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REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	3	1,554,394	1,687,953
Cost of sales/services rendered		(506,718)	(448,271)
Other income	3	93,720	9,485
Other gains, net	3	34,043	19,867
Selling and distribution expenses		(72,999)	(64,122)
Loss on deconsolidation of a subsidiary	17	–	(9,397)
Impairment loss on goodwill		(99,321)	(748,530)
Impairment losses on intangible assets		–	(121,885)
Administrative expenses		(410,598)	(305,685)
Operating profit		592,521	19,415
Finance costs		(387,721)	(173,474)
Share of profits of joint ventures		558	12,518
Profit/(loss) before taxation	5	205,358	(141,541)
Taxation	6	(41,124)	(30,559)
Profit/(loss) for the year		164,234	(172,100)

		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		150,879	(103,692)
Non-controlling interests		13,355	(68,408)
		164,234	(172,100)
Earnings/(loss) per share for profit/(loss)			
attributable to equity shareholders of			
the Company	<i>8</i>		
– Basic and diluted		1.51 cents	(1.12) cents

Details of dividends paid and proposed for the year are disclosed in Note 7 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit/(loss) for the year	<u>164,234</u>	<u>(172,100)</u>
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	(101,948)	(39,835)
Share of other comprehensive expense of joint ventures	<u>(7,496)</u>	<u>(4,022)</u>
Total other comprehensive expense	<u>(109,444)</u>	<u>(43,857)</u>
Total comprehensive income/(expense) for the year	<u><u>54,790</u></u>	<u><u>(215,957)</u></u>
Attributable to:		
Equity shareholders of the Company	47,957	(141,972)
Non-controlling interests	<u>6,833</u>	<u>(73,985)</u>
	<u><u>54,790</u></u>	<u><u>(215,957)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		59,271	196,259
Prepaid lease payments on land use rights		735	46,317
Goodwill		405,206	1,531,322
Intangible assets		1,920	57,803
Interests in joint ventures		377,614	384,552
Available-for-sale financial assets	19	307,810	77,182
Total non-current assets		1,152,556	2,293,435
Current assets			
Inventories		23,494	142,656
Trade receivables	9	760,152	916,772
Utility and other deposits		1,600,474	1,742,347
Prepayments and other receivables		1,795,121	2,125,177
Financial assets at fair value through profit or loss		63,935	53,102
Cash and bank balances	10	1,098,073	1,293,032
		5,341,249	6,273,086
Assets of the disposal group classified as held for sale	18	2,236,663	–
Total current assets		7,577,912	6,273,086
Total assets		8,730,468	8,566,521
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	11	99,835	99,600
Reserves		5,871,322	5,827,299
Proposed final dividend		–	79,680
		5,971,157	6,006,579
Non-controlling interests		114,246	133,527
Total equity		6,085,403	6,140,106

		2015	2014
	Notes	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		46,195	46,195
Deferred tax liabilities		155,857	151,269
Convertible bonds	14	250,773	1,900,452
Obligations under finance leases		8,867	27,262
		<u>461,692</u>	<u>2,125,178</u>
Total non-current liabilities			
Current liabilities			
Trade payables	12	2,728	26,871
Other payables and accruals		64,311	157,897
Bank borrowings	13	–	87,500
Current portion of convertible bonds	14	1,824,629	–
Obligations under finance leases		17,038	16,681
Amount due to a shareholder		118,000	–
Current tax liabilities		3,051	12,288
		<u>2,029,757</u>	<u>301,237</u>
Liabilities directly associated with the assets of the disposal group classified as held for sale	18	<u>153,616</u>	<u>–</u>
Total current liabilities		<u>2,183,373</u>	<u>301,237</u>
Total liabilities		<u>2,645,065</u>	<u>2,426,415</u>
Total equity and liabilities		<u>8,730,468</u>	<u>8,566,521</u>
Net current assets		<u>5,394,539</u>	<u>5,971,849</u>
Total assets less current liabilities		<u>6,547,095</u>	<u>8,265,284</u>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by HKICPA.

Amendments to HKAS 19 Employee benefits – Defined benefit plans: Employee contributions
Annual improvements to HKFRSs 2010-2012 cycle
Annual improvements to HKFRSs 2011-2013 cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The principal effects of adopting these new and revised HKFRS are summarised as follows:

(a) Amendments to HKAS 19, Employee benefits – Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as the Group does not have defined benefit plans.

(b) Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

3. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents the aggregate of income from provision of lottery machines and related services and commission income.

An analysis of the Group's revenue, other income and other gains, net for the year is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Income from provision of lottery machines and related services	<u>1,554,394</u>	<u>1,687,953</u>
Other income		
Interest income on bank deposits	2,520	1,480
Other interest income	403	–
Sundry income	8,740	4,463
Rental income from sub-letting of rented premises	3,811	3,283
Dividend income from listed investments	61	259
Dividend income from unlisted investment	<u>78,185</u>	<u>–</u>
	<u>93,720</u>	<u>9,485</u>
Other gains, net		
Net gains on disposal of financial assets		
at fair value through profit or loss	25,780	2,310
Fair value gains on financial assets		
at fair value through profit or loss	7,250	17,546
Gain on redemption of convertible bonds	1,013	–
Exchange gains	<u>–</u>	<u>11</u>
	<u>34,043</u>	<u>19,867</u>
	<u><u>1,682,157</u></u>	<u><u>1,717,305</u></u>
 Total interest income on financial assets not at fair value through profit or loss	 <u><u>2,923</u></u>	 <u><u>1,480</u></u>

4. SEGMENT INFORMATION

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, i.e. the Group's Executive Directors, for the purposes of allocating resources to segments and assessing their performance, the Group has presented lottery business as the reportable segment.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

The Board assesses the performance of the business segments based on profit/(loss) before taxation without allocation of finance income/(costs), which is consistent with those in the consolidated financial statements.

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

Business Segment

- (a) The segment results for the year ended 31 December 2015 and segment assets and liabilities at 31 December 2015 are as follows:

	As at and for the year ended 31 December 2015 Lottery business HK\$'000
Revenue	<u><u>1,554,394</u></u>
Segment results	718,622
Net unallocated expenses	<u>(513,264)</u>
Profit before taxation	205,358
Taxation	<u>(41,124)</u>
Profit for the year	<u><u>164,234</u></u>
Assets	
Segment assets	6,367,252
Assets of the disposal group classified as held for sale (<i>Note 18</i>)	2,236,663
Unallocated assets	<u>126,553</u>
Total assets	<u><u>8,730,468</u></u>
Liabilities	
Segment liabilities	282,744
Liabilities directly associated with the assets of the disposal group classified as held for sale (<i>Note 18</i>)	153,616
Unallocated liabilities	<u>2,208,705</u>
Total liabilities	<u><u>2,645,065</u></u>

The segment results for the year ended 31 December 2014 and segment assets and liabilities at 31 December 2014 are as follows:

	As at and for the year ended 31 December 2014 Lottery business HK\$'000
Revenue	<u>1,687,953</u>
Segment results	83,966
Net unallocated expenses	<u>(225,507)</u>
Loss before taxation	(141,541)
Taxation	<u>(30,559)</u>
Loss for the year	<u>(172,100)</u>
Assets	
Segment assets	8,293,556
Unallocated assets	<u>272,965</u>
Total assets	<u>8,566,521</u>
Liabilities	
Segment liabilities	489,889
Unallocated liabilities	<u>1,936,526</u>
Total liabilities	<u>2,426,415</u>

(b) Other segment information

	For the year ended 31 December 2015 Lottery business HK\$'000
Other information	
Depreciation and amortisation	64,691
Impairment loss on goodwill	99,321
Capital expenditure	59,294

	For the year ended 31 December 2014 Lottery business HK\$'000
Other information	
Depreciation and amortisation	81,625
Impairment losses on goodwill	748,530
Impairment losses on intangible assets	121,885
Capital expenditure	80,406

Geographical Segments

In terms of geographical location, nearly 100% of the Group's revenue is attributable to the market in the PRC.

Total non-current assets by location are as follows:

	2015 HK\$'000	2014 <i>HK\$'000</i>
PRC	1,117,033	2,257,296
Hong Kong	<u>35,523</u>	<u>36,139</u>
Total non-current assets per consolidated statement of financial position	<u>1,152,556</u>	<u>2,293,435</u>

Information About Major Customers

None of the customers contributed over 10% of the total revenue of the Group during both years.

5. PROFIT/(LOSS) BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The Group's profit/(loss) before taxation is stated after charging the following:		
Auditors' remuneration		
– audit services	4,149	3,254
– non-audit services	350	9
Allowance for impairment of bad and doubtful debts	57	–
Write-down on inventories	1,529	4,775
Cost of inventories sold	433,073	393,951
Research and development costs	2,039	2,161
Loss on disposal of property, plant and equipment	128	109
Depreciation and amortisation on		
– property, plant and equipment		
– owned assets	41,386	40,931
– leased assets	6,635	6,700
– prepaid lease payments on land use rights	971	962
– intangible assets	15,699	33,032
Operating lease rentals in respect of		
– office premises and warehouses	31,360	36,599
– machinery	9,259	198
Exchange losses	53,947	3,019
	<u>53,947</u>	<u>3,019</u>

6. TAXATION

Hong Kong profits tax is made in the consolidated financial statements on estimated assessable profits derived from Hong Kong for the year at the tax rate of 16.5% (2014: 16.5%).

Two of the subsidiaries, Guangzhou Latech Technology Co Ltd and Shenzhen Sinodata Technology Co Ltd, of the Group's lottery business in the PRC are entitled to a preferential income tax rate of 15% as they are recognised as high technology enterprises for the year ended 31 December 2015 (2014: 15%).

In the current year, certain subsidiaries of the Group in the PRC are entitled to a preferential income tax rate of 10% (2014: 10% or 20%). The applicable income tax rate for other subsidiaries of the Group in the PRC is 25% (2014: 25%).

The amount of taxation charged to the consolidated income statement represents:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	1,210	155
PRC income tax	29,300	28,840
Under-provision/(over-provision) in respect of previous years	<u>26</u>	<u>(2,880)</u>
	<u>30,536</u>	<u>26,115</u>
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	10,999	4,890
Attributable to changes in tax rates	<u>(411)</u>	<u>(446)</u>
	<u>10,588</u>	<u>4,444</u>
Taxation charge	<u><u>41,124</u></u>	<u><u>30,559</u></u>

7. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$Nil (2014: 2.30 HK cents) per ordinary share		
– Cash	–	165,369
– Scrip alternative	<u>–</u>	<u>61,812</u>
	–	227,181
Proposed final dividend of HK\$Nil (2014: 0.80 HK cent) per ordinary share	<u>–</u>	<u>79,680</u>
	<u><u>–</u></u>	<u><u>306,861</u></u>

For the interim dividend 2014, scrip dividend with cash alternative was offered to shareholders. Shares issued during the year ended 31 December 2014 on the shareholders' election to receive shares were set out in note 11.

The final dividend of HK\$79,680,000, which included cash dividend of HK\$68,888,000 and scrip dividend of HK\$10,792,000, for the financial year ended 31 December 2014 was approved during the year. The cash dividend and scrip dividend were paid and allotted on 31 July 2015.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit/(loss) attributable to equity shareholders of the Company for the year divided by the weighted average number of shares in issue during the year.

	2015	2014
Profit/(loss) attributable to equity shareholders of the Company (<i>in thousand HK\$</i>)	<u><u>150,879</u></u>	<u><u>(103,692)</u></u>
Weighted average number of ordinary shares in issue (<i>in thousand</i>):		
Issued ordinary shares at 1 January	9,960,025	8,731,772
Effect of share options exercised and convertible bonds converted	–	528,640
Effect of shares repurchased	–	(21,082)
Effect of allotment of scrip shares	<u>9,903</u>	<u>29,531</u>
Weighted average number of ordinary shares at 31 December (<i>in thousand</i>)	<u><u>9,969,928</u></u>	<u><u>9,268,861</u></u>
Basic earnings/(loss) per share	<u><u>1.51 cents</u></u>	<u><u>(1.12) cents</u></u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the Group's profit/(loss) attributable to equity shareholders of the Company and adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares of the Company.

Diluted earnings/(loss) per share for the years ended 31 December 2015 and 2014 is same as the basic earnings/(loss) per share as both the share options and the convertible bonds outstanding during the year had an anti-dilutive effect on the basic earnings/(loss) per share.

9. TRADE RECEIVABLES

	The Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables – Lottery business	<u>760,152</u>	<u>916,772</u>

The directors of the Company (the "Directors") consider that the carrying amounts of trade receivables approximate to their fair values. The Group generally grants credit periods of 90 to 270 days (2014: 90 to 270 days) to its trade customers.

The ageing analysis is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Three months or less	358,148	439,375
One year or less but over three months	382,644	462,807
Over one year	19,360	14,590
	<u>760,152</u>	<u>916,772</u>

10. CASH AND BANK BALANCES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fixed bank deposits	491,429	–
Cash at banks		
– general accounts	605,665	1,284,405
– segregated accounts	330	332
Cash in hand	649	8,295
	<u>606,644</u>	<u>1,293,032</u>
	<u>1,098,073</u>	<u>1,293,032</u>

11. SHARE CAPITAL

	Number of shares ‘000	Amount HK\$’000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2014, 31 December 2014 and 31 December 2015	20,000,000	200,000
<i>Issued and fully paid:</i>		
At 1 January 2014	8,731,772	87,318
Repurchase of shares (<i>Note a</i>)	(67,950)	(680)
Exercise of share options (<i>Note b</i>)	106,000	1,060
Issue of shares in lieu of cash dividends (<i>Note c</i>)	140,766	1,408
Issue of shares upon conversion of convertible bonds (<i>Note d</i>)	1,049,437	10,494
At 31 December 2014	9,960,025	99,600
Issue of shares in lieu of cash dividends (<i>Note e</i>)	23,471	235
At 31 December 2015	9,983,496	99,835

Notes:

- (a) During the year ended 31 December 2014, the Company repurchased 67,950,000 shares from the market at the price ranging from HK\$0.780 to HK\$0.800 per share for a total consideration (including expenses) of approximately HK\$54,037,000. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of approximately HK\$680,000 was transferred from retained profits to the capital redemption reserve. The premium and expenses paid on the repurchase of these shares were charged to share premium of HK\$53,357,000.
- (b) During the year ended 31 December 2014, 106,000,000 share options were exercised by the eligible option holders at their respective exercise prices for a total cash consideration of HK\$113,080,000, resulting in an issue of 106,000,000 new ordinary shares of HK\$0.01 each.

- (c) On 31 July 2014, 58,195,540 new ordinary shares were allotted and issued at HK\$0.8417 per share in respect of the final dividend for the year ended 31 December 2013. On 28 August 2014, the board of Directors declared an interim dividend of 2.30 HK cents per share for the six months ended 30 June 2014. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 10 December 2014, 82,570,203 new ordinary shares were allotted and issued at HK\$0.7486 per share in respect of the interim dividend for the six months ended 30 June 2014.
- (d) During the year ended 31 December 2014, one of the convertible bonds with principal amounts of HK\$282,800,000 and HK\$335,300,000 were converted into 471,333,329 and 578,103,444 ordinary shares at the conversion prices of HK\$0.60 and HK\$0.58 per share, respectively.
- (e) On 31 July 2015, 23,470,628 new ordinary shares were allotted and issued at HK\$0.4598 per share in respect of the final dividend for the year ended 31 December 2014.

All new ordinary Shares issued during the year rank *pari passu* in all respects with the existing Shares.

12. TRADE PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other client payables	314	314
Trade payables – Lottery business	<u>2,414</u>	<u>26,557</u>
	<u><u>2,728</u></u>	<u><u>26,871</u></u>

Other client payables were repayable on demand and bore interest at prevailing market rates.

No ageing analysis was disclosed for other client payables as, in the opinion of the Directors, the ageing analysis did not give additional value in view of the nature of business.

Trade payables are expected to be settled within one year or are repayable on demand.

The Directors consider that the carrying amount of trade payables approximate to their fair values.

The ageing analysis of the Group's trade payable – Lottery business is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Three months or less	966	26,040
Over three months	<u>1,448</u>	<u>517</u>
	<u><u>2,414</u></u>	<u><u>26,557</u></u>

13. BANK BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank loans		
– secured and due within one year	<u><u>–</u></u>	<u><u>87,500</u></u>

The bank loans were repayable within one year or when the facility is withdrawn. These borrowings were used to finance the lottery business of the Group.

At 31 December 2014, bank loans of approximately HK\$87,500,000 were secured by the leasehold buildings and land use rights.

The effective interest rates on the Group's borrowings were equal to contractual interest rates.

The Directors considered that the fair values of borrowings at the end of reporting period approximated to their carrying amounts.

Bank borrowings included the following amount denominated in a currency other than the Company's functional currency, HK dollars:

	2015 <i>'000</i>	2014 <i>'000</i>
Renminbi	<u><u>–</u></u>	<u><u>70,000</u></u>

14. CONVERTIBLE BONDS

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

	Convertible bonds due 2019 <i>HK\$'000</i>	Convertible bonds due 2016 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount at 1 January 2014	–	833,649	833,649
Convertible bonds issued during the year	1,900,000	–	1,900,000
Equity component*	(303,157)	–	(303,157)
Transaction costs attributable to the liability component	(34,307)	–	(34,307)
Interest expense	94,438	68,793	163,231
Interest payable	(57,288)	(37,493)	(94,781)
Converted during the year	<u>–</u>	<u>(564,183)</u>	<u>(564,183)</u>
Carrying amount at 31 December 2014	1,599,686	300,766	1,900,452
Redemption during the year	(82,714)	(16,193)	(98,907)
Interest expense	144,128	45,948	190,076
Interest payable	(84,669)	(20,718)	(105,387)
Acceleration of unwinding interest	<u>175,881</u>	<u>13,287</u>	<u>189,168</u>
Carrying amount at 31 December 2015	1,752,312	323,090	2,075,402
Portion classified as current	<u>(1,501,539)</u>	<u>(323,090)</u>	<u>(1,824,629)</u>
Non-current portion	<u><u>250,773</u></u>	<u><u>–</u></u>	<u><u>250,773</u></u>

* The transaction costs attributable to the equity component of the convertible bonds due 2019 amounted to HK\$6,427,000.

During the year ended 31 December 2014, convertible bonds due 2016 in an aggregate principal amount of HK\$618,100,000 has been converted into 1,049,436,773 ordinary Shares in the share capital of the Company. At the end of the reporting period, the aggregate principal amount of the convertible bonds remaining outstanding following the partial redemption of the convertible bonds was HK\$2,135,315,000 (2014: HK\$2,247,700,000).

Subsequent to the end of the reporting period and up to 1 March 2016, the Company received redemption notices from some of the bondholders of the Company (the “Bondholders”) to redeem the convertible bonds with principal amount of HK\$1,848,415,000 on 31 March 2016. As a result, the outstanding convertible bonds with principal amount of HK\$1,848,415,000 shall become payable on 31 March 2016 and unwinding of interest totaling HK\$189,168,000 was accelerated at 31 December 2015 and the carrying amount of liability component of the convertible bonds that subject to redemption on 31 March 2016 has been classified as current liabilities.

15. CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2015 and 2014, certain subsidiaries of the Group have issued corporate guarantees in respect of the finance lease obligation under a sales and leaseback arrangement granted to a subsidiary of the Group which will expire when the lease is terminated. The Group has not recognised any deferred income and the related expenses in respect of such guarantees, as in the opinion of the Directors, their fair values cannot be reliably measured using observable market data and their transaction price was nil.

As at 31 December 2015 and 2014, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

16. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2015 not provided for in the consolidated financial statements are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted for		
– purchase of property, plant and equipment	383	1,203
– increase in registered capital of a subsidiary	<u>84,000</u>	<u>84,000</u>
	<u><u>84,383</u></u>	<u><u>85,203</u></u>

- (b) At 31 December 2015, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

As at 31 December 2015			
	Land and buildings <i>HK\$'000</i>	Factory equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Within one year	17,105	8,960	26,065
In the second to fifth year inclusive	6,160	35,730	41,890
More than five years	—	53,199	53,199
	<u>23,265</u>	<u>97,889</u>	<u>121,154</u>

As at 31 December 2014			
	Land and buildings <i>HK\$'000</i>	Factory equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Within one year	25,490	9,375	34,865
In the second to fifth year inclusive	23,274	37,500	60,774
More than five years	—	65,234	65,234
	<u>48,764</u>	<u>112,109</u>	<u>160,873</u>

The Group leases various office and factory premises, office equipment and warehouses under operating leases. The leases run for an initial period of 1 to 11 years (2014: 1 to 12 years). The leases do not include any contingent rentals.

17. DECONSOLIDATION OF A SUBSIDIARY

The Group deconsolidated an indirect non-wholly owned subsidiary (the “PRC Company”) as the Group determined that the Group did not have control or significant influence over the PRC Company. The Group therefore concluded to deconsolidate the PRC Company from the consolidated financial statements with effective from 1 January 2014.

The net assets of the PRC Company as of 1 January 2014 are set out below:

	<i>HK\$'000</i>
Property, plant and equipment	864
Trade and other receivables	65,751
Cash and cash equivalents	35,933
Trade and other payables	(18,892)
Current tax liabilities	<u>(3,892)</u>
Net assets deconsolidated	79,764
Non-controlling interests	(31,905)
Cost of investment reclassified to available-for-sale financial assets	<u>(38,462)</u>
Loss on deconsolidation of a subsidiary	<u><u>9,397</u></u>
Loss on deconsolidation of a subsidiary attributable to:	
Equity shareholders of the Company	5,638
Non-controlling interests	<u>3,759</u>
Loss on deconsolidation of a subsidiary	<u><u>9,397</u></u>
Net cash outflow arising on deconsolidation of a subsidiary	
Cash and cash equivalents of a subsidiary deconsolidated	<u><u>35,933</u></u>

18. ASSETS/LIABILITIES OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 4 January 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (as supplemented and amended on 23 February 2016) (the “Sale and Purchase Agreement”) with a related party, Sunjet Investments Limited in which a director (also a substantial shareholder) of the Company has beneficial interest, for the disposal of the entire interest in Multi Glory Limited (“Multi Glory”) and the loan due from Multi Glory to the Group for a cash consideration of HK\$2,150,000,000 (the “Disposal”). Certain restructuring (the “Restructuring”) is required to put the Disposal Group (as defined below) in place before completion of the Disposal. It is expected that after the Restructuring, Multi Glory would, through certain wholly-owned subsidiaries, hold 100% interest in 港樂貿易(深圳)有限公司 (Gang Le Trading (Shenzhen) Co., Ltd*), which in turn would hold 100% interest in 深圳市鵬樂實業發展有限公司 (Shenzhen Peng Le Industrial Development Co., Ltd.*), which in turn would hold 100% interest in 深圳市思樂數據技術有限公司 (Shenzhen Sinodata Technology Co., Ltd.*), which in turn would hold 100% interest in 深圳市思樂數據設備服務有限公司 (Shenzhen Sinodata Equipment Services Co., Ltd.*) and 50% interest in 深圳市思遠卓越科技開發有限公司 (Shenzhen Siyuan Zhuoyue Technology Development Co., Ltd.*) (hereinafter collectively referred to as the “Disposal Group”). It is intended that the net proceeds from the Disposal will firstly be applied by the Company for the redemption of the convertible bonds which are subject to redemption notices and in the aggregate principal amount of HK\$1,848,415,000. The principal activities of the Disposal Group are design and provision of lottery systems and equipment for lottery in the PRC for traditional Welfare Computer Ticket Games operations. The management expects the Disposal will be completed on or before 29 April 2016. Further details are set out in the Company’s announcements dated 5 January 2016 and 23 February 2016, circular dated 29 February 2016, and announcement dated 29 March 2016.

Upon completion of the Disposal, it is estimated that the proceeds of the Disposal would exceed the carrying amount of the net assets of the Disposal Group, and accordingly, no impairment loss has been recognised on the assets which were classified as assets held for sale as at the end of the reporting period.

The results of the Disposal Group classified as held for sale that are included in the consolidated income statement and the consolidated statement of cash flows are shown as below:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Profit for the year from Disposal Group:		
Revenue	485,823	428,157
Cost of sales/services rendered	(217,879)	(166,773)
Other income	4,236	1,445
Selling and distribution expenses	(14,961)	(18,479)
Administrative expenses	(115,873)	(103,567)
Operating profit	141,346	140,783
Finance costs	(6,190)	(6,339)
Profit before taxation	135,156	134,444
Taxation	(21,084)	(20,299)
Profit for the year	<u>114,072</u>	<u>114,145</u>

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2015 are as follows:

	Total <i>HK\$'000</i>
Property, plant and equipment	138,690
Prepaid lease payments on land use rights	42,615
Goodwill	1,026,795
Intangible assets	37,991
Deposit for acquisition of leasehold building	452
Inventories	116,397
Trade receivables	97,231
Utility and other deposits	103,885
Prepayments and other receivables	527,889
Cash and cash equivalents	<u>144,718</u>
Assets of the disposal group classified as held for sale	<u>2,236,663</u>
Trade payables	(36,549)
Other payables and accruals	(31,280)
Bank borrowings	(71,429)
Current tax liabilities	(9,526)
Deferred tax liabilities	<u>(4,832)</u>
Liabilities directly associated with the assets of the disposal group classified as held for sale	<u>(153,616)</u>
Net assets of the disposal group classified as held for sale	<u><u>2,083,047</u></u>

At 31 December 2015, bank loans of approximately HK\$71,429,000 are secured on leasehold buildings and land use rights in the PRC for the carrying values of approximately HK\$18,406,000 and HK\$29,378,000 respectively.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost		
Balance at 1 January	77,182	34,000
Exchange realignment	(2,056)	(962)
Deconsolidated subsidiary <i>(note (a)) (Note 17)</i>	–	38,462
Addition of investment <i>(note (a))</i>	232,684	5,682
Balance at 31 December	307,810	77,182

Notes:

- (a) The Group did not have the control or significant influence over the PRC Company and it had been deconsolidated from the consolidated financial statements of the Group as at 1 January 2014. Accordingly, the PRC Company with investment cost amounting to HK\$38,462,000 has therefore been recognised by the Group as an available-for-sale financial asset since then. In 2014, the Group injected RMB200,000,000 (“Injection”) in the PRC Company. HK\$5,682,000 (RMB4,546,000) of the Injection was recognised as registered share capital in the PRC Company and recognised as an available-for-sale financial asset in 2014. The remaining amount of the Injection of HK\$232,684,000 (RMB195,454,000) was transferred from prepayments and other receivables and recognised as an available-for-sale financial asset in 2015 when the relevant legal formality was completed.
- (b) The other unlisted investment represents the Group’s cost of investment in a private enterprise fund established in the mainland China. At 31 December 2015, the Group owns 18.3% (2014: 18.3%) of the paid-in capital of the investee. The Directors of the Company consider the principal activity of the investee is investment holding.

The unlisted investments are measured at cost less impairment losses, if any, at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

20. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

- (i) As disclosed in Note 18 in relation to the Disposal, Restructuring needs to be completed before completion of the Disposal to put the Disposal Group in place. The Restructuring involves the transfer of certain equity interests in the PRC. The contracts and all necessary documents and reports to effect such equity transfer have been executed by the relevant parties and submitted to the relevant PRC authority for approval and registration, but the relevant approval and registration have not yet been effected (collectively, “Outstanding Restructuring PRC Approval”). Since the Outstanding Restructuring PRC Approval is still pending, completion of the Disposal has not yet taken place as at the date of approval of these consolidated financial statements. The Company, having consulted its PRC legal counsel, expects that the Outstanding Restructuring PRC Approval should be able to be obtained and completion of the Disposal should be able to take place, by no later than 29 April 2016. Accordingly, the Company has made an announcement that the seller and the purchaser have agreed to extend the long stop date defined under the Sale and Purchase Agreement to 29 April 2016 so that the completion of the Disposal may take place on or before such date, subject to the obtaining of the Outstanding Restructuring PRC Approval. Further details are disclosed in the announcement of the Company dated 29 March 2016.
- (ii) As disclosed in Note 14, the Company is required to redeem the convertible bonds which are subject to redemption notices and in the aggregate principal amount of HK\$1,848,415,000 on 31 March 2016. Given that the completion of the Disposal could not take place before 31 March 2016 because the Outstanding Restructuring PRC Approval could not be obtained in time, the Company does not have sufficient cash resources to satisfy its redemption obligations in relation to the convertible bonds on 31 March 2016. The Company will, starting from 1 April 2016, be in default under the convertible bonds. The trustee or the Bondholders through the trustee may take legal actions against the Company in respect of the convertible bonds. In that case, the business of the Group and the interests of the Company and the shareholders may be materially and adversely affected. However, the Company, having consulted its legal advisers, expects the possible courses of actions to be taken by the trustee would not have substantial impact on the Company provided that the completion takes place before 29 April 2016.

The Company is seeking the Bondholders’ consent to delay the redemption date from 31 March 2016 to a date no later than 29 April 2016 in order to allow sufficient time for the Company to complete the Disposal so as to enable the Company has sufficient cash resources to satisfy its redemption obligations under the convertible bonds. The proposal for the delay will only take effect if the conditions set out in the Company’s announcement dated 29 March 2016 are satisfied on or before 12 April 2016. One of the conditions require written resolutions have to be passed by not less than 90 per cent of the aggregate principal amount of the convertible bonds outstanding and the total maximum amount of consent fees up to approximately HK\$7,058,000 will be payable to the eligible Bondholders who vote in favour of the written resolutions in the prescribed manner (subject to the satisfaction of the relevant conditions). Further details are disclosed in the announcement of the Company dated 29 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the financial year ended 31 December 2015.

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group was principally engaged in lottery system and games development business and distribution and marketing of lottery products in China.

The Chinese lottery market comprises two lotteries, namely, the China Welfare Lottery and the China Sports Lottery. The Group provides services to both lotteries.

Lottery Business

The Group's lottery business can be broadly divided into System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB"). Revenue of the lottery business accounted for 100% of the Group's total revenue.

Revenue of the lottery business for the year decreased by 7.9% to HK\$1,554,394,000 (2014: HK\$1,687,953,000). Profit before taxation was HK\$205,358,000 (2014: Loss HK\$141,541,000).

In 2015, regulatory development in the Chinese lottery industry caused changes in market condition and operation environment. Internet lottery distribution channel has been suspended since March 2015 (the "Internet Suspension") and the regulatory approval process in relation to new lottery products and distribution channels has been extended. The PRC authorities implemented these changes with an aim to improve transparency and eliminate malpractices in the industry. As a result of these regulatory developments, the Chinese lottery market experienced a short term set back and a decline of total lottery sales over the year. The performance of both the Group's SGDB and DMB divisions were dampened to different extents due to such changes.

The Chinese lottery market witnessed a healthy sales growth in the second half of 2014 and the use of internet lottery distribution channel prevailed among lottery players since the 2014 World Cup. At that time, none of the market participants could have foreseen the industry-wide impacts brought by the Internet Suspension and the regulatory development that followed. The Group, like other industry participants, was by no means immune to such impacts. The internet used to be one of the major distribution channels for the Group's Single Match Games ("SMG") business, therefore, the Group's SMG business was adversely affected as a result of the Internet Suspension. Furthermore, the Internet Suspension prevented consumers from buying lottery ticket online which eventually put pressure on the lottery sales in the Chinese lottery market. Other than SMG, the growth of the Computer Ticket Games ("CTG") products was hindered by the Internet Suspension due to the reduced sales contribution from internet channel. Thus, the performance of the Group's Welfare CTG business was also affected.

Surmounting Challenges

Although the harsh operating environment had put heavy pressure on the Group's financial results, the Group managed to steer through this challenging year and made significant progress on its long-term strategic development in addition to the ongoing development of its existing businesses. Further, in response to the regulatory development in the Chinese lottery market, the Group had completed a series of strategic reviews and initiated its transformation efforts to focus on driving its long-term growth.

Reference is also made to the announcement of the Company dated 29 March 2016. During the year under review, put options in relation to (i) the 6.00 per cent. bonds due 2016 (the "2016 Bonds") and (ii) the 4.5 per cent. bonds due 2019 (the "2019 Bonds", together with the 2016 Bonds, collectively "the Bonds") issued by the Company were triggered as a result of the Company's shares being suspended from trading for more than 30 consecutive trading days. The Company is committed to fulfilling its redemption obligations and entered into a sale and purchase agreement (as supplemented and amended on 23 February 2016) (the "Sale and Purchase Agreement") shortly after the reporting period on 4 January 2016, in relation to (i) the sale and purchase of the entire issued share capital of Multi Glory Limited, a wholly-owned subsidiary of the Company; and (ii) the assignment of the entire amount owing from Multi Glory Limited to the Group, at the cash consideration of HK\$2,150,000,000 to dispose of part of the Welfare CTG business under the Group's SGDB division (the "Disposal"). It is intended that, subject to completion, the net proceeds from the Disposal will firstly be applied by the Company for redemption of the Bonds with respect to which put options had been exercised by the relevant bondholders (by giving redemption notices) pursuant to the terms and conditions of the Bonds (the "Put Bonds").

As disclosed in the announcements of the Company dated 18 March and 29 March 2016, respectively, the Disposal has been approved by the independent shareholders at the special general meeting of the Company on 18 March 2016 and all the conditions precedent to completion of the Disposal, save for those relating to the obtaining of the relevant approval and registration from the relevant PRC authority in relation to the restructuring under the terms of the Disposal (the “Outstanding Restructuring PRC Approval”), have been satisfied as at 29 March 2016. The seller and the purchaser have agreed to extend the long stop date under the Sale and Purchase Agreement to 29 April 2016, so that completion of the Disposal may take place on or before such date, subject only to the satisfaction of the conditions precedent relating to the Outstanding Restructuring PRC Approval. The Company has proposed to seek bondholders’ consent to allow sufficient time for the Company to complete the Disposal and obtain sufficient offshore cash resources to satisfy its redemption obligations under the Bonds.

It is expected that the Company will have sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds once the Disposal is completed after obtaining the Outstanding Restructuring PRC Approval. It is also expected that after completion of the Disposal and repayment of the Put Bonds, the overall cashflow, gearing and liquidity position of the Group will improve substantially. As such, it will put the Company on solid financial footing and allow the Company to focus on growing its business in high growth sector in the industry.

The Disposal will cover part of the business operations in the Group’s Welfare CTG business which focuses on traditional lottery market. It marks an important step forward in transforming the Group’s lottery business. The Group assertively undertook the reorganization in accordance with the outcome of its strategic review during the year under review. In 2006, the Group first commenced its participation in the Chinese lottery market through its Welfare CTG operations. Over the last decade, the Group played a key role in supporting the development of Welfare CTG market and at the same time benefited greatly from the rapid growth of this market segment. With the latest development of Welfare CTG market, the Group believes it was an appropriate time to reposition its operations in this market segment. The Disposal will provide the Group with a good opportunity to realize one of its long-term investments with accretive valuation and refocus on growing its business in various sectors with high growth potential in the industry.

As a part of the Group's vision to refocus on the development of new lottery products and distribution channels which demonstrate significant growth potential, the Group is committed to drive profitable growth for shareholders through the implementation of its transformation strategy to more effectively align its operations with the latest trend emerged in the Chinese lottery market. The updated strategy will leverage and optimize the Group's resources against the greatest growth opportunities available in the Chinese lottery market by reinvigorate its respective businesses and concentrate investment towards such areas.

In the meantime, the Company continues its efforts to further the progress and publish the clarification announcement which will contain a detailed response to address the allegations in a report issued by Anonymous Analytics during the year under review. The unexpected changes in regulatory landscape of the Chinese lottery industry coupled with the turbulence and turmoil in capital market provided a window for entities to launch attacks towards the Company. The clarification announcement is subject to clearance by the Stock Exchange and it will be published as soon as practicable. Shareholders of the Company should note that the Group's lottery business continues its operations as usual and is unaffected by these allegations.

Chinese Lottery Market

Chinese lottery market registered total lottery sales of RMB367.9 billion in 2015, decreased by 4% compared with 2014 and posted a decline for the first time since 2004.

Total sales of Welfare Lottery was RMB201.5 billion, decreased by 2% compared with 2014. Welfare CTG accounted for about 71% of total Welfare Lottery sales; Welfare Scratch Cards was about 8% and Video Lottery Terminals ("VLT") took about 21%.

Welfare CTG sales in 2015 was RMB142.3 billion, decreased by 4%. Welfare Scratch Cards sales was RMB16.3 billion, down 12%. VLT sales increased 13% to RMB42.5 billion. Sales of Keno was RMB0.43 billion, decreased 50%.

Total sales of Sports Lottery was RMB166.4 billion. Sports CTG accounted for about 92% of total Sports Lottery sales and Sports Scratch Cards was about 8%.

Sales of Sports CTG, including SMG, decreased by 5% to RMB152.4 billion. Sports Scratch Cards sales was RMB14.0 billion, down by 11%. Total sales of Sports VLT, which launched since January 2015, was RMB5.71 million.

System and Games Development Business

The Group's SGDB is an active participant in the provision of lottery systems and specialized equipment for both CTG and scratch card products in China. During the year under review, performance of the Group's SGDB was indirectly affected by "Internet Suspension". In addition, the Group continued to face the impact of a softer than expected scratch card market. In the light of this, the Group undertook a thorough business review and initiated its efforts to re-engineer its business to align with the latest trend in the Chinese lottery market.

Welfare CTG Business

In 2015, total sales of Welfare CTG in the Chinese lottery market was RMB142.3 billion, decreased 4% over 2014. As reported in the Group's interim report, total sales of Welfare CTG market managed to registered positive growth of 4% in the first six months of 2015. However, total sales of Welfare CTG in the second half declined 12% over the same period in 2014.

With the strong presence established in this segment over the last decade, the Group's Welfare CTG business continued to maintain its leading position and withstand the temporary headwind presented in the Chinese lottery market. It is generally believed that the decline in Welfare CTG market was mainly attributed to the Internet Suspension as lottery sales in this segment was impacted by losing a particular consumer demographics who used to buy lottery tickets online. It is notable that the Internet Suspension impacted both traditional products (including lotto and number games) and high frequency games. As a result, the overall operating performance of the Group's Welfare CTG business was affected and its margin also encountered downward pressure in 2015.

With the latest development of Welfare CTG market, the Group believed that it was an appropriate timing to reposition its operations in this market segment. Shortly after the reporting period of year 2015, the Group announced a plan to realise its investment in the relative mature segment of Welfare CTG market and to dispose of part of its Welfare CTG business. After completion of the Disposal, the Group will continue to participate in the Welfare CTG market with an updated strategy focusing on lottery games and peripheral lottery system development which will prove to be robust growth drivers with long term growth prospects.

Welfare Scratch Cards Business

The Group involved in the validation and printing business of Welfare Scratch Cards in China. In 2015, the softer than expected Welfare Scratch Card market, which posted a decline of 12% in total sales over 2014, affected the performance of the Group's Welfare Scratch Cards Business.

The Group has jointly controlled interests, through 北京戈德利邦科技有限公司 (Beijing Guard Libang Technology Co Ltd*) ("Guard Libang"), in Welfare Scratch Cards validation services. Guard Libang is the validation system and specialized equipment provider for Welfare Scratch Cards in the Chinese lottery market. The decrease in revenue of the validation services in 2015 was in line with the decline in total sales of the Welfare Scratch Cards market.

Through a cooperative venture with Shijiazhuang Offset Printing House, one of the three entities authorized to print for the Welfare Scratch Cards programs, the Group continued to participate in Welfare Scratch Cards printing business during the year under review. Although the trend of the Welfare Scratch Card market stabilized in the second half of 2015 compared with its performance in the first six months of the year, the full year performance of the Group's printing business was inevitably impacted due to the shrinking market volume. Despite that, the Group's printing operations rolled out new scratch cards with different designs and launched certain reprint of well received games to support the revitalization initiatives taken by lottery authorities. Most of the scratch cards designs rolled out by the Group's printing operations managed to gain traction among lottery consumers. The Group's design capability has proven to be instrumental in expanding its market share in the printing business of Welfare Scratch Card.

Sports CTG Business

The Group's Sports CTG business was engaged in the manufacturing and sales of CTG terminals to provincial Sports Lottery Centres across China serving the needs of traditional CTG segment and supporting the development of SMG.

During the year under review, there was a continuous demand for replacement of Sports CTG/SMG terminals. This was driven by the need to modernize sales equipment in the physical lottery distribution network, which was aimed at providing retailers with an opportunity to take advantage of the full array of functionalities of the latest lottery terminals. The Group actively participated in the procurement bidding of CTG/SMG terminals and delivered its Sports CTG terminals in different provinces.

Distribution and Marketing Business

The Group's DMB is a major participant in the downstream lottery operations in China. It has successfully established a comprehensive distribution platform which consists of a widely diversified and recognized physical retail network and a portfolio of innovative and advanced electronic lottery distribution channels.

The Group pledged to provide reliable, efficient and innovative lottery services to address the needs of end consumers in lottery market and assist lottery authorities to promote and develop the Chinese Lottery market in sustainable manner.

During the year under review, the regulatory development in the Chinese lottery market and the Internet Suspension created a challenging market environment for the Group's DMB. Leveraging the Group's competitive edge across the downstream lottery market, the Group undertook various initiatives to rise to these challenges.

Scratch Cards Distribution Business

The Group's scratch cards distribution business focuses on the distribution and sales of scratch cards through a physical lottery distribution network. This network comprised of a widely diversified and recognized sales distribution channels located in selected prime locations. The Group's DMB is one of the largest distributors for scratch cards in terms of sales value and number of point-of-sales established.

The Group remains cautiously optimistic about the scratch card market, even though this segment has been facing strong competition presented by other lottery products which remained the major challenge for scratch cards in the past year. In addition, performance of scratch cards sale was affected by seasonal factors. For instance, physical distribution outlets recorded lower footfall because of the hot weather during the last summer. Nevertheless, momentum of growth appeared as a result of various regional marketing campaigns and promotional efforts initiated by lottery center throughout the year. Sales of scratch cards stabilized and showed improvement in the second half of the year.

Since the commencement of the Group's scratch cards distribution business, the Group has established its distribution network featured with a unique supply chain solution by cooperating with its business partners. The ability of these points of sales in engaging consumer's daily life and increasing impulse purchase of scratch cards has been the key selection criteria for constructing the entire distribution network.

During the year under review, the Group stepped up its efforts to optimize its existing distribution network in order to strengthen its performance amid the challenging market condition. In addition, the Group undertook strategic initiative to explore new distribution channels for scratch cards. With this initiative, the Group expects it will not only reach out new consumer demographics but also maximize the inherent entertaining element of scratch card products to bring about a meaningful improvement in sales performance.

Single Match Games Business

The growth rate of SMG sales in 2015 declined substantially as compared to 2014 because of a high sales during the 2014 World Cup and the negative impact of Internet Suspension. For the first half of 2015, the impact of the Internet Suspension on SMG sales was diminished by a one-off sales surge triggered by the extremely strong performance during the AFC Asian Cup in January/February. The negative impact of the Internet Suspension was gradually reflected in the second half of the year. During the year under review, the Group continued to operate the SMG business through physical distribution network and kept pace with the changes in consumers demand by improving its professional services.

The Internet Suspension in 2015 may have hindered the valuable opportunity for the market to cultivate those relative new SMG consumers introduced by the 2014 World Cup, who were generally engaged by electronic lottery distribution channel. However, the potential long-term benefits behind this short-term impact should not be neglected. Once the relevant regulatory framework has been clarified and licensing regime of internet lottery distribution channel has come in force, this will rebuild confidence among consumers and pave the way for the positive development in the long run. The Group anticipates the market consolidation, which is going to separate the wheat from the chaff, will greatly benefit the operations of www.okooo.com (“Okooo”). The Group continues to have interest in the internet lottery platform Okooo. With enormous long-term potential of this market segment, the Group continues to view Okooo as a crucial vehicle for the long-term success within the Group’s portfolio.

Mobile Lottery Business and Mobile Electronic Lottery Platform

The Group’s mobile lottery business consists of two generations of mobile technology. The traditional mobile lottery business provides subscribers with the latest lottery information and allows them to purchase CTG tickets through SMS text messaging. During the year under review, the Group has completed migration of users from traditional mobile channel to Mobile Electronic Lottery Platform (“Mobile ELP”). The current generation Mobile ELP utilizes mobile apps to allow customers to buy lottery tickets and receive latest lottery information.

The Group’s Mobile ELP offers a multi-functional back-end system with convenience interface to facilitate lottery distribution over the mobile channel. Mobile ELP improves the convenience of lottery purchase by connecting players directly to the centralized system of provincial lottery centre, enabling a safe and reliable lottery purchase experience. The adoption of Mobile ELP provides provincial lottery centres with technological breakthrough to better connect with players located in their respective provinces and attract purchases from the locals.

During the year under review, certain provinces adopted a rather conservative approach in promoting mobile lottery distribution services while awaiting interpretation of the relevant measures governing mobile lottery distribution. The performance of the Group's mobile lottery business was therefore affected. As the approval process for new mobile distribution channels had been extended due to the latest regulatory development, the expansion of the Group's Mobile ELP was hindered. Nevertheless, the development of Mobile ELP for Guangdong Sports Lottery Administration Centre is in the final phase pending a trial run test before proceeding to the final deployment. The official launch of Guangdong platform will accelerate the Group's expansion strategy over mobile channel by targeting the growing demographics of lottery consumer using mobile channel. With the Group's existing penetration of the mobile channel, the Group is confident that it is well positioned to seize enormous market opportunities driven by the overall growth in this lottery distribution method.

Sports Video Lottery

The Group was honored to be chosen as one of the first companies to play an active role in supporting the launch of this new lottery product for Sports Lottery. The maiden launch of Sports VLT in the past year not only supported the tourism development in Hainan Province but also broadened the product range of Sports Lottery.

The Group's first franchised lottery outlet, located at a five-star hotel in Sanya city, has commenced soft opening in January 2015 allowing players to experience the excitement offered by this brand new lottery product. Development of Sports VLT is still at its infancy stage. The Group is confident on the long-term growth of this lottery product and its potential contribution to the lottery market.

Outlook

Looking ahead into 2016, the Group expects market conditions to remain challenging. Yet, the fundamental advantage of the Group remains unchanged. With the transformation efforts and progress made over the past year, the improved financial strength and refined business portfolio will provide flexibility for the Group to proactively address the evolving lottery market. As the regulatory development continues to progress going forward, Chinese lottery market will be revitalized and plenty of valuable opportunities will arise. The Group will never shy away from pursuing those opportunities to accelerate its growth in the years to come and initiatives already underway are going to drive sustainable profit growth by reinvigorating the Group's underlying business.

Over the years, the Group took full advantage of its earnings performance to substantially invest in growth and set a firm course to expand its position in the downstream lottery market. Through the strategic investment in various lottery distribution services, which maintained a balanced portfolio across physical and electronic platforms, the Group managed to diversify its sources of revenue and to rise to the challenges presented in the lottery market. Perhaps most important of all, electronic platforms for lottery distribution, including both the internet and mobile channels, are set to rapidly take shape once the respective regulatory framework for the administration and supervision over these lottery distribution channels have been clarified. In view of this, the Group believed that it was a wise move and timely decision to transform the Group's business by shifting its focus from relative mature segment towards other areas with high growth potential. The Group will be starting to harvest the financial reward of its efforts in the near future.

After the disposal of part of the Welfare CTG business, the Group will, among other existing operations, continue its participation in the upstream lottery market by providing peripheral lottery system and specialized equipment for Welfare Lottery focusing the non-traditional market. Alongside its devoted efforts made in the upstream is an equally strong focus on developing lottery distribution channels which allows the Group to capture any tremendous growth potential identified in various lottery products. Performance of the Group's lottery distribution channels the DMB has proven to be a key growth driver of its lottery business, and will continue to be a high priority of the Group in the year ahead.

The Group's DMB has unique advantage of starting from a very strong base and is well positioned to embrace another wave of exponential growth led by game development in the Chinese lottery market. Depending on the progress of industry-wide regulatory reform, the Group will continue to invest efficiently and smartly in expanding its lottery distribution services for other lottery products, in order to reach out new demographic of lottery consumers. Initiatives are underway over the Group's mobile lottery platforms as well as the Group's scratch card distribution business.

On SMG front, the Group continues to have interest in the internet lottery platform Okooo. The internet lottery distribution of Okooo is currently suspended. The Group expects that the PRC authorities will introduce a licensing regime to regulate the internet lottery market. Depending on the requirements of the licensing regime, it is planned that the Group will apply for a licence after the PRC authorities announce the application procedures. By providing innovative and high quality lottery services and information for SMG consumers through Okooo, coupled with its reputation for integrity and reliability, the Group will have a significant advantage over competitors in the market. During the Internet Suspension period, it has been reported that illegal and offshore bookmakers have been actively luring domestic consumers with their competitive odds and high variety of bet types offerings. While these activities pose serious threats to the development of SMG in China, they also demonstrate the potential of domestic SMG market and the demand for changes in game play. Therefore, the Group will concentrate its effort to develop the SMG business. The Group expects to see benefits of its investment over the course of coming years pending the launch of licensing regime.

With the solid fundamentals of its business and a strong financial position after the fulfilment of redemption obligation under the Bonds, the Group is poised to accelerate its growth rate in the future. The strategic transformation successfully executed over the past year is considered an essential step forward to achieve the Group's medium and long-term success. Looking ahead, the Group's ongoing initiatives will facilitate not only the continuous improvement of its business to generate sustainable shareholder value over time, but also the development of Chinese lottery market which makes significant contributions for the good causes that benefit the general public in China.

Major Risks and Uncertainties of the Group

The followings were the major risk and uncertainties of the Group during the year under review.

Macroeconomic Environment

The gross turnover of lotteries in PRC is closely related to consumers' lottery purchase behavior. Any change in consumers' lottery purchase behavior resulting from changes in global and domestic economic conditions could materially and adversely affect the Group's business, results of operations and financial condition.

Regulatory risk

The Group's lottery business is subject to regulations and measures promulgated by the relevant authorities in the PRC. Any change in these regulations and measures in PRC could materially and adversely affect the Group's business, results of operations and financial condition.

Uncertainty in the implementation of internet and telephone lottery sales services

The rules and regulations on internet and telephone lottery sales services in PRC are subject to interpretation by the relevant authorities and may involve uncertainties in their implementation. Any unfavorable new regulatory requirements or amendments could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Renewal of cooperation agreements

The Group operates part of its lottery business pursuant to fixed-term cooperation agreements with provincial lottery centres and strategic partners. There is no assurance that these cooperation agreements will be extended or renewed on favourable terms or at all. The occurrence of any of the above situations may materially and adversely affect the Group's business, results of operations and financial condition.

Weather

Extreme weather conditions in regions where the Group's lottery distribution network, suppliers, customers and lottery consumers are located could adversely affect the business and results of operations of the Group.

Corporate Environmental and Social Responsibility

The Group is committed to the long-term sustainability of its various businesses and the local communities where we operate. The Group also recognizes the importance of the views and interests of its stakeholders such as shareholders, regulators, employees and the public in making its business decisions. The Group continues to make constant progress in areas such as corporate governance, energy saving, the remuneration of employees, and general social welfare.

Environmental protection

The Group supports environmental protection programs and is constantly looking to reduce the impact of business activities on the environment. The Group also encourages employees to save energy and improve efficient utilization of resources through the use of energy-saving lightings and recycled paper, minimizing the use of paper, reducing energy consumption by switching off idle lightings, computers and electrical appliances.

Employees care and training

The Group promotes the personal development and professional growth of its employees. The Group aims to offer a learning atmosphere to its staff in enriching their work practices. In addition, the Group strives to provide a safe and congenial workplace for all employees. The Group also encourages employees to take part in work-life balance activities and community service.

Community involvement

The Group is committed to being a responsible member of the community and aims to make a positive impact on the local community. The Group encourages employees to participate in various voluntary events, creating a strong social network and providing assistance and supports for the people in need, which could provide an opportunity for them to connect outside the workplace, and inspire teambuilding experiences while contributing to the local communities.

FINANCIAL REVIEW

Result

For the year ended 31 December 2015, the Group recorded a revenue of HK\$1,554,394,000 (2014: HK\$1,687,953,000), representing a decrease of 7.9% over that of the last year. The decrease was mainly attributable to the Group's lottery business in China.

Profit attributable to equity shareholders for the year was HK\$150,879,000 (loss attributable to equity shareholders for 2014: HK\$103,692,000). The earnings per share was 1.51 HK cents (loss per share for 2014: 1.12 HK cents). Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as both the share options and the Bonds outstanding during the year had an anti-dilutive effect on the basic earnings per share.

The Board does not recommend the payment of dividend in respect of the year ended 31 December 2015. The Group's total dividend for the year ended 31 December 2014 amounted to 3.10 HK cents per share.

Liquidity, Financial Resources and Funding

At 31 December 2015, the Group's total equity amounted to HK\$6,085,403,000 as compared to HK\$6,140,106,000 at the end of the previous year.

At 31 December 2015, the Group (including the Disposal Group) had cash and bank balances of approximately HK\$1,242,791,000 (2014: approximately HK\$1,293,032,000). This balance includes approximately HK\$330,000 (2014: approximately HK\$332,000) of clients' funds that were kept in designated segregated bank accounts.

In 2011 and 2012, the Company issued the 2016 Bonds in principal amount of HK\$964,700,000 and HK\$429,000,000 respectively. Each 2016 Bond is convertible into fully paid ordinary shares of HK\$0.01 each (the “Shares”) of the Company at the applicable conversion price of HK\$0.5600 per Share. The 2016 Bonds bear interest at the rate of 6% per annum payable semi-annually in arrears. In 2014, conversion rights attached to the 2016 Bonds of HK\$618,100,000 in principal amount had been exercised by the holders thereof. During the year ended 31 December 2015, there was no conversion of the 2016 Bonds into Shares by the bondholders of the Company (the “Bondholders”). On 30 November 2015, the Company made a partial payment of 5% of the principal in respect of all the 2016 Bonds for the amount of HK\$17,385,000. As at 31 December 2015, the principal amount of the 2016 Bonds outstanding was HK\$330,315,000 (2014: HK\$347,700,000).

In 2014, the Company issued the 2019 Bonds in principal amount of HK\$1,900,000,000. Each 2019 Bond is convertible into fully paid ordinary Shares of the Company at the applicable conversion price of HK\$1.3700 per Share. The 2019 Bonds bear interest at the rate of 4.5% per annum payable semi-annually in arrears. In 2014, there was no conversion of the 2019 Bonds into Shares by the Bondholders and no redemption of the 2019 Bonds made by the Company. During the year ended 31 December 2015, there was no conversion of the 2019 Bonds into Shares by the Bondholders. On 30 November 2015, the Company made a partial payment of 5% of the principal in respect of all the 2019 Bonds for the amount of HK\$95,000,000. As at 31 December 2015, the principal amount of the 2019 Bonds outstanding was HK\$1,805,000,000 (2014: HK\$1,900,000,000).

The gearing ratio as at 31 December 2015 was 35.70% (2014: 33.09%). The gearing ratio was derived by dividing the total borrowings including the convertible bonds, obligations under finance leases and bank borrowings includes those classified as part of liabilities associated with assets classified as held for sale of approximately HK\$2,172,736,000 (2014: approximately HK\$2,031,895,000) by the amount of total equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 347% (2014: 2,082%), reflecting adequacy of financial resources. The decrease of liquidity ratio mainly due to the reclassification part of the convertible bonds from non-current liabilities to current liabilities for the year ended 31 December 2015.

The Group had outstanding bank borrowings at 31 December 2015 of HK\$71,429,000 (2014: HK\$87,500,000). The bank borrowings of HK\$71,429,000 was loaned to the Disposal Group in 2015. The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Group's land and building were pledged to secure the bank borrowings. We expect that all these borrowings will be repaid by internal generated funds.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present operational requirements.

Impairment Loss on Goodwill

For the year ended 31 December 2015, the Group made a provision of HK\$99,321,000 (2014: HK\$748,530,000) for impairment loss on goodwill.

The impairment loss on goodwill HK\$99,321,000 was recognized for the Group's cash-generating unit which is principally engaged in provision of mobile value-added services. The goodwill was arisen as a result of the acquisition for the cash-generating unit provided the traditional type of mobile value-added service. During the year, most of the traditional type of the mobile value-added service has been replaced by a high technology mobile value-added service, therefore full impairment of goodwill of HK\$99,321,000 was recognized.

Pledge of Assets

At 31 December 2015, the Disposal Group's land and building with total market value of approximately HK\$122,500,000 is pledged to banks to secure the bank borrowings granted to the Disposal Group.

Share Capital

23,470,628 new Shares were issued and allotted by the Company during the year pursuant to the scrip dividend scheme in respect of the final dividend for the year ended 31 December 2014.

As at 31 December 2015, the total number of issued Shares was 9,983,495,338.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2015.

Convertible Bonds

The 2016 Bonds

The Company issued the 2016 Bonds in 2011 and 2012 respectively which shall, upon conversion, be convertible into fully paid Shares at an initial conversion price of HK\$0.6175 per Share. Pursuant to the adjustment provisions in the initial terms and conditions of the 2016 Bonds, (i) adjustment has been made to the conversion price of the 2016 Bonds from HK\$0.6175 per Share to HK\$0.6100 per Share with effect from 19 June 2013 as a result of the approval and declaration of the final dividend for the year ended 31 December 2012; (ii) further adjustment has been made to the conversion price of the 2016 Bonds from HK\$0.6100 per Share to HK\$0.6000 per Share with effect from 31 October 2013 as a result of the declaration of the interim dividend for the six months ended 30 June 2013; (iii) further adjustment has been made to the conversion price of the 2016 Bonds from HK\$0.6000 per Share to HK\$0.5800 per Share with effect from 19 June 2014 as a result of the approval and declaration of the final dividend for the year ended 31 December 2013; (iv) further adjustment has been made to the conversion price of the 2016 Bonds from HK\$0.5800 per Share to HK\$0.5700 per Share with effect from 31 October 2014 as a result of the declaration of the interim dividend for the six months ended 30 June 2014; and (v) further adjustment has been made to the conversion price of the 2016 Bonds from HK\$0.5700 per Share to HK\$0.5600 per Share with effect from 19 June 2015 as a result of the approval and declaration of the final dividend for the year ended 31 December 2014.

During the year ended 31 December 2015, there was no conversion of the 2016 Bonds into Shares by the Bondholders. On 30 November 2015, the Company made a partial payment of 5% of the principal in respect of all the 2016 Bonds for the amount of HK\$17,385,000. As at 31 December 2015, the principal amount of the 2016 Bonds outstanding was HK\$330,315,000 (2014: HK\$347,700,000). Each 2016 Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$0.5600 per Share upon conversion. The 2016 Bonds was listed on the Singapore Exchange Securities Trading Limited.

Further updates of the 2016 Bonds are set out in the sections headed "The First Proposals in relation to the Bonds" and "Latest Proposals in relation to the Bonds" below.

The 2019 Bonds

The Company issued the 2019 Bonds in the principal amount of HK\$1,900,000,000 in 2014. Each 2019 Bond will be convertible into fully paid Shares at an initial conversion price of HK\$1.4070 per Share. Pursuant to the adjustment provisions in the initial terms and conditions of the 2019 Bonds, (i) adjustment has been made to the conversion price of the 2019 Bonds from HK\$1.4070 per Share to HK\$1.3900 per Share with effect from 31 October 2014 as a result of the declaration of the interim dividend for the six months ended 30 June 2014; and (ii) further adjustment has been made to the conversion price of the 2019 Bonds from HK\$1.3900 per Share to HK\$1.3700 per Share with effect from 19 June 2015 as a result of the approval and declaration of the final dividend for the year ended 31 December 2014.

During the year ended 31 December 2015, there was no conversion of the 2019 Bonds into Shares by the Bondholders. On 30 November 2015, the Company made a partial payment of 5% of the principal in respect of all the 2019 Bonds for the amount of HK\$95,000,000. As at 31 December 2015, the principal amount of the 2019 Bonds outstanding was HK\$1,805,000,000 (2014: HK\$1,900,000,000). Each 2019 Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$1.3700 per Share upon conversion. The 2019 Bonds was listed on the Singapore Exchange Securities Trading Limited.

Further updates of the 2019 Bonds are set out in the sections headed “The First Proposals in relation to the Bonds” and “Latest Proposals in relation to the Bonds” below.

Relevant Event in relation to the Bonds

As stated in the announcement of the Company dated 20 August 2015, pursuant to the terms and conditions of each of the 2016 Bonds and the 2019 Bonds, a “Relevant Event” occurs when, among other things, the Shares are suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange. Notice has been given by the Company to the holders of the Bonds that a “Relevant Event” occurred. Each holder of the Bonds had the right at such holder’s option, to require the Company to redeem all or some only of such holder’s Bonds on 2 November 2015 at their principal amount together with interest accrued to such redemption date, in each case in accordance with the respective terms and conditions of the 2016 Bonds and the 2019 Bonds. Upon redemption of any of the Bonds, such redeemed Bonds will be cancelled.

The First Proposals in relation to the Bonds

As stated in the announcements of the Company dated 22 September 2015 and 7 October 2015 respectively, given the occurrence of the “Relevant Event”, the Company formulated proposals (the “First Proposals”) to the Bondholders to, among other things, delay the original “Relevant Event” redemption date to 31 March 2016 (the “March Relevant Event Redemption Date”) and extend the relevant put period end date to the date falling 30 days prior to the March Relevant Event Redemption Date. The First Proposals were approved by the Bondholders on 29 October 2015 and took effect on 2 November 2015. Accordingly, the “Relevant Event” redemption date was delayed to 31 March 2016 and the relevant put period end date was correspondingly extended.

Detailed information regarding the First Proposals and the relevant meetings of the Bondholders are set out in the announcements of the Company dated 22 September 2015, 7 October 2015 and 29 October 2015, respectively. Based on the redemption notices received by the Company by 1 March 2016 (being 30 days prior to the March Relevant Event Redemption Date), the aggregate principal amount of the Put Bonds subject to redemption on 31 March 2016 is HK\$1,848,415,000. Further updates in relation to the Bonds are set out in the section headed “Latest Proposals in relation to the Bonds” below.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

The Group’s assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. Since August 2015, the exchange rate of RMB fluctuated significant, the Directors are aware that the fluctuation in exchange rate between Hong Kong dollar and Renminbi may give rise to potential foreign currency risk. The Group currently does not have a foreign currency hedging policy and will continue to monitor and evaluate the Group’s foreign currency exposure and take actions as appropriate.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

Capital Commitments

For the year ended 31 December 2015, the Company had capital commitments contracted for but not provided for in the consolidated financial statements of approximately HK\$383,000 (2014: approximately HK\$1,203,000) and approximately HK\$84,000,000 (2014: approximately HK\$84,000,000) for purchase of property, plant and equipment and increase in registered capital of a subsidiary respectively.

Contingent Liabilities

As at 31 December 2015 and 2014, certain subsidiaries of the Group have issued corporate guarantees in respect of the finance lease obligation under a sales and leaseback arrangement granted to a subsidiary of the Group which will expire when the lease is terminated. The Group has not recognised any deferred income and the related expenses in respect of such guarantees, as in the opinion of the Directors, their fair values cannot be reliably measured using observable market data and their transaction price was nil.

As at 31 December 2015 and 2014, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2015.

Human Resources

As at 31 December 2015, the Group had 1,213 employees.

The Group remunerated its employee mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual performance.

Final Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: 0.80 HK cent per Share).

Events After the Reporting Period

Disposal of subsidiaries – Major and connected transaction

On 4 January 2016, REXCAPITAL Financial Group Limited (the “Seller”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as supplemented and amended on 23 February 2016) (the “Sale and Purchase Agreement”) with Sunjet Investments Limited (the “Purchaser”), in relation to (i) the sale and purchase of the entire issued share capital of Multi Glory Limited, a wholly-owned subsidiary of the Company; and (ii) the assignment of the entire amount owing from Multi Glory Limited to the Group, at the cash consideration of HK\$2,150,000,000 (the “Disposal”). It is intended that the net proceeds from the Disposal, expected to be in the amount of approximately HK\$1,942,000,000, will firstly be applied by the Company for redemption of the outstanding Put Bonds.

The Disposal constituted a major and connected transaction of the Company under the Listing Rules. By a resolution passed at the special general meeting of the Company held on 18 March 2016, the Sale and Purchase Agreement and the transactions contemplated thereunder has been approved by the independent shareholders of the Company. As stated in the announcement of the Company dated 29 March 2016, the relevant conditions precedent under the Sale and Purchase Agreement have not been fully satisfied as a result of that the Outstanding Restructuring PRC Approval has not yet been obtained. Having consulted its PRC legal counsel, the Company expects that the Outstanding Restructuring PRC Approval should be able to be obtained, and completion of the Disposal should be able to take place, by no later than 29 April 2016. Therefore the Seller and the Purchaser have agreed to extend the long stop date under the Sale and Purchase Agreement to 29 April 2016. As at the date hereof, the Disposal has not been completed.

Details of the Disposal are set out in the Company’s circular dated 29 February 2016 and further information relating to the status thereof is set out in the Company’s announcements dated 18 March 2016 and 29 March 2016 respectively.

Latest Proposals in relation to the Bonds

As stated in the announcement of the Company dated 29 March 2016, if completion of the Disposal did not take place before 31 March 2016, because the Outstanding Restructuring PRC Approval could not be obtained in time, the Company would not have sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds on 31 March 2016, which would result in an event of default under the Bonds. The Company therefore is requesting the Bondholders of each of the 2016 Bonds and the 2019 Bonds to agree to delay the March Relevant Event Redemption Date to the date notified by the Company to the Bondholders and the trustee of the Bonds no later than five Hong Kong business days prior to the date on which payment is to be made (which payment date shall in any event be no later than 29 April 2016) (the “Delayed Relevant Event Redemption Date”) in relation to the Relevant Delisting Event (as defined in the Company’s announcement dated 29 March 2016) (collectively, the “Latest Proposals”). The Latest Proposals are subject to the obtaining of the approval by the Stock Exchange in accordance with Rule 28.05 of the Listing Rules. Such approval was granted by the Stock Exchange on 30 March 2016.

As completion of the Disposal has not taken place as at the date of this announcement, the Company is therefore unable to satisfy its redemption obligations under the Bonds on 31 March 2016, the Company will, starting from 1 April 2016, be in default under the Bonds, unless and until the Written Resolutions (as defined in the Company’s announcement dated 29 March 2016) are passed by the Bondholders (and the Latest Proposals are effected, expected to be by no later than 12 April 2016 if the relevant conditions are satisfied) or all relevant payment obligations of the Company under the Bonds are duly satisfied, as the case may be.

The Directors expect that the Company would be able to complete the Disposal by no later than 29 April 2016, whereupon the Company would receive sufficient offshore cash resources for redemption of the Put Bonds, by no later than 29 April 2016 should the Consent Proposals be approved.

Upon default under the Bonds, the trustee or the Bondholders through the trustee may take legal actions against the Company in respect of Bonds. In that case, the business of the Group and the interests of the Company and the shareholders may be materially and adversely affected. However, the Company, having consulted its legal advisers, expects the possible courses of actions to be taken by the trustee would not have substantial impact on the Company provided that the completion of Disposal takes place before 29 April 2016.

Conditional Special Interim Dividend

On 21 January 2016, the Board declared a conditional special interim dividend of HK\$0.011 per Share (the “Conditional Special Interim Dividend”) which was conditional upon completion of the Disposal and the fulfillment of the redemption obligation by the Company under the Bonds by 31 March 2016. Details of the Conditional Special Interim Dividend are set out in the announcement of the Company dated 21 January 2016.

As completion of the Disposal does not take place by 31 March 2016, the Conditional Special Interim Dividend will not be paid. It is the intention of the Board that, subject to completion of the Disposal and the fulfillment of the repayment obligation of the Company under the Bonds, a special interim dividend of HK\$0.011 per Share (payable in scrip form with a cash alternative) will be declared. Further announcement will be made by the Company in this regard as and when appropriate.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the code provisions (the “Code Provision(s)”) under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except the following deviations:

Under the Code Provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have a Chairman nor a Chief Executive. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group’s business and operations. The Company will continue to review the effectiveness of the Group’s corporate governance structure and consider the appointment of a Chairman of the Board and a Chief Executive if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the Code Provision A.4.1 non-executive directors should be appointed for a specific term, subject to re-election. Currently, the independent non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

Further information is set out in the Corporate Governance Report contained in the 2015 annual report.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the consolidated financial statements for the year ended 31 December 2015.

REFERENCE TO INDEPENDENT AUDITOR'S REPORT

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.”

Emphasis of Matters

The auditor, without qualifying their opinion, draw attention to Notes 14, 18 and 20 to this results announcement. To address the issues set out therein, the Company is proceeding to obtain convertible bonds holders' consent to extend the convertible bonds redemption date from 31 March 2016 to a date no later than 29 April 2016 so as to enable the Company to have sufficient cash resources upon the completion of the proposed disposal of certain subsidiaries of the Company pursuant to the Company's circular dated 29 February 2016 and the announcement dated 29 March 2016 to satisfy its redemption obligations in relation to the Bonds. The ultimate outcome of these matters cannot presently be determined and this indicates the existence of material uncertainties as stated in Note 20 which may cast significant doubt about the Group's ability to continue as a going concern.

AUDITOR

By a resolution passed at the annual general meeting of the Company held on 11 June 2015, Ting Ho Kwan & Chan CPA Limited (“THKC CPA Ltd.”) has been appointed as the auditor of the Company to fill the vacancy arising from the retirement of Messrs. Ting Ho Kwan & Chan as a result of their internal corporate structure reorganisation.

Details of the change of auditor are, among other things, set out in the Company’s circular dated 30 April 2015 and the Company’s announcements dated 31 March 2015 and 11 June 2015 respectively.

THKC CPA Ltd. retire and being eligible, offer themselves for re-appointment. A resolution for re-appointment of THKC CPA Ltd. as auditor of the Company is to be proposed at the forthcoming annual general meeting.

SCOPE OF WORK OF TING HO KWAN & CHAN CPA LIMITED

The figures in respect of the preliminary announcement of the Group’s annual results for the year ended 31 December 2015 have been agreed by the Group’s auditor, THKC CPA Ltd., to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by THKC CPA Ltd. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by THKC CPA Ltd. on the preliminary announcement.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2015 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.aplushk.com/clients/00555rexlot/index.html>) respectively. The 2015 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 11:33 a.m. on 24 June 2015 and will remain suspended pending the release of a clarification announcement by the Company.

By order of the Board
Chan How Chung, Victor
Executive Director

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises two executive Directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon and three independent non-executive Directors namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun.

* *The English translation of Chinese names or words are for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*