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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 2013

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	<i>Notes</i>	2013 HK\$’000	2012 <i>HK\$’000</i> (Restated)
Continuing operations			
Turnover	3	2,165,474	1,961,560
Cost of sales/services rendered		(581,777)	(584,053)
Other income	3	14,018	10,293
Other gains, net	3	10,967	69
Selling and distribution expenses		(90,443)	(95,486)
Impairment loss on goodwill		(20,000)	(20,000)
Administrative expenses		(401,591)	(313,714)
Operating profit		1,096,648	958,669
Finance costs		(102,422)	(53,389)
Share of profits of joint ventures		6,713	14,138
Profit before taxation	5	1,000,939	919,418
Taxation	6	(74,489)	(53,249)
Profit for the year from continuing operations		926,450	866,169
Discontinued operations			
Profit for the year from discontinued operations	7	—	750
Profit for the year		926,450	866,919

		2013	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Attributable to:			
Equity shareholders of the Company		868,982	821,299
Non-controlling interests		<u>57,468</u>	<u>45,620</u>
		<u>926,450</u>	<u>866,919</u>
Earnings per share for profit attributable to equity shareholders of the Company	9		
From continuing and discontinued operations			
– Basic		<u>10.25 cents</u>	<u>9.88 cents</u>
– Diluted		<u>9.58 cents</u>	<u>9.13 cents</u>
From continuing operations			
– Basic		<u>10.25 cents</u>	<u>9.87 cents</u>
– Diluted		<u>9.58 cents</u>	<u>9.12 cents</u>

Details of dividends paid and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year	<u>926,450</u>	<u>866,919</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	49,120	14,912
Share of other comprehensive income of joint ventures	<u>5,741</u>	<u>1,633</u>
Total other comprehensive income	<u>54,861</u>	<u>16,545</u>
Total comprehensive income for the year	<u><u>981,311</u></u>	<u><u>883,464</u></u>
Attributable to:		
Equity shareholders of the Company	914,768	835,765
Non-controlling interests	<u>66,543</u>	<u>47,699</u>
	<u><u>981,311</u></u>	<u><u>883,464</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2013

		At 31 December 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i> (Restated)	At 1 January 2012 <i>HK\$'000</i> (Restated)
	<i>Notes</i>			
ASSETS				
Non-current assets				
Property, plant and equipment		186,082	212,684	228,723
Prepaid lease payments on land use rights		36,494	36,211	36,751
Goodwill		2,272,900	2,292,900	2,306,400
Intangible assets		246,293	272,156	270,232
Interests in joint ventures		388,450	375,996	360,225
Available-for-sale financial asset		34,000	44,000	44,000
Statutory deposits		—	—	838
Deferred tax assets		441	397	28
Total non-current assets		3,164,660	3,234,344	3,247,197
Current assets				
Inventories		151,315	133,345	114,115
Trade receivables	10	1,114,582	987,757	893,980
Utility and other deposits		1,053,516	909,123	446,962
Prepayments and other receivables		947,155	835,470	598,181
Financial assets at fair value through profit or loss		18,850	14,100	6,928
Cash and bank balances	11	1,146,266	896,859	465,677
Total current assets		4,431,684	3,776,654	2,525,843
Total assets		7,596,344	7,010,998	5,773,040
EQUITY				
Capital and reserves attributable to equity shareholders of the Company				
Share capital	12	87,318	84,406	77,527
Reserves		5,708,058	5,421,273	4,228,946
Proposed final dividend	8	168,644	65,146	61,910
		5,964,020	5,570,825	4,368,383
Non-controlling interests		258,652	227,611	168,431
Total equity		6,222,672	5,798,436	4,536,814

		At 31 December 2013 <i>Notes</i> HK\$'000	At 31 December 2012 <i>HK\$'000</i> (Restated)	At 1 January 2012 <i>HK\$'000</i> (Restated)
LIABILITIES				
Non-current liabilities				
Convertible bonds	15	833,649	795,904	830,745
Amount due to a joint venture		46,195	46,195	46,195
Deferred tax liabilities		148,219	100,666	70,315
Obligations under finance leases		44,932	12,334	441
Total non-current liabilities		1,072,995	955,099	947,696
Current liabilities				
Trade payables	13	23,460	47,335	83,286
Other payables and accruals		170,900	123,470	105,437
Bank borrowings	14	70,656	61,728	58,927
Obligations under finance leases		16,036	3,717	109
Current tax liabilities		19,625	21,213	40,771
Total current liabilities		300,677	257,463	288,530
Total liabilities		1,373,672	1,212,562	1,236,226
Total equity and liabilities		7,596,344	7,010,998	5,773,040
Net current assets		4,131,007	3,519,191	2,237,313
Total assets less current liabilities		7,295,667	6,753,535	5,484,510

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRS and amendments to HKFRS that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the amendments to HKAS 36, Impairment of assets – Recoverable amount disclosures for non-financial assets, which modify the disclosure requirements for impaired non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014, but as permitted by the amendments, the Group has adopted the amendments early.

Except for as described below, the application of the above new or revised HKFRS in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The joint ventures, previously proportionately consolidated, are now required to be accounted for using the equity method in accordance with HKFRS 11.

The Group has taken advantage of the transitional provisions of Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance (Amendments to HKFRS 10, HKFRS 11 and HKFRS 12), and has not included in the following tables the impact of the change from proportionate consolidation to equity accounting for the jointly controlled entities on the Group's consolidated balance sheet, income statement and cash flows as at and for the year ended 31 December 2013.

This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

Impact on the consolidated balance sheet at 1 January 2012

	As previously reported <i>HK\$'000</i>	Effect of adopting HKFRS 11 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Property, plant and equipment	292,150	(63,427)	228,723
Prepaid lease payments on land use rights	36,751	–	36,751
Investment property	1,354	(1,354)	–
Goodwill	2,428,796	(122,396)	2,306,400
Intangible assets	332,208	(61,976)	270,232
Interests in joint ventures	–	360,225	360,225
Available-for-sale financial asset	44,000	–	44,000
Statutory deposits	838	–	838
Deferred tax assets	77	(49)	28
Inventories	116,964	(2,849)	114,115
Trade receivables	924,802	(30,822)	893,980
Utility and other deposits	447,043	(81)	446,962
Prepayments and other receivables	617,709	(19,528)	598,181
Financial assets at fair value through profit or loss	6,928	–	6,928
Cash and bank balances	489,018	(23,341)	465,677
Total assets	5,738,638	34,402	5,773,040
Convertible bonds	830,745	–	830,745
Amount due to a joint venture	–	46,195	46,195
Deferred tax liabilities	70,315	–	70,315
Trade payables	84,403	(1,117)	83,286
Other payables and accruals	114,994	(9,557)	105,437
Bank borrowings	58,927	–	58,927
Obligations under finance leases	550	–	550
Current tax liabilities	41,890	(1,119)	40,771
Total liabilities	1,201,824	34,402	1,236,226
Net assets	4,536,814	–	4,536,814
Share capital	77,527	–	77,527
Reserves	4,228,946	–	4,228,946
Proposed final dividend	61,910	–	61,910
Non-controlling interests	168,431	–	168,431
Total equity	4,536,814	–	4,536,814

Impact on the consolidated balance sheet at 31 December 2012

	As previously reported <i>HK\$'000</i>	Effect of adopting HKFRS 11 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Property, plant and equipment	289,589	(76,905)	212,684
Prepaid lease payments on land use rights	36,211	–	36,211
Goodwill	2,415,296	(122,396)	2,292,900
Intangible assets	333,108	(60,952)	272,156
Interests in joint ventures	–	375,996	375,996
Available-for-sale financial asset	44,000	–	44,000
Deferred tax assets	1,835	(1,438)	397
Inventories	137,982	(4,637)	133,345
Trade receivables	1,020,234	(32,477)	987,757
Utility and other deposits	909,204	(81)	909,123
Prepayments and other receivables	861,368	(25,898)	835,470
Financial assets at fair value through profit or loss	14,100	–	14,100
Cash and bank balances	911,907	(15,048)	896,859
Total assets	6,974,834	36,164	7,010,998
Convertible bonds	795,904	–	795,904
Amount due to a joint venture	–	46,195	46,195
Deferred tax liabilities	100,666	–	100,666
Trade payables	50,143	(2,808)	47,335
Other payables and accruals	130,159	(6,689)	123,470
Bank borrowings	61,728	–	61,728
Obligations under finance leases	16,051	–	16,051
Current tax liabilities	21,747	(534)	21,213
Total liabilities	1,176,398	36,164	1,212,562
Net assets	5,798,436	–	5,798,436
Share capital	84,406	–	84,406
Reserves	5,421,273	–	5,421,273
Proposed final dividend	65,146	–	65,146
Non-controlling interests	227,611	–	227,611
Total equity	5,798,436	–	5,798,436

Impact on the consolidated income statement and other comprehensive income for the year ended 31 December 2012

	As previously reported <i>HK\$'000</i>	Effect of adopting HKFRS 11 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Continuing operations			
Turnover	2,036,116	(74,556)	1,961,560
Cost of sales/services rendered	(617,898)	33,845	(584,053)
Other income	11,579	(1,286)	10,293
Other gains, net	69	–	69
Selling and distribution expenses	(114,264)	18,778	(95,486)
Impairment loss on goodwill	(20,000)	–	(20,000)
Administrative expenses	(321,681)	7,967	(313,714)
Finance costs	(53,389)	–	(53,389)
Share of profits of joint ventures	–	14,138	14,138
Profit before taxation	920,532	(1,114)	919,418
Taxation	(54,363)	1,114	(53,249)
Profit for the year from discontinued operations	750	–	750
Profit for the year	866,919	–	866,919
Other comprehensive income	16,545	–	16,545
Total comprehensive income for the year	<u>883,464</u>	<u>–</u>	<u>883,464</u>

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about its interests in subsidiaries and joint ventures.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note to financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has still chosen to use the existing titles of "income statement" and "statement of comprehensive income" instead of using the new titles of "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKAS 19 (2011), Employee benefits

HKAS 19 (2011) introduces a number of amendments to the accounting for defined benefit plans. Among them, HKAS 19 (2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the HKAS 19 (2011), all actuarial gains and losses are required to be recognised immediately in other comprehensive income. HKAS 19 (2011) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of the HKAS 19 (2011) does not have any material impact on the Group's financial statements as the Group does not have any defined benefit plan.

Amendments to HKAS 36, Disclosures of recoverable amount for non-financial assets

The Group has early adopted the amendments to HKAS 36. As a result, the Group has expanded its disclosures for goodwill for which an impairment loss has been recognised or reversed during the year. Except for the HKAS 36 Amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such statement is presented. Since the Group considers that the restatement resulting from the adoption of new HKFRS 11 has a material impact on the opening consolidated balance sheet, an additional consolidated balance sheet as at 1 January 2012 has been presented in these consolidated financial statements.

3. TURNOVER, OTHER INCOME AND OTHER GAINS, NET

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and interest income.

An analysis of the Group's turnover, other income and other gains, net for the year from continuing operations is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Turnover		
Income from provision of lottery machines and related services	<u>2,165,474</u>	<u>1,961,560</u>
Other income		
Interest income on bank deposits	3,105	1,866
Sundry income	6,771	4,373
Rental income from sub-letting of rented premises	<u>4,142</u>	<u>4,054</u>
	<u>14,018</u>	<u>10,293</u>
Other gains, net		
Net gains on disposal of financial assets		
at fair value through profit or loss	–	86
Fair value gains/(losses) on financial assets		
at fair value through profit or loss	4,750	(580)
Exchange gains	6,217	279
Bad debts recovery	<u>–</u>	<u>284</u>
	<u>10,967</u>	<u>69</u>
	<u><u>2,190,459</u></u>	<u><u>1,971,922</u></u>
Total interest income on financial assets not		
at fair value through profit or loss	<u><u>3,105</u></u>	<u><u>1,866</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 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 2013 and 2012 is set out below.

The operations on financial services were discontinued in 2012. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 7.

Business Segment

- (a) The segment results for the year ended 31 December 2013 from continuing operations and segment assets and liabilities at 31 December 2013 are as follows:

	As at and for the year ended 31 December 2013 Lottery business HK\$'000
Turnover	<u>2,165,474</u>
Segment results	1,157,913
Net unallocated expenses	<u>(156,974)</u>
Profit before taxation	1,000,939
Taxation	<u>(74,489)</u>
Profit for the year from continuing operations	<u>926,450</u>
Assets	
Segment assets	7,218,154
Unallocated assets	<u>378,190</u>
Total assets	<u>7,596,344</u>
Liabilities	
Segment liabilities	504,245
Unallocated liabilities	<u>869,427</u>
Total liabilities	<u>1,373,672</u>

The segment results for the year ended 31 December 2012 and segment assets and liabilities at 31 December 2012 are as follows:

	As at and for the year ended 31 December 2012 Lottery business <i>HK\$'000</i> (Restated)
Turnover	<u>1,961,560</u>
Segment results	1,022,865
Net unallocated expenses	<u>(103,447)</u>
Profit before taxation	919,418
Taxation	<u>(53,249)</u>
Profit for the year from continuing operations	<u>866,169</u>
Assets	
Segment assets	6,831,676
Unallocated assets	<u>179,322</u>
Total assets	<u>7,010,998</u>
Liabilities	
Segment liabilities	388,491
Unallocated liabilities	<u>824,071</u>
Total liabilities	<u>1,212,562</u>

(b) Other segment information

	For the year ended 31 December 2013 Lottery business HK\$'000
Other information	
Depreciation and amortisation	105,813
Allowance for impairment of bad and doubtful debts	45
Impairment loss on goodwill	20,000
Capital expenditure	36,105
	For the year ended 31 December 2012 Lottery business HK\$'000 (Restated)
Other information	
Depreciation and amortisation	97,490
Allowance for impairment of bad and doubtful debts	734
Impairment loss on goodwill	20,000
Capital expenditure	79,955

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:

	2013 HK\$'000	2012 HK\$'000 (Restated)
PRC	3,127,333	3,186,265
Hong Kong	36,886	47,682
	3,164,219	3,233,947
Deferred tax assets	441	397
Total non-current assets per consolidated balance sheet	3,164,660	3,234,344

Information About Major Customers

None of the customer contributed over 10% of the total turnover of the Group during both years.

5. PROFIT BEFORE TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
The Group's profit before taxation from continuing operations is stated after charging the following:		
Auditor's remuneration		
– current year	3,053	2,643
– under-provision in prior year	159	–
Allowance for impairment of bad and doubtful debts	45	734
Cost of inventories sold	456,104	422,980
Research and development costs	7,803	7,342
Loss on disposal of property, plant and equipment	782	2,602
Depreciation and amortisation on		
– property, plant and equipment	66,692	68,213
– prepaid lease payments on land use rights	984	952
– intangible assets	38,137	28,326
Operating lease rentals in respect of		
– office premises and warehouse	51,544	36,624
– machinery	1,277	1,230
Exchange losses	<u>400</u>	<u>34</u>

6. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the year (2012: Nil).

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 subject to a preferential tax rate of 15% as they are recognised as high technology enterprises for the years ended 31 December 2013 and 2012 (2012: 15%).

According to the provisions stipulated in the tax circular, Jingdishuiqi [2009] No. 50, one of the subsidiaries of the Group's lottery business in the PRC, Elottery Vision (Beijing) Technology Co Ltd, is exempted from income tax for two years commencing from 2009, followed by a 50% reduction for the following three years to 2013. The applicable income tax rate for current year is 12.5% (2012: 12.5%).

The applicable income tax rate for the remaining subsidiaries of the Group's lottery business in the current year is 25% (2012: 25%).

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

	2013 HK\$'000	2012 HK\$'000 (Restated)
Current tax:		
– PRC income tax	35,208	27,697
– Over-provision in respect of previous years	<u>(7,635)</u>	<u>(4,166)</u>
	27,573	23,531
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	46,916	31,388
Attributable to changes in tax rates	<u>–</u>	<u>(1,670)</u>
Taxation charge attributable to continuing operations	<u>74,489</u>	<u>53,249</u>

7. DISCONTINUED OPERATIONS

On 15 April 2011, a wholly-owned subsidiary of the Company, REXCAPITAL Financial Investment Limited, entered into an equity transfer agreement with an independent third party to dispose of its entire interests in REXCAPITAL Securities Limited and REXCAPITAL Asset Management Limited (collectively the “Disposal Group”) at a consideration of HK\$11,810,000 for cash. The Disposal Group was engaged in business of securities broking, margin financing and asset management. The disposal was completed on 15 June 2012.

The results of the discontinued operations for the period from 1 January 2012 to 15 June 2012, which have been included in the consolidated income statement, are as follows:

	<i>HK\$'000</i>
Turnover	963
Other income	14
Administrative expenses	<u>(2,725)</u>
Operating profit	(1,748)
Finance costs	<u>(2)</u>
	(1,750)
Gain on disposal of subsidiaries	<u>2,500</u>
Profit for the year from discontinued operations (attributable to the equity shareholders of the Company)	<u><u>750</u></u>

Profit for the year from discontinued operations include the following:

	<i>HK\$'000</i>
Depreciation	98
Auditor's remuneration	
– Audit services	–
– Other services	102
Loss on disposal of property, plant and equipment	99
Exchange losses	<u><u>1</u></u>

8. DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interim dividend declared and paid of 1.70 HK cents (2012: 0.95 HK cent) per ordinary share		
– Cash	70,318	80,367
– Scrip alternative	<u>74,667</u>	<u>–</u>
	144,985	80,367
Proposed final dividend of 1.88 HK cents (2012: 0.77 HK cent) per ordinary share	<u>168,644</u>	<u>65,146</u>
	<u><u>313,629</u></u>	<u><u>145,513</u></u>

For the interim dividend 2013, scrip dividend alternative was offered to shareholders. Shares issued during the year 2013 on the shareholders' election to receive shares are set out in note 12.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the balance sheet date.

The final dividend of HK\$65,185,000 for financial year 2012 was approved and paid in financial year 2013.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2013	2012
Profit attributable to equity shareholders of the Company (in thousand HK\$)		
– continuing operations	868,982	820,549
– discontinued operations	–	750
	<u>868,982</u>	<u>821,299</u>
Weighted average number of ordinary shares in issue (in thousand):		
Issued ordinary shares at 1 January	8,440,580	7,752,725
Effect of share options exercised and convertible bonds converted	62,707	597,703
Effect of shares repurchased	(32,880)	(33,719)
Effect of allotment of scrip shares	<u>7,008</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>8,477,415</u>	<u>8,316,709</u>
Basic earnings per share		
– continuing operations	10.25 cents	9.87 cents
– discontinued operations	<u>N/A</u>	<u>0.01 cent</u>
	<u>10.25 cents</u>	<u>9.88 cents</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit 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 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.

	2013	2012
Profit for the year for the purpose of basic earnings per share (in thousand HK\$)	868,982	821,299
Effect of dilutive potential ordinary shares		
– imputed interest on convertible bonds (in thousand HK\$)	94,996	48,993
Profit for the purpose of diluted earnings per share (in thousand HK\$)	963,978	870,292
Profit for the purpose of diluted earnings per share (in thousand HK\$)		
– continuing operations	963,978	869,542
– discontinued operations	–	750
	963,978	870,292
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	8,477,415	8,316,709
Effect of dilution – weighted average number of ordinary shares (in thousand)		
– exercise of share options	7,207	2,457
– conversion of convertible bonds	1,578,857	1,217,044
	1,586,064	1,219,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousand)	10,063,479	9,536,210
Diluted earnings per share		
– continuing operations	9.58 cents	9.12 cents
– discontinued operations	N/A	0.01 cent
	9.58 cents	9.13 cents

10. TRADE RECEIVABLES

	The Group	
	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Loan interest receivable	149	149
Trade receivables – Lottery business	1,114,433	987,608
	<u>1,114,582</u>	<u>987,757</u>

The Directors consider that the carrying amounts of trade receivables approximate to their fair values. The Group generally grants credit periods of 90 to 180 days to its trade customers.

As at 31 December 2013, trade receivables approximately HK\$6,553,000 (2012: Nil) are pledged to a bank to secure general banking facilities granted to the Group.

The ageing analysis of loan interest receivable and trade receivables – Lottery business is as follows:

	As at 31 December 2013		
	Trade receivables		
	Loan interest receivable	– lottery business	Total
	HK\$'000	HK\$'000	HK\$'000
Three months or less	–	616,783	616,783
One year or less but over three months	–	479,036	479,036
Over one year	149	18,614	18,763
	<u>149</u>	<u>1,114,433</u>	<u>1,114,582</u>

As at 31 December 2012			
	Loan interest receivable <i>HK\$'000</i> (Restated)	Trade receivables – lottery business <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
Three months or less	–	591,542	591,542
One year or less but over three months	–	361,718	361,718
Over one year	149	34,348	34,497
	<u>149</u>	<u>987,608</u>	<u>987,757</u>

As of 31 December 2013, trade receivables of approximately HK\$14,485,000 (2012: HK\$15,167,000) were impaired. The amount of the allowance for impairment was approximately HK\$13,727,000 as at 31 December 2013 (2012: HK\$13,668,000). It is assessed that a small portion of these receivables is expected to be recovered. The ageing of these impaired receivables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
One year or less but over three months past due	–	2,809
Over one year past due	<u>14,485</u>	<u>12,358</u>
	<u>14,485</u>	<u>15,167</u>

As of 31 December 2013, trade receivables of approximately HK\$14,502,000 (Restated 2012: HK\$23,038,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Three months or less past due	8,046	3,139
One year or less but over three months past due	161	10,260
Over one year past due	<u>6,295</u>	<u>9,639</u>
	<u>14,502</u>	<u>23,038</u>

In the opinion of the Directors, all of the other trade receivables are neither past due nor impaired.

Movements on the allowance for impairment of bad and doubtful debts are as follows:

	2013 HK\$'000	2012 HK\$'000
At 1 January	13,668	70,126
Exchange realignment	59	18
Disposal of subsidiaries	<u>–</u>	<u>(56,476)</u>
At 31 December	<u>13,727</u>	<u>13,668</u>

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The Group does not hold any collateral as security.

11. CASH AND BANK BALANCES

	The Group		The Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Cash at banks				
– general accounts	1,143,710	889,799	49,319	44,206
– segregated accounts	336	336	–	–
Cash in hand	<u>2,220</u>	<u>6,724</u>	<u>–</u>	<u>–</u>
	<u>1,146,266</u>	<u>896,859</u>	<u>49,319</u>	<u>44,206</u>

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2012, 31 December 2012 and 31 December 2013	20,000,000	200,000
<i>Issued and fully paid:</i>		
At 1 January 2012	7,752,725	77,527
Repurchase of shares (<i>Note a</i>)	(109,100)	(1,091)
Exercise of share options (<i>Note b</i>)	104,000	1,040
Issue of shares upon conversion of convertible bonds (<i>Note c</i>)	692,955	6,930
At 31 December 2012	8,440,580	84,406
Repurchase of shares (<i>Note a</i>)	(61,075)	(611)
Exercise of share options (<i>Note b</i>)	236,000	2,360
Issue of shares in lieu of cash dividend (<i>Note d</i>)	116,267	1,163
At 31 December 2013	8,731,772	87,318

Notes:

- (a) During the year, the Company repurchased 61,075,000 (2012: 109,100,000) shares from the market at the price ranging from HK\$0.490 to HK\$0.590 (2012: HK\$0.465 to HK\$0.590) per share for a total consideration (including expenses) of approximately HK\$32,491,000 (2012: HK\$60,357,000). 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\$611,000 (2012: HK\$1,091,000) 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\$31,880,000 (2012: HK\$59,266,000).
- (b) During the year, 236,000,000 (2012: 104,000,000) share options were exercised by the eligible option holders at their respective exercise prices for a total cash consideration of HK\$133,054,000 (2012: HK\$57,616,000), resulting in an issue of 236,000,000 (2012: 104,000,000) new ordinary shares of HK\$0.01 each.
- (c) On 26 March 2012, convertible bonds with principal amount of HK\$427,900,000 were converted into approximately 692,955,000 new ordinary shares of HK\$0.01 each of the Company, at the conversion price of HK\$0.6175 per share of HK\$0.01 each.

- (d) On 28 August 2013, the board of Directors declared an interim dividend of 1.7 HK cents per share for the six months ended 30 June 2013. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 10 December 2013, 116,266,729 new ordinary shares were issued at HK\$0.6422 per share in respect of the interim dividend for the six months ended 30 June 2013.

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

13. TRADE PAYABLES

	The Group	
	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Other client payables	314	309
Trade payables – Lottery business	23,146	47,026
	23,460	47,335

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 payables – Lottery business is as follows:

	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Three months or less	22,060	39,249
Over three months	1,086	7,777
	23,146	47,026

14. BANK BORROWINGS

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
– secured and due within one year	<u>70,656</u>	<u>61,728</u>

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

At 31 December 2013, bank loans of approximately HK\$64,103,000 (2012: HK\$61,728,000) and HK\$6,553,000 (2012: Nil) are secured by the leasehold buildings and land use rights and trade receivables of the Group respectively.

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

The Directors consider that the fair values of borrowings at the balance sheet date approximate to their carrying amounts.

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

	2013	2012
	<i>'000</i>	<i>'000</i>
Renminbi	<u>55,112</u>	<u>50,000</u>

15. CONVERTIBLE BONDS

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

	The Group and the Company	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At the beginning of the year	795,904	830,745
Bonds issued during the year	–	469,755
Equity component	–	(148,468)
Transaction costs attributable to the liability component	–	(7,094)
Interest expense	94,996	48,993
Interest payable	(57,251)	(32,063)
Converted during the year	–	(365,964)
At the end of the year	833,649	795,904

16. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

The Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Contracted for		
– increase in registered capital of a subsidiary	84,000	122,120

- (b) At 31 December 2013, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Land and buildings		
Within one year	36,600	24,333
In the second to fifth year inclusive	<u>24,404</u>	<u>22,674</u>
	<u>61,004</u>	<u>47,007</u>

The Group leases various office premises, office equipment and warehouses under operating leases. The leases run for an initial period of one to five years. The leases do not include any contingent rentals.

The Company

At 31 December 2013, the Company does not have any significant capital and operating lease commitments (2012: Nil).

17. CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, 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. As at 31 December 2013, a subsidiary has issued corporate guarantee to a bank to secure general facilities granted to one of the subsidiaries. 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 value cannot be reliably measured using observable market data and their transaction price was nil.

As at 31 December 2013 and 2012, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

18. COMPARATIVE FIGURES

As a result of the application of HKFRS 11 Joint Arrangements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2013. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the financial year ended 31 December 2013.

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 China 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").

Turnover of the lottery business for the year increased by 10.4% to HK\$2,165,474,000 (Restated 2012: HK\$1,961,560,000), accounting for 100% of the total turnover. Profit before taxation arising from this segment recorded a growth of 8.9% to HK\$1,000,939,000 (Restated 2012: HK\$919,418,000).

Highlights of the year

During the year under review, the Group's SGDB continued to deliver solid earnings. 2013 marked another significant milestone for the Group's SGDB given we extended our operations in Welfare Computer Ticket Game ("CTG") market with a total of 17 lottery provinces in China providing lottery system and specialized equipment. This was a perfect illustration of recognition of the Group's core strengths and leading research and development capabilities in lottery system development. As regards Welfare Scratch Cards printing business, the Group continued to make meaningful contribution to Welfare Scratch Cards market by leveraging on its most advanced printing technology despite a challenging market environment for scratch card products in 2013.

The Group's DMB once again delivered tremendous performance in 2013 and demonstrated our efforts in the past to establish a strategic presence over a diversified lottery distribution channels were very successful and the Group is poised to reap the benefits of that. Performance of the Single Match Games ("SMG") business continued to benefit from the Group's comprehensive distribution channels that comprise with both offline and online platforms, by achieving both turnover and market share growth. During the year under review, we stepped up our marketing efforts in order to capitalize on the growth opportunities identified in SMG market. It is believed that a cross marketing strategy will enable the Group to further improve our competitive edge over the internet platform and strengthen the solid foundation of our existing operations.

Being the pioneer in the development of mobile lottery distribution channel, the Group's Mobile Electronic Lottery Platform ("Mobile ELP") was playing a critical role in this key initiative and continued to make solid progress. Following the successful commercial launch of our Mobile ELP in 2012, we further expanded our reach geographically last year which will underpin growth of the Group's DMB and realize the untapped potential of this innovative lottery distribution channel.

China Lottery Market

China Lottery Market once again achieved a new record sales of RMB309.3 billion (2012: RMB261.5 billion), representing another strong year-on-year growth of 18%.

Total Welfare Lottery sales was RMB176.5 billion. Welfare CTG accounted for about 73% of total Welfare Lottery sales; Welfare Scratch Cards was about 11% and Video Lottery Terminals ("VLT") took about 16%.

Welfare CTG sales in 2013 was RMB129.0 billion, increased by 19%. Dual Colour Ball, the flagship national jackpot lotto, accounted for about 43% of the total Welfare CTG sales while the aggregate sales of regional games (including high frequency games) accounted for about 42% of the total Welfare CTG sales. Welfare Scratch Cards sales was RMB18.6 billion, dropped by 8% compared with the previous year. The sluggish performance was partially attributed to limited new game roll out during the year. VLT sales increased 29% and reached RMB28.9 billion.

Total Sports Lottery sales was RMB132.8 billion. Sports CTG accounted for about 87% of total Sports Lottery sales and Sports Scratch Cards was about 13%.

Sales of Sports CTG, including SMG, increased by 26% to RMB116.1 billion. SMG sales was RMB22.9 billion, increased by 32% year-on-year. The growth of SMG sales was benefited from the modification of the rule of game and promotion throughout the year. Sports Scratch Cards sales was RMB16.6 billion, down by 8%, accounted for 13% of the total Sports Lottery sales.

System and Games Development Business

The Group's SGDB is an active participant in the provision of lottery systems and specialized equipments for both CTG and scratch card products in China. During the year under review, our SGDB continued to deliver solid earnings and gained market share in lottery system and printed product market.

Welfare CTG Business

The Group's SGDB participates in the Welfare CTG business in China through Shenzhen Sinodata Technology Co Ltd ("Sinodata"). Sinodata is the leading lottery system and specialized equipment supplier for Welfare Lottery in China and has a long and proven track record of success in the field of lottery system and games development. During the year under review, Sinodata provided its professional services to 17 lottery provinces in China.

Among our milestones in 2013 was the commencement of our Welfare CTG operations in one of the top ten lottery provinces in China. This achievement was a clear illustration of recognition of our unparalleled product offering and a superior team of software and hardware engineers that placed us miles ahead of competition and becoming the leading lottery system and specialized equipment supplier in the industry.

In terms of development of Welfare CTG market, the proliferation of regional high frequency games made valuable contribution to the overall CTG sales with growing importance over the past few years. Capitalizing on the extensive service network of Sinodata in Welfare CTG market and its wide exposure to both national game and regional high frequency games, the Group's SGDB is able to benefit from such growth against the backdrop of the favorable market condition.

Welfare Scratch Cards Business

The Group's SGDB involves in the validation and printing business of Welfare Scratch Cards in China. The Group has jointly controlled interests, through Beijing Guard Libang Technology Co Ltd ("Guard Libang"), in Welfare Scratch Cards validation services. Guard Libang is a 50:50 joint venture with Scientific Games Corporation ("Scientific Games"), the world's leading instant ticket system and games provider. Our strategic partnership with Scientific Games enables us to bring its expertise and technology know-how to the scratch card market in China.

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 has involved in Welfare Scratch Cards printing business.

In 2013, market sales of Welfare Scratch Cards decreased by 8% year-on-year. Sales of scratch card products during the year were impacted by limited new games roll out in the market. Meanwhile, the proliferation of high frequency games in different regions channeled certain demand away from the instant tickets and created a fiercely competitive market landscape. Despite the challenging market environment of the printed product, the Group's printing business managed to leverage on its most advanced printing technology in the country to capitalize on opportunities of market share gain by delivering various new scratch cards featured with interesting themes and eye-catching graphic designs.

Sports CTG Business

The Group's Sports CTG business involved the sales of CTG terminals to Provincial Sports Lottery Centers across China serving the needs of traditional CTG segment and supporting the development of SMG. During the year under review, our new models of CTG terminals featured with increased price/performance ratio and enhanced functionality have passed the tests and approved by Sports Lottery Center. The shipments of our latest model of CTG terminals were in line with our expectation and the responses to our terminals were encouraging.

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 consists of a solid foundation of widely diversified and well recognized physical retail network across China and a best-in-class portfolio of electronic lottery distribution channels.

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

During the year under review, the Group's DMB successfully maintained its leading position in scratch card market and saw positive development across various electronic lottery distribution channels building a solid foundation for our DMB to further expand its footprint in the electronic lottery market.

Cooperation Distribution Business

Under the cooperative model, we have established a physical lottery distribution network through our strategic partnerships with channel partners, entities and organizations that already had a widely diversified and recognized sales network located in selected prime locations in China. Our channel partners principally comprise chains of convenience store and supermarket, grocery and pharmacy chains, gasoline stations and post office. Building on our sales network with a very strong presence across the major provinces in China, the Group's DMB has become one of the largest distributors for scratch cards in terms of sales value and number of point-of-sales ("POS") established. This network has proven its worth to provide strategic support to lottery authorities by reaching out to potential customers of instant tickets at these community channels located in major cities.

During the year under review, we continued our efforts to optimize the existing POS through effective marketing support and professional training provided to our channels partners in order to maximize the efficiency and responsiveness towards different scratch card products and marketing campaigns initiated by lottery authorities. Although the sales of scratch card products was impacted by limited new games roll out for the year as well as competition from high frequency games, we tend to view it as a short-term challenge and we believe that there are ample opportunities for growth as the sales trend has been stabilizing.

Single Match Games Business

The Group's SMG business is conducted through our franchised SMG shops across 7 key provinces in China together with our strong presence on electronic platform. The Group operates a safe, reliable and comprehensive distribution platform to facilitate the development of SMG in China.

In 2013, SMG registered a strong turnover growth of 32% despite the absence of major international tournaments with scale comparable to the Euro 2012 or upcoming FIFA World Cup 2014. The growth was mainly attributed to the offer of more flexible options of game allowed for players such as the choices between handicap and non-handicap odds. Together with various promotion campaigns during the year, these strategies were instrumental to introduce SMG to a new group of casual lottery player by reducing the difficulties of SMG which laid a very good foundation for this segment to growth in the coming year when FIFA World Cup will give further impetus to this lottery product.

During the year under review, our SMG business was able to achieve turnover and market share gain through our highly renowned internet lottery platform. The Group's online lottery portal continued to position as one of the leading platforms delivering a one-stop lottery experience for SMG players, from the comprehensive statistics database, handy gadget for game preview, forum to exchange idea with other players to the hassle-free around the clock transaction gateway. Following the efforts focused on strengthening resources over online technical support and upgrading the overall system interface, we also stepped up our marketing efforts through the execution of cross marketing initiative to further capitalize our competitive edge over the internet platform and strengthen the solid foundation of our existing operations by broadening the potential customer base.

Mobile Lottery Business and Mobile Electronic Lottery Platform

The Group's existing mobile lottery business comprises the use of SMS text messaging and mobile application. Our traditional mobile lottery business provides subscribers with the latest lottery information and allows them to purchase CTG tickets through SMS text messaging. The latest generation of our mobile lottery distribution would take place on Mobile ELP, a mobile application developed for customers to buy lottery tickets on their mobile devices with enhanced user interface. During the year under review, our Mobile SMS platform continued to offer a reliable and cost effective paperless lottery distribution channel for our customers.

Following the successful commercial launch of our Mobile ELP for Welfare Lottery in 2 provinces in 2012, the Group's Mobile ELP continued to show positive signs of progress during the year by expanding its coverage geographically. Number of registered users maintained a healthy growth amid the efforts of promoting the mobile app in collaboration with our partners. The Group's Mobile ELP is making lottery more accessible to various types of lottery customers and it has enriched player's experience from traditional lotto games to high frequency games and electronic scratch cards through a reliable and easy-to-use channel.

Outlook

China lottery market achieved another record year in 2013 with total lottery sales exceeded RMB300 billion. The lottery market took only 2 years to reach this new level since lottery sales surpassed RMB200 billion in 2011. With lottery market growth creating a new set of opportunities, 2014 will require the Group to continue its committed efforts focusing on the long-term initiatives by leveraging our competitive strengths and capitalizing our deep and innovative collaboration with our long-standing partners.

Looking ahead, new lottery products and the evolution of lottery distribution channels will be the key for lottery market to achieve sustainable growth. We believe that these are the two important elements that will bring China lottery market to the next level in future by expanding the size of lottery players, hence an increased lottery spending.

Over the past few years, the proliferation of high frequency games and the modification of SMG are the typical examples that illustrated the positive impacts derived from product development and innovation. It is believed that lottery innovation in the pipeline will continue to vitalize the lottery market.

As regards new channels for lottery distribution, the Measures for the Management of Lottery Issuance and Distribution, which came into effect during the year under review, clearly stated that internet, mobile phone and automated lottery terminals are the official channels for lottery distribution apart from the traditional channel consists of physical retail outlets. When these emerging lottery distribution channels continue to develop, particularly the electronic channels like mobile and internet, we see ample opportunities ahead because these channels will lead us to a large group of untapped customers with great potential.

The Group's SMG business is poised to benefit from the internet distribution channel since online platform has been an ideal marketplace to promote and market SMG products in China. In order to turn potential customers into a real player of SMG, we need to arouse their interest toward SMG by first increasing their awareness amongst the sports events. When 2014 marks the fifth anniversary of SMG in China and the FIFA World Cup will be held in Brazil this summer, we expect the internet lottery portal will bring us tremendous opportunity. The Group is well positioned to play a crucial role in the development of SMG in China through our comprehensive lottery platform. As we look at 2014 and beyond, we will continue to focus on increasing our exposure and investment to this market over the internet distribution channel which is believed to experience strong long-term growth. While we are working on strategies to enhance the value of our internet lottery services and growing the brand of our internet lottery portal, we are also examining all opportunities for capital deployment that enable us to exploit the growth opportunities occurred amid market consolidation.

Complementing the internet lottery distribution channel is the development of lottery distribution on mobile network. With the amazing growth of mobile technology, the function of mobile phone has been transforming from merely a tool of communication to a medium that carries a wide spectrum of life experience. The evolution of mobility has enabled the option for lottery authorities and industry players to provide lottery players with unprecedented features and enhanced experience with lottery products. At the moment, convenience of purchase simply stands out as the key characteristic among many other advantages of mobility provided for lottery solution. Following the maturation of mobile lottery channel, the lottery products to be developed will no longer be a simple transplant of traditional offline product but rather it will contain a lot of interactive and engaging elements which is expected to create the next wave of exponential growth. Our focus ahead will be continuing to explore opportunities on this channel which will include collaboration with other key market leaders to further broaden our customer base and attract new markets like the younger demographic and high end customers. In addition, in order to integrate gamification and socialization capabilities as part of the core components of our mobile lottery solution, the Group will continue to focus on comprehensive and systematic review with the goal of identifying noble products or solutions for the Group to acquire.

We believe innovation on lottery products and distribution channels will continue to create impetus to the lottery market and it has been our long-term initiative to reach out to existing and potential lottery consumers with reliable and innovative lottery services and products. We are confident that the Group has built a solid foundation to capture these growth opportunities. We will further capitalize on the Group's development competencies through strategic merger and acquisition program to increase returns to our shareholders.

When various innovative lottery distribution channels emerge in the market inspired by people's changing life-styles and habits, there will be demand on implementation of special lottery system for such channels. Besides, security and reliability of operations over these channels are paramount to the growth of lottery industry in long run. Being a leading comprehensive lottery service provider with strong presence from upstream lottery system to downstream lottery distribution, the Group is ready to assist lottery authorities in achieving that. We have established a special task force to promote the development of backend and intermediate lottery system incorporated with unprecedented functionalities for risk control management thus delivering immediate and long term benefits to lottery authorities and lottery players.

We have successfully established our lottery operations in China as one of the leading comprehensive lottery service providers with strategic presence throughout the whole value chain of the China lottery market. We believe with the solid foundation of our business and unparalleled market position in the industry, we are confident to further enhance the Group's long-term growth prospect and shareholder value through dividend payout and share repurchase program. Being a major participant of the lottery industry, supporting the ongoing development of lottery in China will always be at the heart of our mission. The Group will continue to make contributions for sustainable development of the industry which supports the good causes that benefit the general public in China.

FINANCIAL REVIEW

Results

For the year ended 31 December 2013, the Group recorded a turnover of HK\$2,165,474,000 (Restated 2012: HK\$1,961,560,000), representing an increase of 10.4% over that of the last year. The increase was mainly attributable to the Group's lottery business in China.

Profit attributable to equity shareholders for the year was HK\$868,982,000 (2012: HK\$821,299,000). The earnings per share was 10.25 HK cents (2012: 9.88 HK cents). Fully diluted earnings per share was 9.58 HK cents (2012: 9.13 HK cents).

The Board recommended a final dividend of 1.88 HK cents per share (2012: 0.77 HK cent per share). Together with the paid interim dividend of 1.70 HK cents per share (2012: 0.95 HK cent per share), the Group's total dividend for the year ended 31 December 2013 amounts to 3.58 HK cents per share (2012: 1.72 HK cents per share).

Liquidity, Financial Resources and Funding

At 31 December 2013, the Group's total equity amounted to HK\$6,222,672,000 as compared to HK\$5,798,436,000 at the end of the previous year.

At 31 December 2013, the Group had cash reserves of approximately HK\$1,146,266,000 (Restated 2012: HK\$896,859,000), which included approximately HK\$336,000 (2012: HK\$336,000) of clients' funds that were kept in designated segregated bank accounts.

In 2011 and 2012, the Company issued 6% convertible bonds due 2016 in principal amount of HK\$964,700,000 and HK\$429,000,000 respectively (together, the "Convertible Bonds"). Each Convertible Bond will be convertible into fully paid ordinary shares of HK\$0.01 each (the "Shares") of the Company at the applicable conversion price of HK\$0.6000 per Share. The Convertible Bonds bear interest at the rate of 6% per annum payable semi-annually in arrears. During the year under review, there was no conversion of the Convertible Bonds into Shares by the bondholders and no redemption of the Convertible Bonds made by the Company. At 31 December 2013, the principal amount of the Convertible Bonds outstanding was HK\$965,800,000 (2012: HK\$965,800,000).

The gearing ratio as at 31 December 2013 was 15.51% (2012: 15.07%). The gearing ratio was derived by dividing the total borrowings including convertible bonds, obligations under finance leases and bank borrowings of approximately HK\$965,273,000 by the amount of total equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 1,474% (Restated 2012: 1,467%).

The Group had outstanding bank borrowings as at 31 December 2013 of HK\$70,656,000 (2012: HK\$61,728,000). 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 requirements.

Pledge of Assets

At 31 December 2013, the Group's land and building with total market value of approximately HK\$86,795,000 (2012: approximately HK\$83,580,000) are pledged to banks to secure the bank borrowings granted to the Group.

At 31 December 2013, trade receivables of approximately HK\$6,553,000 (2012: Nil) are pledged to a bank to secure general banking facilities granted to the Group.

Share Capital

236,000,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

116,266,729 new shares of HK\$0.01 each were issued and allotted by the Company during the year pursuant to the scrip dividend scheme in respect of the interim dividend for the six months ended 30 June 2013.

61,075,000 shares of HK\$0.01 each were repurchased by the Company and cancelled during the year.

As at 31 December 2013, the total number of issued shares of the Company was 8,731,772,194.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2013.

Convertible Bonds

The Company issued the Convertible 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 terms and conditions of the Convertible Bonds, (i) adjustment has been made to the conversion price of the Convertible 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; and (ii) further adjustment has been made to the conversion price of the Convertible 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. During the year ended 31 December 2013, there was no conversion of the Convertible Bonds into Shares by the bondholders and no redemption of the Convertible Bonds made by the Company. As at 31 December 2013, the principal amount of the Convertible Bonds outstanding was HK\$965,800,000 (2012: HK\$965,800,000). The Convertible Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the Convertible Bonds remaining outstanding is HK\$886,200,000. Each Convertible Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$0.6000 per Share upon conversion.

Pursuant to the terms and conditions of the Convertible Bonds, the Company may at any time after 28 September 2014 and prior to the maturity date of the Convertible Bonds, and subject to the provisions of the terms and conditions thereof, redeem in whole, or in part, the Convertible Bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption. The Board will consider the circumstances and may redeem the Convertible Bonds as and when appropriate.

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. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

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.

Material Acquisitions and Disposals of Subsidiaries

Save as disclosed in the notes to the financial statements, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2013.

Human Resources

As at 31 December 2013, the Group had 1,428 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.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff for the upcoming changes and challenges in the market and industry.

FINAL DIVIDEND

The Board declared an interim dividend of 1.70 HK cents per share in respect of the year ended 31 December 2013 which were paid on 10 December 2013. The Directors recommended, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "2014 AGM"), the payment of a final dividend of 1.88 HK cents per share in respect of the year ended 31 December 2013. The final dividend will be payable in cash, with a scrip dividend alternative (the "Scrip Dividend Scheme") to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 19 June 2014. A circular giving full details of the Scrip Dividend Scheme, where available, together with an election form will be sent to shareholders as soon as practicable. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued pursuant to the Scrip Dividend Scheme. Dividend warrants and/or share certificates for the scrip shares are expected to be sent to shareholders on or around Thursday, 31 July 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2014 AGM to be held on Wednesday, 11 June 2014, the register of members of the Company will be closed from Tuesday, 10 June 2014 to Wednesday, 11 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2014 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 June 2014.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 18 June 2014 to Thursday, 19 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17 June 2014.

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 2013 annual report.

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

During the year ended 31 December 2013, the Company repurchased a total of 61,075,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$32,374,125 pursuant to the general mandates granted by the shareholders of the Company at the annual general meetings of the Company held on 28 June 2012 and 11 June 2013 respectively. Details of the repurchases of shares were as follows:

Month/Year	Total number of ordinary shares repurchased	Repurchase consideration		Aggregate consideration (expenses excluded) HK\$
		per Share		
		Highest	Lowest	
		HK\$	HK\$	
May 2013	9,850,000	0.590	0.580	5,791,500
June 2013	34,625,000	0.570	0.495	18,344,875
July 2013	16,600,000	0.510	0.490	8,237,750
	61,075,000			32,374,125

All the repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected with a view to benefit shareholders of the Company as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2013, 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.

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 financial statements for the year ended 31 December 2013.

SCOPE OF WORK OF TING HO KWAN & CHAN

The figures in respect of the preliminary announcement of the Group’s annual results for the year ended 31 December 2013 have been agreed by the Group’s auditor, Ting Ho Kwan & Chan (“THKC”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by THKC 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 on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2013 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 2013 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.

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

Hong Kong, 27 March 2014

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.