17 years' experience in the Leisure & Gaming industry and is currently responsible for developing Ladbrokes plc's international business in the Asian region. Mr. Charlton joined Ladbrokes plc following his graduation from Glasgow University in 1995. During his time with Ladbrokes plc he has held various senior management positions, initially within the Retail sector of the business before joining the International Department in 2005. Mr. Charlton is currently China General Manager for Ladbrokes plc and serving as a director of Ladbrokes Lottery (Asia) Co. Limited.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 32 to the consolidated financial statements.

RESERVES

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the past 4 years ended 31 December 2013 and the period from 1 July 2009 to 31 December 2009 is set out on page 76.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

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

Independent non-executive Directors:

Mr. Kwok Wing Leung Andy	(appointed on 19 July 2006 and resigned on 20 June 2013)
Ms. Monica Maria Nunes	(appointed on 20 June 2013)
Mr. Wang Ronghua	(appointed on 19 July 2006)
Mr. Hua Fengmao	(appointed on 19 July 2006)

In accordance with Bye-laws 86 and 87 of the Company, certain remaining Directors (namely, Mr. Bai Jinmin, Mr. Liang Yu and Ms. Yang Yang) will retire by rotation at the forthcoming annual general meeting of the Company. But, Mr. Bai Jinmin and Mr. Liang Yu, being eligible, shall offer themselves for re-election, whereas Ms. Yang Yang shall retire from the Board following the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENTS

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

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

Mr. Bai Jinmin was appointed as an executive Director under a renewed service agreement for a term of three years expiring on 18 September 2014, and during the said three-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Bai also entered into an employment contract with a wholly-owned subsidiary of the Company in the PRC with no fixed term of service and was appointed as directors of various indirect wholly-owned subsidiaries of the Company.

Mr. Liang Yu was appointed as an executive Director under a renewed service agreement for a term of two years expiring on 22 April 2014, and during the said two-year period, the agreement may be terminated by either party thereto giving the other party not less than three months' notice in writing. Mr. Liang also entered into an employment contract with a wholly-owned subsidiary of the Company in the PRC with no fixed term of service and was appointed as directors of various indirect wholly-owned subsidiaries of the Company.

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

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

Each of Mr. Kwok Wing Leung Andy (resigned on 20 June 2013), Mr. Wang Ronghua and Mr. Hua Fengmao was appointed as independent non-executive Director under a renewed service agreement for a term of two years expiring on 18 July 2014 and Ms. Monica Maria Nunes was appointed as independent non-executive Director under a service agreement for a term of two years expiring on 19 June 2015, and during the said two-year periods, the agreement for each of these independent non-executive Directors may be terminated by either party thereto giving the other party not less than one month's notice in writing.

All the Directors proposed for re-election at the forthcoming annual general meeting of the Company have a service agreement which is determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2013, there was no connected transaction or continuing connected transaction of the Company which is required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. None of the related party transactions set out in note 37 to the consolidated financial statements are such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

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

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in ordinary Shares:

	Number of Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Approximate percentage held**
Mr. Sun Ho	27,078,000	2,006,250,000 *(Note 1)*	2,033,328,000	46.76%
Mr. Robert Geoffrey Ryan	14,007,500	–	14,007,500	0.32%
Mr. Bai Jinmin	16,222,250	44,876,600 *(Note 2)*	61,098,850	1.40%
Mr. Liang Yu	15,722,250	–	15,722,250	0.36%
Ms. Yang Yang	1,248,750	–	1,248,750	0.03%
Mr. Ho King Fung, Eric	–	–	–	0%
Mr. Wang Ronghua	2,775,000	–	2,775,000	0.06%
Mr. Hua Fengmao	1,855,000	–	1,855,000	0.04%
Ms. Monica Maria Nunes	–	–	–	0%

Notes:

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

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

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

Name of Director	Date of grant	Exercise price per Share HK$	Exercisable period (Note)	Number of underlying Shares entitled (in respect of share options of the Company) As at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2013	Approximate percentage of the Company's issued share capital
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	(5,316,000)	–	15,948,000	0.37%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	3,500,000	–	–	–	3,500,000	0.08%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	8,000,000	–	–	8,000,000	0.18%
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	(5,316,000)	–	15,948,000	0.37%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	3,500,000	–	(875,000)	–	2,625,000	0.06%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	8,000,000	–	–	8,000,000	0.18%
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 – 8 October 2013	3,343,750	–	(3,343,750)	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	21,264,000	–	(5,316,000)	–	15,948,000	0.37%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	3,500,000	–	(875,000)	–	2,625,000	0.06%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	8,000,000	–	–	8,000,000	0.18%

Name of Director	Date of grant	Exercise price per Share HK$	Exercisable period *(Note)*	As at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2013	Approximate percentage of the Company's issued share capital
				Number of underlying Shares entitled (in respect of share options of the Company)					
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 – 8 October 2013	334,375	–	(334,375)	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	(500,000)	–	1,500,000	0.03%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	1,000,000	–	–	1,000,000	0.02%
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2014 – 22 May 2018	–	42,575,844	–	–	42,575,844	0.98%
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014 – 19 June 2018	–	1,500,000	–	–	1,500,000	0.03%
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	(500,000)	–	1,500,000	0.03%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	1,000,000	–	–	1,000,000	0.02%
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	(500,000)	–	1,500,000	0.03%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	1,000,000	–	–	1,000,000	0.02%
Mr. Kwok Wing Leung Andy *(resigned on 20 June 2013)*	21 December 2011	0.2900	21 December 2012 – 20 December 2016	2,000,000	–	(500,000)	(1,500,000)	–	–
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	–	1,000,000	–	(1,000,000)	–	–

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

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, so far as was known to the Directors or chief executives of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO:

a. Interests in the Shares:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner	2,006,250,000 *(Note 1)*	46.13%
Hegglin, Daniel Robert	Beneficial owner	255,483,933	5.87%
Rainwood Resources Limited	Beneficial owner	311,852,000 *(Note 2)*	7.17%
Mr. Cheung Lup Kwan	Interest of controlled corporation	311,852,000	7.17%

Notes:

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

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

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

Name of Shareholder	Capacity	Number of underlying Shares entitled	Approximate percentage of issued share capital of the Company
Rainwood Resources Limited	Beneficial owner	212,879,224	4.90%
Mr. Cheung Lup Kwan	Interest of controlled corporation	212,879,224 *(Note)*	4.90%

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

Save as disclosed above, as at 31 December 2013, the Directors or chief executives of the Company were not aware of any other substantial Shareholder (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 31 December 2013, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives and substantial Shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

SHARE OPTIONS

Particulars of the Company's Share Option Scheme and details of movements in the share options under such scheme during the year under review are set out in note 36 to the consolidated financial statements.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	2013	2012
– the largest customer	**24.10%**	20.70%
– five largest customers combined	**55.93%**	65.91%

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

	2013	2012
– the largest supplier	**35.85%**	41.10%
– five largest suppliers combined	**78.01%**	91.24%

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

INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy (resigned on 20 June 2013), Ms. Monica Maria Nunes (appointed on 20 June 2013), Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed and commented on by the audit committee.

AUDITORS

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

On behalf of the Board

Sun Ho
Chairman & CEO

24 March 2014

Financial Summary

RESULTS

	For the year/period				
	1 January – 31 December 2013 HK$	1 January – 31 December 2012 HK$	1 January – 31 December 2011 HK$	1 January – 31 December 2010 HK$	1 July – 31 December 2009 HK$
Revenue					
– continuing operations	**208,359,744**	229,328,500	111,340,140	105,143,580	33,822,293
– discontinued operation	**–**	–	–	–	340,447
Total	**208,359,744**	229,328,500	111,340,140	105,143,580	34,162,740
Gross profit	**91,267,810**	101,634,588	73,450,970	64,360,789	20,585,400
Loss for the year attributable to owners of the Company					
– continuing operations	**(82,939,885)**	(32,862,140)	(43,248,756)	(37,798,646)	(44,268,184)
– discontinued operation	**–**	–	–	–	8,897,185
Total	**(82,939,885)**	(32,862,140)	(43,248,756)	(37,798,646)	(35,370,999)

ASSETS AND LIABILITIES

	As at				
	31 December 2013 HK$	31 December 2012 HK$	31 December 2011 HK$	31 December 2010 HK$	31 December 2009 HK$
Total assets	**1,314,397,873**	1,152,177,400	1,218,157,636	1,087,202,198	1,036,008,408
Total liabilities	**(79,019,227)**	(86,826,440)	(137,548,916)	(45,025,145)	(30,465,966)
	1,235,378,646	1,065,350,960	1,080,608,720	1,042,177,053	1,005,542,442
Equity attributable to					
owners of the Company	**1,234,087,827**	1,063,224,359	1,080,007,379	1,039,252,415	1,002,482,563
non-controlling interests	**1,290,819**	2,126,601	601,341	2,924,638	3,059,879
	1,235,378,646	1,065,350,960	1,080,608,720	1,042,177,053	1,005,542,442

AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

Financial Report 2013

Financial Contents

Independent Auditors' Report

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

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

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

We have audited the consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 24 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$	2012 HK$
Revenue	7	**208,359,744**	229,328,500
Cost of sales and services		**(117,091,934)**	(127,693,912)
Gross profit		**91,267,810**	101,634,588
Investment and other income	9	**2,088,338**	2,129,696
Other gains and losses	10	**–**	78,119
Selling and administrative expenses		**(108,532,427)**	(102,520,167)
Share of losses of a joint venture		**(178)**	(2,750)
(Loss)/profit from business operations		**(15,176,457)**	1,319,486
Share-based payments		**(60,072,362)**	(9,997,944)
Net foreign exchange loss		**(105,667)**	(148,949)
Amortisation of other intangible assets	20	**(478,805)**	(19,442,475)
Finance costs	11	**(517,190)**	(2,225,762)
Loss before tax		**(76,350,481)**	(30,495,644)
Income tax expense	12	**(7,630,537)**	(853,032)
Loss for the year	13	**(83,981,018)**	(31,348,676)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Translation differences on translating foreign operations		**33,688,361**	6,171,091
Translation differences released upon disposals of subsidiaries		**–**	(78,119)
Other comprehensive income for the year, net of income tax		**33,688,361**	6,092,972
Total comprehensive income for the year		**(50,292,657)**	(25,255,704)
Loss attributable to:			
Owners of the Company		**(82,939,885)**	(32,862,140)
Non-controlling interests		**(1,041,133)**	1,513,464
		(83,981,018)	(31,348,676)
Total comprehensive income attributable to:			
Owners of the Company		**(49,456,875)**	(26,780,964)
Non-controlling interests		**(835,782)**	1,525,260
		(50,292,657)	(25,255,704)
Loss per Share			
Basic and diluted	16	**HK2.01 cents**	HK0.85 cent

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$	2012 HK$
Non-current assets			
Property, plant and equipment	17	**53,078,985**	54,158,208
Goodwill	18	**796,946,317**	772,518,603
Other intangible assets	20	**2,700,348**	3,135,488
Investment in a joint venture	21	**647,072**	647,250
Deposits and prepayments	25	**28,891,609**	16,466,487
Other assets		**1,802,122**	1,746,884
Deferred tax assets	22	**4,589,919**	3,488,071
		888,656,372	852,160,991
Current assets			
Inventories	23	**46,532,486**	24,477,548
Trade receivables	24	**37,288,514**	77,077,646
Other receivables, deposits and prepayments	25	**55,383,695**	42,336,355
Amount due from a joint venture	21	**5,855**	5,500
Pledged bank deposits	27	**–**	18,453,000
Bank balances and cash	26	**286,530,951**	137,666,360
		425,741,501	300,016,409
Current liabilities			
Trade payables	28	**9,782,747**	4,714,449
Accruals and other payables	29	**31,219,473**	33,497,691
Amount due to a joint venture	21	**650,000**	650,000
Secured bank borrowings	30	**–**	17,550,000
Current tax liabilities		**2,472,838**	2,662,984
		44,125,058	59,075,124
Net current assets		**381,616,443**	240,941,285
Total assets less current liabilities		**1,270,272,815**	1,093,102,276

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	**2013 HK$**	2012 HK$
Non-current liabilities			
Provision for warranties	31	**30,495,217**	23,152,758
Deferred tax liabilities	22	**4,398,952**	4,598,558
		34,894,169	27,751,316
Net assets		**1,235,378,646**	1,065,350,960
Capital and reserves			
Share capital	32	**8,697,648**	7,687,907
Reserves		**1,225,390,179**	1,055,536,452
Equity attributable to owners of the Company		**1,234,087,827**	1,063,224,359
Non-controlling interests		**1,290,819**	2,126,601
Total equity		**1,235,378,646**	1,065,350,960

The consolidated financial statements were approved and authorised for issue by the Board on 24 March 2014 and are signed on its behalf by:

Sun Ho
Director

Robert Geoffrey Ryan
Director

Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$	2012 HK$
Non-current assets			
Investments in subsidiaries	38	**–**	–
Current assets			
Amounts due from subsidiaries	38	**1,111,211,173**	1,071,240,818
Deposits and prepayments	25	**310,129**	310,626
Amount due from a joint venture	21	**5,750**	5,500
Bank balances and cash	26	**111,288,526**	12,687,536
		1,222,815,578	1,084,244,480
Current liabilities			
Accruals and other payables	29	**656,170**	1,242,444
Amounts due to subsidiaries	38	**38,237**	213,631
Secured bank borrowings	30	**–**	17,550,000
		694,407	19,006,075
Net current assets		**1,222,121,171**	1,065,238,405
Net assets		**1,222,121,171**	1,065,238,405
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	32	**8,697,648**	7,687,907
Reserves	39	**1,213,423,523**	1,057,550,498
Total equity		**1,222,121,171**	1,065,238,405

Sun Ho
Director

Robert Geoffrey Ryan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$	Share options reserve HK$	Statutory reserve HK$ (Note (a))	Exchange reserve HK$	Contributed surplus HK$ (Note (b))	Accumulated losses HK$	Subtotal HK$	Attributable to non-controlling interests HK$	Total HK$
Balance at 1 January 2012	7,687,907	1,174,554,927	132,388,040	5,999,326	158,026,661	47,191,476	(445,840,958)	1,080,007,379	601,341	1,080,608,720
Loss for the year	–	–	–	–	–	–	(32,862,140)	(32,862,140)	1,513,464	(31,348,676)
Other comprehensive income for the year	–	–	–	–	6,081,176	–	–	6,081,176	11,796	6,092,972
Total comprehensive income for the year	–	–	–	–	6,081,176	–	(32,862,140)	(26,780,964)	1,525,260	(25,255,704)
Recognition of equity-settled share-based payments	–	–	9,997,944	–	–	–	–	9,997,944	–	9,997,944
Lapse of share options	–	–	(67,068,704)	–	–	–	67,068,704	–	–	–
Transfer from accumulated losses	–	–	–	4,747,305	–	–	(4,747,305)	–	–	–
Balance at 31 December 2012 and 1 January 2013	7,687,907	1,174,554,927	75,317,280	10,746,631	164,107,837	47,191,476	(416,381,699)	1,063,224,359	2,126,601	1,065,350,960
Loss for the year	–	–	–	–	–	–	**(82,939,885)**	**(82,939,885)**	**(1,041,133)**	**(83,981,018)**
Other comprehensive income for the year	–	–	–	–	**33,483,010**	–	–	**33,483,010**	**205,351**	**33,688,361**
Total comprehensive income for the year	–	–	–	–	**33,483,010**	–	**(82,939,885)**	**(49,456,875)**	**(835,782)**	**(50,292,657)**
Recognition of equity-settled share-based payments	–	–	**60,072,362**	–	–	–	–	**60,072,362**	–	**60,072,362**
Lapse of share options	–	–	**(11,504,495)**	–	–	–	**11,504,495**	–	–	–
Shares issued by way of placing	**813,043**	**139,436,957**	–	–	–	–	–	**140,250,000**	–	**140,250,000**
Share issue expenses	–	**(2,020,706)**	–	–	–	–	–	**(2,020,706)**	–	**(2,020,706)**
Shares issued on exercise of part of share options	**196,698**	**79,011,492**	**(57,189,503)**	–	–	–	–	**22,018,687**	–	**22,018,687**
Transfer from accumulated losses	–	–	–	**3,116,933**	–	–	**(3,116,933)**	–	–	–
Balance at 31 December 2013	**8,697,648**	**1,390,982,670**	**66,695,644**	**13,863,564**	**197,590,847**	**47,191,476**	**(490,934,022)**	**1,234,087,827**	**1,290,819**	**1,235,378,646**

Notes:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$	2012 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(76,350,481)**	(30,495,644)
Adjustments for:		
Share of losses of a joint venture	**178**	2,750
Expenses recognised in respect of equity-settled share-based payments	**60,072,362**	9,997,944
Depreciation of property, plant and equipment	**7,797,197**	10,581,439
Amortisation of other intangible assets	**478,805**	19,442,475
Provision for warranties	**11,817,322**	10,149,932
Reversal of provision for warranties	**(2,259,239)**	(1,471,568)
Net (gains)/losses on disposal of property, plant and equipment	**(104,653)**	50,349
Uncollectable amounts of other receivables, deposits and prepayments written off	**–**	70,770
Net gains on disposals of subsidiaries	**–**	(78,119)
Bank interest income	**(1,685,595)**	(1,900,060)
Finance costs recognised in profit or loss	**517,190**	2,225,762
	283,086	18,576,030
Movements in working capital		
Increase in inventories	**(23,085,954)**	(2,984,216)
(Increase)/decrease in deposits and prepayments	**(12,425,122)**	8,133,625
Decrease in trade receivables	**39,789,132**	3,937,365
(Increase)/decrease in other receivables, deposits and prepayments	**(12,912,942)**	31,117,147
Increase in amount due from a joint venture	**(355)**	(5,500)
Increase/(decrease) in trade payables	**5,068,298**	(9,876,278)
(Decrease)/increase in accruals and other payables	**(2,133,354)**	7,907,147
Decrease in provision for warranties	**(603,304)**	(1,897,167)
Cash (used in)/generated from operations	**(6,020,515)**	54,908,153
Income taxes paid	**(9,288,821)**	(9,554,414)
NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES	**(15,309,336)**	45,353,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,551,309**	1,769,492
Payments for property, plant and equipment	**(7,127,133)**	(5,910,852)
Proceeds from disposal of property, plant and equipment	**939,912**	422,518
Decrease in pledged bank deposits	**18,453,000**	8,159,786
NET CASH GENERATED BY INVESTING ACTIVITIES	**13,817,088**	4,440,944

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$	2012 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	**162,268,687**	–
Payment of transaction costs attributable to Shares issued	**(2,020,706)**	–
Proceeds from secured bank borrowings	**–**	17,550,000
Repayments of secured bank borrowings	**(17,550,000)**	(61,150,000)
Interest paid	**(662,054)**	(2,207,525)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	**142,035,927**	(45,807,525)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**140,543,679**	3,987,158
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**137,666,360**	132,378,464
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	**8,320,912**	1,300,738
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**286,530,951**	137,666,360
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**286,530,951**	137,666,360

1. GENERAL

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

At 31 December 2013, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands ("BVI"), as the immediate and ultimate holding company of the Company.

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

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

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

The Group has applied for the first time in the current year the following new and revised HKFRS:

HKFRS (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

The Group has not early applied the following new and revised HKFRS that have been issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective, in the consolidated financial statements:

HKFRS (Amendments)	Annual Improvements 2010–2012 Cycle[2]
HKFRS (Amendments)	Annual Improvements 2011–2013 Cycle[3]
HKFRS 9	Financial Instruments[5]
HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

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

2 Effective for grant date, acquisition date or annual periods beginning on or after 1 July 2014 as appropriate, with earlier application permitted.

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

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

5 No mandatory effective date yet determined but is available for adoption.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compare with the requirement of HKAS 39.

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

HKFRS 9 *Financial Instruments* (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using fair value option ("FVO"). For theses FVO liabilities, the amount of change in fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit-risk related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

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

Investment in a joint venture

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture (continued)

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

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

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

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

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

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Leasing

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

The Group as lessee

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

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

Leasehold land for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

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

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

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

Retirement benefit costs

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

Share-based payment arrangements

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax for the year

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

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

Inventories

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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

Warranties

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method (continued)

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments

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

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

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

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

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

AFS financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Other financial liabilities

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(a) has controls or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entity and the Group are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); and

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Withholding taxes arising from the distributions of dividends

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

Classification of AG Inspired Lottech Limited as a joint venture

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

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill as at 31 December 2013 was HK$796,946,317 (2012: HK$772,518,603). Details of the recoverable amount calculation are set out in Note 19.

Depreciation of property, plant and equipment

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

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

Key sources of estimation uncertainty (continued)

Estimated impairment of trade and other receivables

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

Estimated impairment loss of inventories

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

Deferred tax assets

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

Provision for warranties

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

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

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

5. CAPITAL RISK MANAGEMENT (continued)

Net debt-to-equity ratio

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

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

	2013 **HK$**	2012 HK$
Debt	**41,652,220**	56,412,140
Less: cash and cash equivalents	**286,530,951**	137,666,360
Net debt	**(244,878,731)**	(81,254,220)
Equity attributable to owners of the Company	**1,234,087,827**	1,063,224,359
Net debt-to-equity ratio	**N/A**	N/A

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

		The Group		The Company	
	Notes	**2013 HK$**	2012 HK$	**2013 HK$**	2012 HK$
Financial assets					
Loans and receivables					
Trade receivables	24	**37,288,514**	77,077,646	**–**	–
Financial assets included in other receivables, deposits and prepayments	25	**41,576,343**	33,682,204	**–**	–
Amount due from a joint venture	21	**5,855**	5,500	**5,750**	5,500
Amounts due from subsidiaries	38	**–**	–	**1,111,211,173**	1,071,240,818
Pledged bank deposits	27	**–**	18,453,000	**–**	–
Bank balances and cash	26	**286,530,951**	137,666,360	**111,288,526**	12,687,536
		365,401,663	266,884,710	**1,222,505,449**	1,083,933,854
Financial liabilities					
Amortised cost					
Trade payables	28	**9,782,747**	4,714,449	**–**	–
Financial liabilities included in accruals and other payables	29	**24,025,656**	23,240,101	**656,170**	1,242,444
Amount due to a joint venture	21	**650,000**	650,000	**–**	–
Amounts due to subsidiaries	38	**–**	–	**38,237**	213,631
Secured bank borrowings	30	**–**	17,550,000	**–**	17,550,000
		34,458,403	46,154,550	**694,407**	19,006,075

(b) Financial risk management objectives and policies

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

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

6. FINANCIAL INSTRUMENTS (continued)

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

Market risks

Foreign currency risk

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

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate borrowings from a financial institution, further details of the borrowings are set out in Note 30 to the consolidated financial statements. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated bank borrowings which were fully repaid during the year.

The Group does not enter into any derivative financial instruments in order to mitigate its exposure associated with fluctuations relating to fair value of those borrowings nor cash flows of interest receipts. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As the Group is not exposed to significant interest rate risk, the Directors consider the presentation of sensitivity analysis unnecessary.

Other price risk

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

Credit risk management

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

As at 31 December 2013, the Group is subject to concentration of credit risk as approximately 53% (2012: approximately 30%) and approximately 76% (2012: approximately 55%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24.

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

6. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

Collateral held as security and other credit enhancements

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

Liquidity risk management

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

As at 31 December 2013, the Group does not have any available unutilised short-term bank loan facilities (2012: HK$17,450,000).

Liquidity tables

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

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

THE GROUP	Weighted average interest rate %	On demand or within 1 year HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
At 31 December 2013				
Non-derivative financial liabilities				
Trade payables	**–**	**9,782,747**	**9,782,747**	**9,782,747**
Accruals and other payables	**–**	**24,025,656**	**24,025,656**	**24,025,656**
Amount due to a joint venture	**–**	**650,000**	**650,000**	**650,000**
		34,458,403	**34,458,403**	**34,458,403**
At 31 December 2012				
Non-derivative financial liabilities				
Trade payables	–	4,714,449	4,714,449	4,714,449
Accruals and other payables	–	23,240,101	23,240,101	23,240,101
Amount due to a joint venture	–	650,000	650,000	650,000
Secured bank borrowings	3.86%	18,085,111	18,085,111	17,550,000
		46,689,661	46,689,661	46,154,550

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

Liquidity tables (continued)

THE COMPANY	Weighted average interest rate %	On demand or within 1 year HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
At 31 December 2013				
Non-derivative financial liabilities				
Accruals and other payables	**–**	**656,170**	**656,170**	**656,170**
Amounts due to subsidiaries	**–**	**38,237**	**38,237**	**38,237**
		694,407	**694,407**	**694,407**
At 31 December 2012				
Non-derivative financial liabilities				
Accruals and other payables	–	1,242,444	1,242,444	1,242,444
Amounts due to subsidiaries	–	213,631	213,631	213,631
Secured bank borrowings	3.86%	18,085,111	18,085,111	17,550,000
		19,541,186	19,541,186	19,006,075

(c) Fair value measurements

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

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

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

Fair value measurements recognised in the consolidated and company statements of financial position

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

During the years ended 31 December 2012 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

7. REVENUE

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

	2013 HK$	2012 HK$
Provision of sports lottery management and marketing consultancy services	**29,470,559**	77,685,675
Provision of gaming technologies (game software, systems, hardware and terminals) services	**178,889,185**	151,642,825
	208,359,744	229,328,500

8. SEGMENT INFORMATION

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

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

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

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

8. SEGMENT INFORMATION (continued)

Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2013 HK$	2012 HK$	**2013 HK$**	2012 HK$
PRC	**199,558,167**	229,260,426	**883,263,368**	845,274,739
Hong Kong	**–**	–	**803,085**	3,398,181
Others	**8,801,577**	68,074	**–**	–
	208,359,744	229,328,500	**884,066,453**	848,672,920

* Non-current assets excluding deferred tax assets.

Information about major customers

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

	2013 HK$	2012 HK$
Customer A	**N/A[1]**	48,163,829
Customer B	**22,128,927**	26,352,601
Customer C	**N/A[1]**	27,786,415
Customer D	**50,205,829**	25,551,135
Customer E	**N/A[1]**	23,975,002
	72,334,756	151,828,982

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

9. INVESTMENT AND OTHER INCOME

	2013 HK$	2012 HK$
Interest income on bank deposits	**1,685,595**	1,900,060
Sundry income	**402,743**	229,636
	2,088,338	2,129,696

10. OTHER GAINS AND LOSSES

	2013 HK$	2012 HK$
Net gains on disposals of subsidiaries (Note 35)	**–**	78,119

11. FINANCE COSTS

	2013 HK$	2012 HK$
Interest on secured bank borrowings wholly repayable within five years	**517,190**	2,225,762

12. INCOME TAX EXPENSE

	2013 **HK$**	2012 HK$
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**8,250,705**	5,870,699
Under provision in prior year:		
– PRC EIT	**715,284**	393,389
Deferred tax:		
– Current year	**(1,335,452)**	(5,411,056)
Total income tax recognised in profit or loss	**7,630,537**	853,032

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

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

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

	2013 **HK$**	2012 HK$
Loss before tax	**(76,350,481)**	(30,495,644)
Tax at domestic income tax rate	**(15,470,586)**	(5,806,623)
Tax effect of expenses not deductible for tax purpose	**14,354,902**	8,212,070
Tax effect of income not taxable for tax purpose	**(23,578)**	(6,373,497)
Tax effect of unrecognised estimated tax losses	**9,389,967**	9,838,749
Under provision in prior year	**715,284**	393,389
Reversal of temporary differences	**(1,335,452)**	(5,411,056)
Income tax expense for the year	**7,630,537**	853,032

* *For identification purpose only*

13. LOSS FOR THE YEAR

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

	2013 **HK$**	2012 HK$
Auditors' remuneration	**950,000**	950,000
Cost of inventories recognised as an expense (included in cost of sales and services)	**78,179,053**	74,397,230
Provision for warranties (included in cost of sales and services)	**11,817,322**	10,149,932
Reversal of provision for warranties (included in cost of sales and services)	**(2,259,239)**	(1,471,568)
Depreciation of property, plant and equipment	**7,797,197**	10,581,439
Net (gains)/losses on disposals of property, plant and equipment	**(104,653)**	50,349
Operating lease rentals in respect of rented premises	**8,658,870**	8,547,123
Research and development costs	**9,585,461**	10,641,208
Uncollectible amounts of other receivables, deposits and prepayments written off	**–**	70,770
Employee benefits expense, including Directors' remunerations (Note 14):		
Fees, salaries, discretionary bonuses and other benefits	**43,680,428**	45,708,445
Share-based payments	**13,217,793**	8,922,469
Social security costs	**6,911,719**	6,870,932
Contributions to retirement benefits schemes	**170,357**	131,828
Total employee benefits expense	**63,980,297**	61,633,674

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2012: eight) Directors and the chief executive were as follows:

For the year ended 31 December 2013

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

Notes:

(i) Appointed on 23 May 2013.

(ii) Appointed on 20 June 2013.

(iii) Resigned on 20 June 2013.

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

For the year ended 31 December 2012

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

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

During the year ended 31 December 2013, no emoluments were paid by the Group to any of the Directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2012: nil). Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2013 (2012: nil).

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were Directors whose emoluments are included in the disclosures in Note 14 above. The emoluments of the remaining one (2012: one) individual were as follows:

	2013 **HK$**	2012 HK$
Salaries and other benefits	**634,179**	571,664
Social security costs	**102,131**	88,921
Discretionary bonus	**507,216**	42,000
Share-based payments	**757,332**	1,365,803
	2,000,858	2,068,388

The emoluments were within HK$2,000,001 to HK$2,500,000.

16. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2013 of HK$82,939,885 (2012: HK$32,862,140) and the weighted average number of 4,126,466,413 Shares (2012: 3,843,953,375 Shares) in issue during the year ended 31 December 2013.

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

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Sports lottery sales terminals HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
COST							
Balance at 1 January 2012	46,642,186	18,558,414	2,914,975	5,354,191	5,873,604	8,052,554	87,395,924
Additions	–	–	312,057	818,393	3,828,525	951,877	5,910,852
Disposals	–	(1,980,718)	(39,516)	(195,397)	(1,494,627)	(425,078)	(4,135,336)
Effect of foreign currency exchange differences	274,590	113,658	13,649	24,227	25,342	34,015	485,481
Balance at 31 December 2012 and 1 January 2013	46,916,776	16,691,354	3,201,165	6,001,414	8,232,844	8,613,368	89,656,921
Additions	–	–	3,072,603	414,111	1,683,497	1,956,922	7,127,133
Disposals	–	(10,162,073)	–	(195,499)	(671,228)	(3,554,622)	(14,583,422)
Effect of foreign currency exchange differences	1,483,550	519,300	88,803	160,128	240,789	206,725	2,699,295
Balance at 31 December 2013	48,400,326	7,048,581	6,362,571	6,380,154	9,485,902	7,222,393	84,899,927
DEPRECIATION							
Balance at 1 January 2012	405,401	12,909,831	2,623,624	3,557,954	1,875,734	5,378,322	26,750,866
Depreciation expense	3,568,172	3,740,555	113,256	962,292	2,533,412	1,371,547	12,289,234
Eliminated on disposals of assets	–	(1,727,992)	(28,968)	(179,294)	(1,413,234)	(312,981)	(3,662,469)
Effect of foreign currency exchange differences	(5,543)	71,530	12,373	13,929	4,786	24,007	121,082
Balance at 31 December 2012 and 1 January 2013	3,968,030	14,993,924	2,720,285	4,354,881	3,000,698	6,460,895	35,498,713
Depreciation expense	3,213,672	1,746,482	170,416	882,530	2,116,062	922,653	9,051,815
Eliminated on disposals of assets	–	(10,158,914)	–	(187,128)	(500,432)	(2,901,689)	(13,748,163)
Effect of foreign currency exchange differences	128,159	467,089	71,171	110,088	76,246	165,824	1,018,577
Balance at 31 December 2013	7,309,861	7,048,581	2,961,872	5,160,371	4,692,574	4,647,683	31,820,942
CARRYING AMOUNTS							
Balance at 31 December 2013	41,090,465	–	3,400,699	1,219,783	4,793,328	2,574,710	53,078,985
Balance at 31 December 2012	42,948,746	1,697,430	480,880	1,646,533	5,232,146	2,152,473	54,158,208

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land under finance lease	:	Over the lease term
Buildings	:	5%
Sports lottery sales terminals	:	20%
Leasehold improvements	:	20% or over the relevant lease terms, whichever is shorter
Computer equipment	:	20% – 33 1/3%
Furniture, fixtures and equipment	:	20% – 33 1/3%
Motor vehicles	:	10% – 25%

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

18. GOODWILL

	HK$
COST	
Balance at 1 January 2012	767,997,278
Effect of foreign currency exchange differences	4,521,325
Balance at 31 December 2012 and 1 January 2013	772,518,603
Effect of foreign currency exchange differences	24,427,714
Balance at 31 December 2013	796,946,317
CARRYING AMOUNTS	
Balance at 31 December 2013	796,946,317
Balance at 31 December 2012	772,518,603

19. IMPAIRMENT TESTING ON GOODWILL

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

- Information technology solutions
- Consultancy services

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

	2013	2012
	HK$	HK$
Information technology solutions	**3,248,810**	3,149,228
Consultancy services	**793,697,507**	769,369,375
	796,946,317	772,518,603

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

Information technology solutions

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years and a discount rate of 21.61% per annum (2012: 14.96%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent valuer.

During the year ended 31 December 2013, management of the Group determined that there was no impairment of goodwill (2012: nil).

Consultancy services

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% growth rate (2012: 3%) and a discount rate of 16.40% per annum (2012: 15.23%). The key assumptions for the value in use calculation are those regarding the discount rate, growth in revenue and direct costs during the year. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent valuer.

During the year ended 31 December 2013, management of the Group determined that there was no impairment of goodwill (2012: nil).

20. OTHER INTANGIBLE ASSETS

	Club membership HK$	Capitalised development costs HK$	Non-competition agreements HK$	Contracted Customer HK$	Total HK$
COST					
Balance at 1 January 2012	1,741,936	2,770,791	6,051,404	205,351,484	215,915,615
Effect of foreign currency exchange differences	–	16,312	35,626	1,208,938	1,260,876
Balance at 31 December 2012 and 1 January 2013	1,741,936	2,787,103	6,087,030	206,560,422	217,176,491
Effect of foreign currency exchange differences	–	88,131	192,477	6,531,621	6,812,229
Balance at 31 December 2013	1,741,936	2,875,234	6,279,507	213,092,043	223,988,720
AMORTISATION					
Balance at 1 January 2012	–	923,597	6,051,404	186,527,553	193,502,554
Amortisation expense	–	465,552	–	18,976,923	19,442,475
Effect of foreign currency exchange differences	–	4,402	35,626	1,055,946	1,095,974
Balance at 31 December 2012 and 1 January 2013	–	1,393,551	6,087,030	206,560,422	214,041,003
Amortisation expense	–	478,805	–	–	478,805
Effect of foreign currency exchange differences	–	44,466	192,477	6,531,621	6,768,564
Balance at 31 December 2013	–	1,916,822	6,279,507	213,092,043	221,288,372
CARRYING AMOUNTS					
Balance at 31 December 2013	1,741,936	958,412	–	–	2,700,348
Balance at 31 December 2012	1,741,936	1,393,552	–	–	3,135,488

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

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

20. OTHER INTANGIBLE ASSETS (continued)

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

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

21. JOINT VENTURE

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

	2013 **HK$**	2012 HK$
Unlisted investment, at cost	**650,000**	650,000
Share of losses and other comprehensive income, net of dividends received	**(2,928)**	(2,750)
	647,072	647,250

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

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

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

21. JOINT VENTURE (continued)

Summarised financial information of the joint venture

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

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

	2013 HK$	2012 HK$
Current assets	**1,300,000**	1,300,000
Non-current assets	**–**	–
Current liabilities	**5,855**	5,500
Non-current liabilities	**–**	–

The above amounts of assets and liabilities include the following:

	2013 HK$	2012 HK$
Cash and cash equivalents	**–**	–
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2013 HK$	2012 HK$
Revenue	**–**	–
Loss for the year	**(355)**	(5,500)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(355)**	(5,500)
Dividends received from the joint venture during the year	**–**	–

21. JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

The above loss for the year include the following:

	2013 HK$	2012 HK$
Depreciation and amortisation	–	–
Interest income	–	–
Interest expense	–	–
Income tax expense	–	–

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

	2013 HK$	2012 HK$
Net assets of the joint venture	1,294,145	1,294,500
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	647,072	647,250

22. DEFERRED TAXATION

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

Deferred tax assets

	Provision for warranties HK$
Balance at 1 January 2012	3,138,691
Effect of foreign currency exchange differences	17,741
Credit to profit or loss	331,639
Balance at 31 December 2012 and 1 January 2013	3,488,071
Effect of foreign currency exchange differences	111,124
Credit to profit or loss	990,724
Balance at 31 December 2013	4,589,919

22. DEFERRED TAXATION (continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$	Intangible assets HK$	Dividend Withholding tax HK$	Total HK$
Balance at 1 January 2012	4,904,126	4,705,984	1,223,000	10,833,110
Effect of foreign currency exchange differences	29,618	38,247	2,780	70,645
Transfer to current taxation	–	–	(1,225,780)	(1,225,780)
Credit to profit or loss	(335,186)	(4,744,231)	–	(5,079,417)
Balance at 31 December 2012 and 1 January 2013	4,598,558	–	–	4,598,558
Effect of foreign currency exchange differences	145,122	–	–	145,122
Credit to profit or loss	(344,728)	–	–	(344,728)
Balance at 31 December 2013	4,398,952	–	–	4,398,952

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$75,284,000 (2012: approximately HK$56,385,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$196,308,000 (2012: approximately HK$156,317,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK$26,733,000 (2012: approximately HK$5,653,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK$169,575,000 (2012: approximately HK$150,664,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

23. INVENTORIES

	2013 HK$	2012 HK$
Raw materials	**27,131,548**	5,603.751
Finished goods	**19,400,938**	18,873,797
	46,532,486	24,477,548

24. TRADE RECEIVABLES

	2013 HK$	2012 HK$
Trade receivables	**37,288,514**	77,077,646

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

	2013 HK$	2012 HK$
0 to 30 days	**31,925,030**	75,090,285
31 to 60 days	**861,719**	143,088
61 to 90 days	**491,141**	320,624
91 to 120 days	**861,719**	73,450
121 to 365 days	**2,641,670**	839,261
Over 365 days	**507,235**	610,938
	37,288,514	77,077,646

24. TRADE RECEIVABLES (continued)

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period is 30 days (2012: 30 days). No interest is charged on trade receivables.

At 31 December 2013, 96.75% (2012: 97.42%) of the trade receivables are neither past due nor impaired relate to a number of independent customers that have a good track record with the Group. Of the trade receivables balance at the end of the reporting period, approximately 54% (2012: 30%) and 76% (2012: 55%) were due from the Group's largest customer and the five largest customers respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are still considered recoverable. Accordingly, there was no provision for impairment losses in respect of these trade receivables at 31 December 2013 (2012: nil).

Age of trade receivables that are past due but not impaired

	2013 **HK$**	2012 HK$
Overdue by:		
0 to 30 days	**273,188**	143,088
31 to 60 days	**–**	320,624
61 to 90 days	**–**	73,450
91 to 120 days	**–**	839,261
121 to 365 days	**612,024**	–
Over 365 days	**327,838**	610,938
Total	**1,213,050**	1,987,361
Average age (days)	**225**	168

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Deposits paid to suppliers	**740,216**	2,081,834	**–**	–
Prepayments	**42,698,962**	25,120,638	**310,129**	310,626
Rental, utility and guarantee deposits	**6,360,362**	5,783,362	**–**	–
Other receivables	**34,475,764**	25,817,008	**–**	–
	84,275,304	58,802,842	**310,129**	310,626
Less: Deposits and prepayments classified as non-current assets	**(28,891,609)**	(16,466,487)	**–**	–
	55,383,695	42,336,355	**310,129**	310,626

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

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest at 0.001% – 4.520% per annum (2012: 0.001%–1.530% per annum) with an original maturity of three months or less. As at 31 December 2013, bank balances and cash of approximately HK$158,205,000 (2012: approximately HK$122,944,000) were denominated in RMB which are not freely convertible into other currencies.

27. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits held in certain designated bank accounts to secure short-term bank borrowings and letters of guarantee granted to the Group. As at 31 December 2012, these deposits carry effective interest at 3.00% – 3.10% per annum. The pledges were released upon settlement of relevant bank borrowings or expiry of the letters of guarantee during the year ended 31 December 2013.

28. TRADE PAYABLES

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

	2013 HK$	2012 HK$
0 to 30 days	**9,021,534**	4,361,688
31 to 60 days	**108,253**	–
91 to 120 days	**14,101**	295,408
121 to 365 days	**638,859**	–
Over 365 days	**–**	57,353
	9,782,747	4,714,449

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

29. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013 HK$	2012 HK$	2013 HK$	2012 HK$
Receipts in advance	**–**	2,825,873	**–**	–
Accrued charges	**8,074,087**	9,747,314	**475,000**	1,097,580
Other payables	**23,145,386**	20,924,504	**181,170**	144,864
	31,219,473	33,497,691	**656,170**	1,242,444

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

Included in the Group's other payables is an amount of HK$14,398,665 (2012: HK$8,340,956) due to non-controlling interests of a subsidiary which is unsecured, non-interest-bearing and repayable on demand.

30. SECURED BANK BORROWINGS

	2013 HK$	2012 HK$
Secured term loans wholly repayable within one year	–	17,550,000

During the year ended 31 December 2012, the Group entered into HK$17,550,000 term-loan facilities with a bank and the loans were secured by a charge over letters of guarantee granted by another bank. The term loans bear interest at HIBOR plus 3% per annum. The weighted average effective interest rate on the bank loans is 3.86% per annum. The borrowings were fully settled in accordance with the scheduled repayment dates set out in the loan agreement during the year ended 31 December 2013.

31. PROVISION FOR WARRANTIES

	HK$
Balance at 1 January 2013	23,152,758
Additional provision recognised	11,817,322
Reversal of provision	(2,259,239)
Amounts utilised during the year	(2,888,938)
Effect of foreign currency exchange differences	673,314
Balance at 31 December 2013	30,495,217

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

32. SHARE CAPITAL

	Number of Shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.002 each at 31 December 2012	5,000,000,000	10,000,000
Increase in authorised share capital	5,000,000,000	10,000,000
Ordinary shares of HK$0.002 each at 31 December 2013	10,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each at 1 January 2012 and 31 December 2012	3,843,953,375	7,687,907
Shares issued under placing	406,521,739	813,043
Exercise of part of share options	98,348,750	196,698
Ordinary shares of HK$0.002 each at 31 December 2013	4,348,823,864	8,697,648

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

On 21 May 2013, completion took place for private placements to independent private investors of 406,521,739 shares of HK$0.002 each in the Company, at the subscription price of HK$0.345 each.

During the year ended 31 December 2013, part of the options for 98,348,750 Shares of HK$0.002 each were exercised at exercise prices ranging from HK$0.1006 to HK$0.3300 per Share, resulting in the issue of 98,348,750 Shares of HK$0.002 each.

The above Shares rank pari passu in all respects with other Shares in issue.

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

33. OPERATING LEASE COMMITMENTS

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

	2013 HK$	2012 HK$
Within one year	**12,206,000**	6,579,000
In the second to fifth years inclusive	**25,324,000**	2,694,000
	37,530,000	9,273,000

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to four years (2012: one to three years) and rentals are fixed over the lease periods. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

34. RETIREMENT BENEFIT PLANS

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

35. DISPOSALS OF SUBSIDIARIES

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

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

Consideration received

	2012 HK$
Consideration received in cash and cash equivalents	–

35. DISPOSALS OF SUBSIDIARIES (continued)

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

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

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

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

	2012 HK$
Consideration received in cash and cash equivalents	–

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

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

Consideration received

	2012 HK$
Consideration received in cash and cash equivalents	–

35. DISPOSALS OF SUBSIDIARIES (continued)

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

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

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

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

	2012 HK$
Consideration received in cash and cash equivalents	–

* *For identification purpose only*

36. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the Share Option Scheme during the years ended 31 December 2013 and 2012:

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

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2012	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013
Directors:													
Ms. Yang Yang	9 October 2008	0.2198	9 October 2011 – 8 October 2012	334,375	–	(334,375)	–	–	–	–	–	–	–
			9 October 2012 – 8 October 2013	334,375	–	–	–	334,375	–	(334,375)	–	–	–
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	500,000	–	–	–	500,000	–	(500,000)	–	–	–
			21 December 2013 – 20 December 2014	500,000	–	–	–	500,000	–	–	–	–	500,000
			21 December 2014 – 20 December 2015	500,000	–	–	–	500,000	–	–	–	–	500,000
			21 December 2015 – 20 December 2016	500,000	–	–	–	500,000	–	–	–	–	500,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	–	–	–	–	250,000	–	–	–	250,000
			9 January 2015 – 8 January 2016	–	–	–	–	–	250,000	–	–	–	250,000
			9 January 2016 – 8 January 2017	–	–	–	–	–	250,000	–	–	–	250,000
			9 January 2017 – 8 January 2018	–	–	–	–	–	250,000	–	–	–	250,000
Mr. Ho King Fung, Eric (Appointed on 23 May 2013)	23 May 2013	0.4890	23 May 2014 – 22 May 2015	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2015 – 22 May 2016	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2016 – 22 May 2017	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2017 – 22 May 2018	–	–	–	–	–	10,643,961	–	–	–	10,643,961

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2012	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013
Directors:													
Mr. Kwok Wing Leung Andy (Resigned on 20 June 2013)	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	–	–	–	–	250,000	–	–	(250,000)	–
			9 January 2015 – 8 January 2016	–	–	–	–	–	250,000	–	–	(250,000)	–
			9 January 2016 – 8 January 2017	–	–	–	–	–	250,000	–	–	(250,000)	–
			9 January 2017 – 8 January 2018	–	–	–	–	–	250,000	–	–	(250,000)	–
Ms. Monica Maria Nunes (Appointed on 20 June 2013)	20 June 2013	0.4740	20 June 2014 – 19 June 2015	–	–	–	–	–	375,000	–	–	–	375,000
			20 June 2015 – 19 June 2016	–	–	–	–	–	375,000	–	–	–	375,000
			20 June 2016 – 19 June 2017	–	–	–	–	–	375,000	–	–	–	375,000
			20 June 2017 – 19 June 2018	–	–	–	–	–	375,000	–	–	–	375,000
Eligible employees and other eligible participants:													
	9 October 2008	0.2198	9 October 2011 – 8 October 2012	28,734,375	–	(27,046,875)	(1,687,500)	–	–	–	–	–	–
			9 October 2012 – 8 October 2013	29,984,375	–	–	(1,812,500)	28,171,875	–	(22,890,625)	(5,281,250)	–	–
	6 July 2010	0.3000	6 July 2011 – 5 July 2012	125,000	–	(125,000)	–	–	–	–	–	–	–
			6 July 2012 – 5 July 2013	1,000,000	–	–	–	1,000,000	–	(1,000,000)	–	–	–
			6 July 2013 – 5 July 2014	1,000,000	–	–	–	1,000,000	–	(875,000)	–	–	125,000
			6 July 2014 – 5 July 2015	1,000,000	–	–	–	1,000,000	–	–	–	–	1,000,000
	30 March 2011	0.3300	30 March 2012 – 29 March 2013	4,350,000	–	–	(1,500,000)	2,850,000	–	–	(2,850,000)	–	–
			30 March 2013 – 29 March 2014	4,350,000	–	–	(1,500,000)	2,850,000	–	(1,800,000)	–	–	1,050,000
			30 March 2014 – 29 March 2015	4,350,000	–	–	(1,500,000)	2,850,000	–	–	–	–	2,850,000
			30 March 2015 – 29 March 2016	4,350,000	–	–	(1,500,000)	2,850,000	–	–	–	–	2,850,000

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name	Date of grant	Exercise price per Share HK$	Exercise period	Outstanding at 1 January 2012	Granted during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2012	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2013
Eligible employees and other eligible participants:													
	21 December 2011	0.2900	21 December 2012 – 20 December 2013	38,132,000	–	–	(16,972,250)	21,159,750	–	(18,422,250)	(2,687,500)	(50,000)	–
			21 December 2013 – 20 December 2014	38,132,000	–	–	(16,972,250)	21,159,750	–	(2,562,500)	–	(5,050,000)	13,547,250
			21 December 2014 – 20 December 2015	38,132,000	–	–	(16,972,250)	21,159,750	–	–	–	(5,050,000)	16,109,750
			21 December 2015 – 20 December 2016	38,132,000	–	–	(16,972,250)	21,159,750	–	–	–	(5,050,000)	16,109,750
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	–	20,922,250	–	–	20,922,250	–	(20,734,750)	–	–	187,500
			17 August 2014 – 16 August 2015	–	20,922,250	–	–	20,922,250	–	–	–	–	20,922,250
			17 August 2015 – 16 August 2016	–	20,922,250	–	–	20,922,250	–	–	–	–	20,922,250
			17 August 2016 – 16 August 2017	–	20,922,250	–	–	20,922,250	–	–	–	–	20,922,250
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	–	–	–	–	–	30,500,000	–	–	(875,000)	29,625,000
			9 January 2015 – 8 January 2016	–	–	–	–	–	30,500,000	–	–	(875,000)	29,625,000
			9 January 2016 – 8 January 2017	–	–	–	–	–	30,500,000	–	–	(875,000)	29,625,000
			9 January 2017 – 8 January 2018	–	–	–	–	–	30,500,000	–	–	(875,000)	29,625,000
	23 May 2013	0.4890	23 May 2014 – 22 May 2015	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2015 – 22 May 2016	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2016 – 22 May 2017	–	–	–	–	–	10,643,961	–	–	–	10,643,961
			23 May 2017 – 22 May 2018	–	–	–	–	–	10,643,961	–	–	–	10,643,961
Total				324,295,000	94,189,000	(37,537,500)	(77,389,000)	303,557,500	236,651,688	(98,348,750)	(10,818,750)	(21,200,000)	409,841,688
Exercisable at the end of the year				39,225,000				81,495,250					33,232,750
Weighted average exercise price				HK$0.2750	HK$0.1006	HK$0.2201	HK$0.2899	HK$0.2239	HK$0.4483	HK$0.2239	HK$0.2663	HK$0.3187	HK$0.3475

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

(i) The following share options were exercised during the year ended 31 December 2013:

For the year ended 31 December 2013

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

(ii) No share option was exercised during the year ended 31 December 2012.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

At 31 December 2013, the number of Shares of which options had been granted and remained outstanding under the Share Option Scheme was 409,841,688 (2012: 303,557,000), representing approximately 9.42% (2012: 7.90%) of the Company's issued share capital at that date.

The fair values of options granted during the years ended 31 December 2013 and 2012 were calculated using the binominal model, details of which are as follows:

			Date of grant		
	20 June 2013	**23 May 2013**	**21 May 2013**	**9 January 2013**	17 August 2012
Number of Shares to be issued upon exercise of options granted	1,500,000	85,151,688	212,879,224	150,000,000	94,189,000
Estimated fair values of options granted	HK$260,926	HK$15,133,648	HK$38,631,842	HK$23,680,387	HK$4,563,694
Significant inputs into the model:					
Closing share price at date of grant	HK$0.4600	HK$0.4900	HK$0.4900	HK$0.4300	HK$0.1000
Exercise price	HK$0.4740	HK$0.4890	HK$0.4000	HK$0.4250	HK$0.1006
Expected volatility	78.23%–84.29%	76.98%–83.61%	68.65%	73.78%–84.21%	65.68%–82.90%
Expected life of options	2–5 years	2–5 years	0–3 years	2–5 years	2–5 years
Risk-free interest rate	0.312%–1.054%	0.185%–0.571%	0.245%	0.141%–0.416%	0.200%–0.332%
Dividend yield	Nil	Nil	Nil	Nil	Nil

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

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

37. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	2013 HK$	2012 HK$
Short-term employee benefits	**11,063,345**	9,712,735
Share-based payments	**6,994,237**	4,781,496
Post-employment benefits	**114,138**	116,016
	18,171,720	14,610,247

38. INVESTMENTS IN SUBSIDIARIES

	2013 HK$	2012 HK$
Unlisted shares, at cost	**7,800**	7,800
Less: Impairment loss recognised in prior years	**(7,800)**	(7,800)
	–	–

38. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2013 are set out as follows:

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

38. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital/paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Exequs Co. Ltd.	Incorporated	BVI	PRC	50,000 ordinary shares of US$1 each	100% (indirect)	Investment holding
Fortune Happy Investment Limited	Incorporated	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1 each	100% (indirect)	Investment holding
北京世紀德彩科技有限公司 (Beijing Century Decai Technology Co., Ltd.*)	Domestic enterprise	PRC	PRC	Registered capital of RMB30 million	100% (indirect)	Investment holding
GOT	Domestic enterprise	PRC	PRC	Registered capital of RMB100 million	100% (indirect)	Research, development and production of sports lottery terminals and systems
深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*) (Note)	Domestic enterprise	PRC	PRC	Paid-up capital of RMB30 million	100% (indirect)	Provision for lottery organisations with comprehensive phone and mobile betting solutions

* *For identification purpose only*

Note:

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

38. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2013**	2012
Investment holding	Hong Kong	**17**	16
Investment holding	PRC	**1**	1
Provision of sports lottery management and marketing consultancy services	PRC	**1**	1
		19	18

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

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

The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2013 and 2012.

39. RESERVES

The Company

	Share premium HK$	Share options reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2012	1,174,554,927	132,388,040	47,191,476	(288,385,812)	1,065,748,631
Loss for the year	–	–	–	(18,196,077)	(18,196,077)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(18,196,077)	(18,196,077)
Recognition of equity-settled share-based payments	–	9,997,944	–	–	9,997,944
Lapse of share options	–	(67,068,704)	–	67,068,704	–
Balance at 31 December 2012 and 1 January 2013	1,174,554,927	75,317,280	47,191,476	(239,513,185)	1,057,550,498
Loss for the year	–	–	–	(63,437,577)	(63,437,577)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(63,437,577)	(63,437,577)
Recognition of equity-settled share-based payments	–	60,072,362	–	–	60,072,362
Lapse of share options	–	(11,504,495)	–	11,504,495	–
Shares issued by way of placing	139,436,957	–	–	–	139,436,957
Shares issue expenses	(2,020,706)	–	–	–	(2,020,706)
Shares issued on exercise of part of share options	79,011,492	(57,189,503)	–	–	21,821,989
Balance at 31 December 2013	1,390,982,670	66,695,644	47,191,476	(291,446,267)	1,213,423,523

40. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$63,437,577 (2012: HK$18,196,077).

41. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2012: nil).