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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
Turnover	4	848,843	917,014
Cost of sales/services rendered		(256,937)	(273,393)
Other income		6,271	4,637
Other gains, net		36,919	5,980
Selling and distribution expenses		(34,621)	(36,837)
Loss on deconsolidation of a subsidiary	17	–	(9,397)
Administrative expenses		(159,842)	(104,655)
Operating profit		440,633	503,349
Finance costs		(99,152)	(68,288)
Share of profits of joint ventures		740	9,151
Profit before taxation	5	342,221	444,212
Taxation	6	(18,323)	(18,540)
Profit for the period		323,898	425,672

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		332,873	438,356
Non-controlling interests		(8,975)	(12,684)
		<u>323,898</u>	<u>425,672</u>
Dividend	7	<u>–</u>	<u>2.30 cents</u>
Earnings per share for profit attributable to equity shareholders of the Company			
– Basic	8	<u>3.34 cents</u>	<u>4.89 cents</u>
– Diluted		<u>3.34 cents</u>	<u>4.60 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Profit for the period	<u>323,898</u>	<u>425,672</u>
Other comprehensive income/(expenses)		
Items that may be reclassified subsequent to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	6	(39,031)
Share of other comprehensive expenses of joint ventures	<u>–</u>	<u>(4,022)</u>
Total other comprehensive income/(expenses)	<u>6</u>	<u>(43,053)</u>
Total comprehensive income for the period	<u>323,904</u>	<u>382,619</u>
Attributable to:		
Equity shareholders of the Company	332,879	400,493
Non-controlling interests	<u>(8,975)</u>	<u>(17,874)</u>
	<u>323,904</u>	<u>382,619</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2015

		At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		225,167	196,259
Prepaid lease payments on land use rights		45,836	46,317
Goodwill		1,531,322	1,531,322
Intangible assets		49,784	57,803
Interests in joint ventures		385,292	384,552
Available-for-sale financial assets		77,182	77,182
Total non-current assets		2,314,583	2,293,435
Current assets			
Inventories		232,096	142,656
Trade receivables	9	1,063,541	916,772
Utility and other deposits		1,740,963	1,742,347
Prepayments and other receivables		2,054,906	2,125,177
Financial assets at fair value through profit or loss		47,871	53,102
Cash and bank balances	10	1,462,786	1,293,032
Total current assets		6,602,163	6,273,086
Total assets		8,916,746	8,566,521

		At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
	Notes		
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	14	99,600	99,600
Reserves		6,160,178	5,827,299
Proposed final dividend		–	79,680
		<u>6,259,778</u>	<u>6,006,579</u>
Non-controlling interests		<u>124,552</u>	<u>133,527</u>
Total equity		<u>6,384,330</u>	<u>6,140,106</u>
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		46,185	46,195
Deferred tax liabilities		156,847	151,269
Convertible bonds	11	–	1,900,452
Obligations under finance leases		<u>18,456</u>	<u>27,262</u>
Total non-current liabilities		<u>221,488</u>	<u>2,125,178</u>
Current liabilities			
Trade payables	12	23,312	26,871
Other payables and accruals		153,126	157,897
Dividend payables		79,680	–
Bank borrowings	13	87,500	87,500
Convertible bonds	11	1,941,914	–
Obligations under finance leases		17,288	16,681
Current tax liabilities		<u>8,108</u>	<u>12,288</u>
Total current liabilities		<u>2,310,928</u>	<u>301,237</u>
Total liabilities		<u>2,532,416</u>	<u>2,426,415</u>
Total equity and liabilities		<u>8,916,746</u>	<u>8,566,521</u>
Net current assets		<u>4,291,235</u>	<u>5,971,849</u>
Total assets less current liabilities		<u>6,605,818</u>	<u>8,265,284</u>

NOTES:

1. Basis of preparation

(a) General

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

(b) Deconsolidation and other changes in financial disclosure

The unanticipated adverse change in regulatory environment (i.e. the audit conducted by the National Audit Office (“NAO”) in November 2014 and the subsequent suspension of all internet lottery in China in March 2015) in turn led to the changes in market condition and business environment. The Group after considering the relevant circumstances, decided to exclude the Group’s web operations and deconsolidate 人民澳客傳媒科技有限公司 (the “PRC Company”) from its consolidated accounts.

The PRC Company was deconsolidated as a subsidiary of the Company and the date of the deconsolidation was taken to be 1 January 2014. The PRC Company was reclassified as an available-for-sale financial asset in the Group’s consolidated management accounts from 1 January 2014 onwards. Details of the deconsolidation are set out in the Company’s 2014 annual report.

As a result of the exclusion of the Group’s web operations and the deconsolidation of the PRC Company, the Group’s consolidated financial information for the six months ended 30 June 2014 had been restated. The financial information of the PRC Company as at 1 January 2014 is set out in note 17.

The Group’s turnover and profit attributable to equity shareholders of the Company for the period ended 30 June 2014 had been restated from approximately HK\$1,250,686,000 to HK\$917,014,000, and approximately HK\$551,023,000 to HK\$438,356,000 respectively. The non-controlling interests and total equity as at 30 June 2014 had been restated from approximately HK\$329,224,000 to HK\$208,873,000 and approximately HK\$7,242,095,000 to HK\$7,009,795,000 respectively. The basic earnings per share and diluted earnings per share for the period ended 30 June 2014 had been restated from 6.14 HK cents to 4.89 HK cents to and 5.64 HK cents to 4.60 HK cents respectively.

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 except for the adoption of new and revised standard and interpretation with effect from 1 January 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRS") had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new or revised standards and amendments that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 cycle ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sales or Contribution of Assets between An Investor and Its Associate or Joint Venture ¹
HKFRS 14	Regulatory deferral accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 9	Financial Instruments ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group has not early adopted the new HKFRSs that have been issued but not yet effective. The directors of the Company (the “Directors”) are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s result of operations and financial position.

3. Segment information

The Group manages its businesses by segment which is organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker for the purposes of resources allocation and performance assessment, the Group has presented lottery business as the reportable segment.

Segment results

	Lottery business	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$’000	HK\$’000
Turnover	848,843	917,014
Segment results		
Profit	438,183	532,440
Net unallocated expenses	(95,962)	(88,228)
Profit before taxation	342,221	444,212
Taxation	(18,323)	(18,540)
Profit for the period	323,898	425,672

Segment assets and liabilities

	Lottery business	
	At	At
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Segment assets	8,654,671	8,293,556
Unallocated assets	262,075	272,965
Total assets	8,916,746	8,566,521
Liabilities		
Segment liabilities	559,120	489,889
Unallocated liabilities	1,973,296	1,936,526
Total liabilities	2,532,416	2,426,415

4. Turnover

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Turnover		
Income from provision of lottery machines and related services	848,843	917,014

5. Profit before taxation

The Group's profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Depreciation and amortisation on:		
– Property, plant and equipment	24,582	26,425
– Intangible assets	7,805	12,112
Operating lease rentals in respect of office premises and warehouses	19,018	19,068

6. Taxation

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the six months ended 30 June 2015 (2014: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current tax – PRC income tax	12,745	12,268
Deferred tax	5,578	6,272
Total taxation	18,323	18,540

7. Dividend

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2015 (2014: 2.30 HK cents per share).

8. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2015 are based on the profit attributable to equity shareholders of the Company of approximately HK\$332,873,000 (2014 restated: approximately HK\$438,356,000).

- (a) The basic earnings per share is based on the weighted average number of approximately 9,960,024,710 (2014: approximately 8,969,937,938) ordinary shares in issue during the six months ended 30 June 2015.
- (b) 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares of the Company.

Diluted earnings per share for the six months period ended 30 June 2015 is the same as the basic earnings per share as both the share options and the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share.

Diluted earnings per share for the six months period ended 30 June 2014 is based on approximately 10,895,162,880 ordinary shares, being the weighted average number of ordinary shares in issue during the period plus the weighted average number of approximately 1,925,224,942 ordinary shares deemed to be issued if all outstanding convertible bonds had been converted.

The calculation of diluted earnings per share for the six months period ended 30 June 2014 has not included the potential effect of the share options outstanding as it has an anti-dilutive effect on the basic earnings per share for the period.

9. Trade receivables

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Trade receivables – Lottery business	<u>1,063,541</u>	<u>916,772</u>

The Group generally grants credit periods of 90 to 270 days to its trade customers.

The ageing analysis of trade receivables – Lottery business as at 30 June 2015 are as follows:

	At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
Three months or less	690,962	439,375
One year or less but over three months	351,849	462,807
Over one year	20,730	14,590
	<u>1,063,541</u>	<u>916,772</u>

10. Cash and bank balances

	At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
Cash at banks		
– general accounts	1,454,596	1,284,405
– segregated accounts	332	332
Cash in hand	7,858	8,295
	<u>1,462,786</u>	<u>1,293,032</u>

11. Convertible bonds

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

	Convertible bonds due 2019 HK\$'000	Convertible bonds due 2016 HK\$'000	Total HK\$'000
At 31 December 2014	1,599,686	300,766	1,900,452
Interest expenses	71,985	22,658	94,643
Interest paid	<u>(42,750)</u>	<u>(10,431)</u>	<u>(53,181)</u>
At 30 June 2015	<u>1,628,921</u>	<u>312,993</u>	<u>1,941,914</u>

As stated in the announcement of the Company dated 20 August 2015, pursuant to the terms and conditions of each of the 2016 Convertible Bonds (as defined below) and the 2019 Convertible Bonds (as defined below) (collective the “Convertible Bonds”), a “Relevant Event” occurs when, among other things, the shares of the Company are suspended for trading for a period equal to or exceeding 30 consecutive trading days on The Stock Exchange of Hong Kong Limited. Notice has been given by the Company to the holders of the Convertible Bonds that a “Relevant Event” occurred. Each holder of the Convertible Bonds will have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s Convertible 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 Convertible Bonds and the 2019 Convertible Bonds (the “Bonds Put Option”). Upon redemption of any of the Convertible Bonds, such redeemed Convertible Bonds will be cancelled. On the basis of the above, the Company reclassifies the Convertible Bonds from non-current liabilities to current liabilities for the six months period ended 30 June 2015.

12. Trade payables

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Other client payables	314	314
Trade payables – Lottery business	<u>22,998</u>	<u>26,557</u>
	<u>23,312</u>	<u>26,871</u>

Other client payable 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 – Lottery business are expected to be settled within one year or are repayable on demand.

The ageing analysis of the Group's trade payables – Lottery business as at 30 June 2015 is as follows:

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Three months or less	22,333	26,040
Over three months	<u>665</u>	<u>517</u>
	<u>22,998</u>	<u>26,557</u>

13. Bank borrowings

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Bank loans		
– secured and due within one year	<u>87,500</u>	<u>87,500</u>

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.

Bank loans of approximately HK\$87,500,000 (31 December 2014: approximately HK\$87,500,000) are secured by the leasehold buildings and land use rights of the Group respectively.

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

14. Share capital

Authorised:

	Ordinary shares of HK\$0.01 each	
	<i>Number of shares '000</i>	<i>Amount HK\$'000</i>
At 31 December 2014 and at 30 June 2015	<u>20,000,000</u>	<u>200,000</u>

Issued and fully paid:

	Ordinary shares of HK\$0.01 each	
	<i>Number of shares '000</i>	<i>Amount HK\$'000</i>
At 31 December 2014 and at 30 June 2015	<u>9,960,025</u>	<u>99,600</u>

15. Commitments

As at 30 June 2015, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
Land and buildings		
Within one year	24,166	25,490
In the second to fifth year inclusive	11,674	23,274
	<u>35,840</u>	<u>48,764</u>
Factory equipment		
Within one year	9,375	9,375
In the second to fifth year inclusive	37,500	37,500
More than five years	60,547	65,234
	<u>107,422</u>	<u>112,109</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 12 years (2014: 1 to 12 years). The leases do not include any contingent rentals.

16. Contingent liabilities

Financial guarantees issued

As at 30 June 2015 and 31 December 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.

As at 30 June 2015 and 31 December 2014, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

17. Deconsolidation of a subsidiary

The Group deconsolidated the PRC Company as the Group determined that the Group does not have control or significant influence over the PRC Company. The PRC Company was deconsolidated from the consolidated financial statements from 1 January 2014.

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

	Total <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. Transactions and balance with related parties

Details of the Group's significant transactions and balance with the following related parties during the period are as follows:

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Balance with Director:		
Convertible bonds	<u>300,000</u>	<u>300,000</u>
Six months ended 30 June		
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Transactions with Director:		
Convertible bonds interest paid	<u>6,750</u>	<u>3,465</u>
Compensation of directors of the Group during the period are as follows:		
Fees, salary and other short-term employee benefits	3,794	3,796
Pension scheme contributions	<u>9</u>	<u>8</u>
	<u>3,803</u>	<u>3,804</u>

19. Comparative figures

Certain comparative figures have been restated and reclassified in the preparation of these interim condensed consolidated financial statements as a result of the matter as detailed in note 1(b) to the interim condensed consolidated financial statements and to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period 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.

BUSINESS REVIEW AND PROSPECTS

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 accounted for 100% of the Group's total turnover.

During the first six months ended 30 June 2015, total Group turnover was HK\$848,843,000, decreased by 7% over the same period last year (2014 restated: HK\$917,014,000). Profit before taxation declined 23% to HK\$342,221,000 (2014 restated: HK\$444,212,000).

According to the "Circular on Self-examination and Self-correction on Unauthorized Lottery Sale on the Internet" jointly issued by Ministry of Finance, Ministry of Civil Affairs and General Administration of Sport of China in January 2015, which applied to provincial lottery centers and other state-run lottery organisations, the self-inspection program was a review of the regulatory system in place in the provinces for the authorization and management of the types of lottery games being distributed online, methods of online distribution and compliance on payout ratio, etc. by the provincial authorities. The self-inspection program had indirectly led to the temporary suspension of internet lottery distribution channel since March 2015 ("the Suspension").

Prior to the Suspension, the Group distributed lottery tickets online through www.okooo.com (“Okooo”) and acted as a purchasing agent for lottery customers in relation to online purchases. On or about 28 February 2015, the Group’s internet based lottery distribution unit was informed that the provincial lottery centers would temporarily suspend the distribution of lottery tickets to online service providers. We understand that the temporary suspension was due to the self-inspection program and therefore the Group’s internet lottery distribution operations were suspended in March 2015.

The unanticipated adverse change in regulatory environment (i.e. the audit conducted by the NAO in November 2014 and the subsequent suspension of all internet lottery in China in March 2015) led to the change in market condition and business environment. The Group after considering the relevant circumstances, decided to exclude the Group’s web operations and deconsolidate the PRC Company from its consolidated accounts.

In April 2015, a public announcement was jointly issued by the Ministry of Finance and other government authorities, which clearly stated that any unauthorized online lottery sales services, either provided directly or through agents, should cease immediately. Also, any lottery issuance unit that provides online lottery sales services must obtain prior approval from the Ministry of Finance. Further, in late June this year, the NAO published an official report which revealed findings of the audit conducted during November and December 2014 covering a total of 228 provincial and municipal-level state-run lottery sales organizations across eighteen provinces and municipals. While the report firmly recognized the function and contribution of the funding raised through the state lottery program, it also revealed irregularities and malpractices in the industry. In addition, it provided guidance for lottery authorities to rectify the situation and improve the management framework. We are pleased to learn that respective lottery authorities have already taken concerted reform efforts, which is a crucial step forward in the right direction to increase transparency of the operation of state lottery program. Such moves are clearly beneficial to the healthy development of the industry in the long-run.

The Suspension adversely affected the Group's Single Match Games ("SMG") business of which the Group's internet based lottery distribution unit used to be one of the key distribution channels for SMG. Furthermore, the 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 Chinese Welfare Computer Ticket Games ("CTG") market was also affected by the Suspension. The Suspension affected the performance of the Group's Welfare CTG business.

The Group's business performance of both SGDB and DMB were dampened to different extents due to the Suspension. However, we strongly believe that the aforementioned self-inspection program will clarify the code of conducts and standards of operations in the internet lottery market which will ensure transparency of the control system, and eliminate malpractices in the industry and more importantly, it will further speed up market consolidation and the process of longawaited licensing.

The Group's financial performance in the first half of 2015 demonstrated a solid fundamentals built on its diversified business portfolio, taking into account an industry-wide impact from the Suspension. The unique role as innovator and leading player in the Chinese lottery market allows the Group to fully leverage the breadth and scale of its lottery operations. The Group continued to maintain a leading position in the upstream lottery market through its Welfare CTG business and generate steady stream of recurring revenue. Despite the negative impact of the Suspension, the Group was able to benefit from its comprehensive distribution platform and foothold established in physical and mobile lottery distribution channels. Meanwhile, the Group has taken further measures to strengthen its core businesses and effectively position itself to lead the way in Chinese lottery market. The Group's excellent business foundation underpinned by its wide array of lottery services across the whole value chain of Chinese lottery market has prepared the ground for its growth plans ahead, enabling the Group to navigate the evolving lottery market landscape and see enormous opportunities in the challenging operating environment.

During the period under review, a report (the “Report”) was issued by Anonymous Analytics which contained allegations regarding the Company’s business operations and financial information. The Board has carefully reviewed the Report and considers the allegations to be unsubstantiated and untrue. The Report contains errors of fact, misleading statements and unfounded accusations against the Company. The Company is in the process of preparing a clarification announcement with a detailed response to address the allegations in the Report. The detailed clarification announcement involves data and information collation and verification covering the different business operations and financial information mentioned in the Report. The information covers a number of years, and therefore the process may take longer than expected. The Company will continue to further the progress and publish the clarification announcement as soon as practicable. Shareholders should note that the Group’s lottery business continues as usual and is unaffected by these allegations.

Pending the release of the clarification announcement, trading in the shares of the Company had been suspended for more than 30 consecutive trading days, resulting in the occurrence of a “Relevant Event” that triggered the Bonds Put Option. Pursuant to the Bonds Put Option, the holders of the outstanding Convertible Bonds, with a total principal amount of HK\$2,248 million as at the date hereof, will each have the right, at such holder’s option, to require the Company to redeem all or some only of such holder’s Convertible 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 Convertible Bonds. Official notices were given to the trustee on 20 August 2015 informing holders of the Convertible Bonds regarding the occurrence of the “Relevant Event” and the procedure for holders of the Convertible Bonds to exercise their Bonds Put Option. The Company is in the process of evaluating and assessing various plans and options with a view to providing the Company with adequate resources to satisfy its early redemption obligation in respect of the relevant Convertible Bonds. The options currently under consideration of the Board include (but not limited to) transferring internal capital resources from Mainland China, seeking external funding resources and obtaining liquidity through disposal of business(es) and corporate restructuring. As of the date hereof, the Board is still in the process of finalizing a comprehensive solution. The Company will disclose the relevant information as and when appropriate.

China Lottery Market

China’s lottery market registered total lottery sales of RMB187.68 billion in the first six months of 2015, increased by 5% over the same period last year.

During the period under review, total Welfare Lottery sales was RMB102.84 billion. Welfare CTG sales increased by 4% to RMB73.13 billion, accounting for 71% of the total Welfare Lottery sales (2014: 72%). Welfare Scratch Card sales dropped by 17% to RMB8.24 billion and Video Lottery Terminals (“VLT”) sales grew by 20% to RMB21.18 billion. Sales of Keno was RMB0.29 billion, down by 26%. Welfare Scratch Card and VLT accounted for 8% and 21% of the total Welfare Lottery sales respectively (2014: 10% and 18% respectively).

In the first half of the year, total Sports Lottery sales was RMB84.83 billion. Sales of Sports CTG, including SMG, increased by 8% to RMB77.33 billion accounting for 91% of total Sports Lottery sales (2014: 89%). Sports Scratch Card sales was RMB7.50 billion, dropped by 11% over the same period last year, accounted for 9% of the total Sports Lottery sales (2014: 11%). Sports VLT was launched in January, total sales in the first six months was RMB3.13 million.

System and Games Development Business

The Group’s SGDB is an active participant in the provision of lottery system and specialized equipments for both CTG and scratch card products in China. During the period under review, the Group’s SGDB worked through the challenging market condition against the backdrop of temporary suspension of internet distribution channel and a soft scratch card market. Although the Suspension put pressure on the total sales of Welfare CTG market, the Group’s SGDB was able to deliver solid earnings during the period.

Welfare CTG Business

The Group’s SGDB participated in the Welfare CTG business in China and covers 17 lottery provinces in China.

Total sales of Welfare CTG market in the first six months of 2015 was RMB73.13 billion, up 4% over the same period last year (2014: RMB70.57 billion). The slowdown of the growth rate was mainly attributed to the negative impact of the Suspension. Regional high frequency games continued to gain traction and bring impetus to the Welfare CTG market during the period under review. However, the growth of high frequency games was offset by the lagged performance of national draw-based games.

Capitalizing on the extensive service network and its ongoing pledge to deliver reliable products and services, the Group's Welfare CTG business is able to maintain its leading market position in this lottery segment. Its outstanding performance and leading position in the upstream lottery market will continue to drive consistent revenue stream to the Group. However, it should be noted that the Welfare CTG business is a mature business and its margins can be subject to downward pressures.

Welfare Scratch Cards Business

The Group's SGDB involves 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 the validation system and specialized equipment provider for Welfare Scratch Cards in the Chinese lottery market. It is also 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 Cards 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.

The overall sales performance of scratch card products in the Chinese lottery market remained soft in the first six months of 2015 which reflected the change in customer demand from scratch card to other lottery products due to an ever more fiercely competitive market environment. Nevertheless, scratch card remains an essential component in the lottery market in balancing the product portfolio.

Although the total sales of Welfare Scratch Cards dropped by 17% during the period, the Group's printing operations continued to offer scratch cards with new game designs and relaunches of existing games.

A successful game design has proved its worth to ignite interest among lottery players. The Group is committed to bring in scratch card designs with fascinating elements to meet players' demand for something new and exciting and thus support the revitalization initiatives taken by lottery authorities.

Sports CTG Business

The Group's Sports CTG business involved 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 period under review, the Group actively participated in the procurement bidding of CTG/SMG terminals and successfully won several tenders to supply Sports CTG terminal in different provinces.

Distribution and Marketing Business

The Group's DMB division principally engaged in the distribution of lottery products which include CTG games, scratch card games, single match games, high frequency games and video lottery products. Such distribution is conducted through the internet and other platforms which include mobile, physical shops and dedicated game halls. It is a major participant in the downstream lottery operations in China. It has successfully established a comprehensive distribution platform consists of a widely diversified and recognized physical retail network 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 end consumers in lottery market and assist lottery authorities to promote and develop the China Lottery market in sustainable manner.

Despite the negative impact of the Suspension on the Group's internet based operations, the Group's DMB managed to deliver satisfactory results and solid progress in the challenging market environment through its diversified distribution channels and lottery products.

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 located throughout the major provinces in China. Our 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.

In the first half of the year, the combined sales of Welfare Scratch Cards and Sports Scratch Cards in China was RMB15.74 billion, down by 14% over the same period last year. The decline in scratch card market reflected a confluence of the fundamental supply and demand factors altering players' consumption pattern for the printed instant tickets. It is believed that keen competition arising in the Chinese lottery market from other rapidly growing products, such as regional high frequency games, has created noticeable pressure on the growth of scratch card products.

The Group remains cautiously optimistic about the scratch card market as the sales of printed instant tickets posting a faster rate of decline in the latest quarter, starting to show an alarming trend. The Group worked hard to reposition ourselves through continuous improvements to its channel management. In addition, the Group has started to focus on stimulating the demand side by exploring new distribution channel for scratch card products so as to bring in new demand from customers of new distribution channels. We expect to increase the pace of channel innovation, depending on the progress of industry-wide regulatory reform, to revitalize this market segment and drive long-term growth.

Single Match Games Business

During the period under review, the Group's SMG business was mainly conducted through our franchised SMG shops in China. The Group operates a safe, reliable and comprehensive distribution platform to facilitate the development of SMG in China. Owing to the nationwide Suspension, the Group has stopped all its internet based lottery distribution units and the Group's online lottery distribution service was directly affected by the Suspension. Such Suspension will remain in force until the Chinese Government completed its wholesale review of internet lottery distribution policy and new regulations in this area are promulgated.

During the first half of 2015, total SMG sales in China recorded a strong growth of 32% over the same period last year to about RMB24 billion. The strong performance was partially attributed to the huge demand triggered by the outstanding performance of China's national football team during the 2015 AFC Asian Cup which staged in Australia in January. Also, 2014 FIFA World Cup has proven to be a strong catalyst to fuel growth of SMG in China by introducing this lottery game to the general public, growing the number of both regular and casual players of SMG. The impact of the Suspension principally only affected the overall China SMG market in the second quarter of 2015. As such, the full impact of the Suspension is likely to be reflected in the second half of year 2015 should the Suspension continue.

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 while the current generation Mobile Electronic Lottery Platform ("Mobile ELP") utilize mobile app 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 buying experience. The adoption of Mobile ELP provides provincial lottery centres with technological breakthrough to better connect with players located in their respective provinces and retain the purchase power from the locals.

During the period under review, the development of Mobile ELP for Guangdong Sports Lottery Administration Centre ("Guangdong SLAC") is in the final phase awaiting green light from lottery authorities to launch the platform in near-term. Guangdong is one of the most populous provinces in China and it ranked #1 and #3 in terms of total lottery sales and Sports Lottery sales as of the first six months of 2015. The Group is confident that the collaboration with Guangdong SLAC will result in great success. As Mobile ELP provides technological breakthrough to facilitate lottery authorities to enhance player engagement and drive lottery penetration within their own administrative region, the Guangdong project has showcased the supreme capabilities and reliability of the system itself, allowing us to expand the coverage of our solution to other potential customers and support the industry development.

Sports Video Lottery

Last year, the Group was honored to be chosen as one of the first companies to play an active role in supporting the launch of a new lottery product for Sports Lottery. The issuance of Sports VLT is one of the initiatives adopted by the authorities in support of the tourism development in Hainan Province which has 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. Although the development of Sports VLT is still at its infancy stage, we are very positive on the long-term growth of this product and its potential contribution to the lottery market.

Outlook

The Chinese lottery market witnessed some revolutionary and structural changes in the first half of 2015, wherein regulatory development and market evolution set to pave the way for a brighter future ahead. The Group made solid progress in the first half year on various strategic and operational fronts to embrace the shifting trends which are going to benefit our core lottery operations and open up enormous growth potential for the Group.

In the past few years, the Group stepped up its investment in fast-growing areas of the Chinese lottery market with the highest potential return through diversifying and transforming its business portfolio in anticipation of the future growth areas in the China lottery market. It is envisaged that electronic lottery distribution channels will continue to play an important role in the future development of the Chinese lottery market by fueling the growth of lottery playing population. With a solid foundation of its lottery business in China, the Group is well-prepared to ride the wave of the fast-growing lottery market in China.

Given the latest regulatory development and government's determination to improve transparency and eliminate malpractices in the industry, the Chinese lottery market will experience short-term setback and uncertainties. For instance, market participants are facing a challenging operating environment with the temporary suspension of internet lottery distribution and an extended regulatory approval process for new lottery products and distribution channels. It is noteworthy that internet based lottery distribution business only represented a portion of the Group's entire lottery business. The Group's solid foundation built on its well-diversified business portfolio allows us to endure market challenges and sustain future growth by delivering resilient earnings and generating stable cash flow regardless of the length of these impacts. Although performance of the Group will be dampened in the near-term, we are well positioned and absolutely committed to getting back on track and accelerating growth once the licensing regime to be enacted and beyond.

It is widely believed that the upcoming regulatory development will further improve the transparency on the control and management of lottery funds and ensure best practices for both regulators and market participants. This will serve us well for the long term by rebuilding customer trust and gathering their ongoing support to the lottery program in China. Nevertheless, such development will take time and continue to evolve in the coming months.

The progress of regulatory development will not compromise our ability to leverage on the Group's existing competitive advantage to participate in and contribute the Chinese lottery market. Capitalizing on our comprehensive distribution platform, together with a well diversified business portfolio which covers the whole value chain of the industry and almost all kind of lottery products, we are well placed in the lottery industry to manage our business in an opportunistic manner to mitigate impacts. Furthermore, there are several important and strategic initiatives underway, which will be instrumental in accelerating business expansion and strengthening the Group's financial position. We are extremely confident that the Group will continue to maintain its strong presence and set us apart from the competitors.

The temporary suspension of internet channel and regulatory reform taking place will not only speed up market consolidation but also will help corporations with competitive strengths, like us, to identify potential opportunities that help to further enhance our growth strategy over the electronic distribution platform. That may also include plan to further increase investment in Okooo operations subject to the improvement in the clarity of internet licensing and resumption of internet based lottery distribution. We expect that the Chinese authorities will introduce a licensing regime to regulate the internet lottery market, whereby online lottery service providers will be able to apply for licences to sell lottery tickets online. Depending on the requirements of the licensing regime, it is planned that the Group will apply for a licence after the Chinese authorities announce the application procedures. The Group will maintain its nimble, prudent and disciplined approach to capture investment opportunities that will add value to the existing business and deliver operational synergies.

Apart from pursuing value creating acquisitions and making continuous investment in attractive organic growth opportunities, most importantly, power of innovation will help us to stay ahead of competition to meet customers' expectation and turn challenge into growth potential. Our effort in exploring new lottery distribution channels to penetrate the untapped market is a great example. In terms of electronic lottery channels, ongoing innovation also gives us strengths to elevate services, expand user base and benefit from market consolidation.

Despite the Suspension and its impact to the overall Chinese lottery market, the Group took the opportunity to realign its resources to undertake system upgrade and testing in preparation for the next generation platform. At the same time, efforts were made to develop simple online games and to enhance its omni-channel capacity and functionality. We sought to attain cost efficiency by initiating development that help us to embrace the greatest opportunities ahead after the enactment of licensing regime and resumption of internet based lottery distribution. The Group will explore the opportunities in electronic games development in relation to lottery or non-lottery related sectors. We will also evaluate the potential for expansion into non-lottery product distribution which can better utilize our existing lottery customer base.

The Group has also commenced a strategic review to address the current market dynamics which influence the Group's two distinctive lottery divisions – the SGDB and DMB. This review will facilitate the Group in developing strategies on how to reallocate resources and as to best position its lottery businesses for future growth and value realization. Although we are still looking at different approaches and options to restructure the existing business portfolio and generate the highest value for shareholders, we believe these strategic initiatives will ensure the Group's lottery businesses to be well-capitalized and continue to grow as we forge ahead.

It should be noted that the Bonds Put Option may have an impact on the implementation and attainment of future development plans of the Group. The Company is taking reasonable and prudent measures in order to capitalize on the future growth opportunities and yet balancing and mitigating the effects of uncertainties including that resulted from the Bonds Put Option. The above strategic efforts are the building blocks that underpinned our growth across various business fronts. Looking ahead, we will remain focused on delivering excellent lottery services and enhancing lottery distribution channels that drive growth into the Chinese lottery market and to return the Group with growth and profitability. The Group has great confidence in the Chinese lottery market that the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. The Group will also continue its efforts in the furthering such the good causes through the careful and diligent execution of its planned strategies in the years ahead.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$848,843,000 (2014 restated: HK\$917,014,000), representing a decrease of 7% over the last year. The decrease was attributable to the decrease in turnover from the lottery business.

The unaudited profit attributable to equity shareholders of the Company was HK\$332,873,000 (2014 restated: HK\$438,356,000). The earnings per share was 3.34 HK cents (2014 restated: 4.89 HK cents). Diluted earnings per share was 3.34 HK cents (2014 restated: 4.60 HK cents).

Liquidity, Financial Resources and Funding

At 30 June 2015, the equity attributable to equity shareholders of the Company amounted to HK\$6,259,778,000 as compared to HK\$6,006,579,000 at the end of the previous year.

At 30 June 2015, the Group had cash reserves of approximately HK\$1,462,786,000 (31 December 2014: HK\$1,293,032,000), which included approximately HK\$332,000 (31 December 2014: HK\$332,000) 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 "2016 Convertible Bonds"). Each 2016 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\$0.5600 per Share. The 2016 Convertible Bonds bear interest at the rate of 6% per annum payable semi-annually in arrears. During the period under review, there was no conversion of the 2016 Convertible Bonds into Shares by the bondholders and no redemption of the 2016 Convertible Bonds made by the Company. As at 30 June 2015, the principal amount of the 2016 Convertible Bonds outstanding was HK\$347,700,000 (31 December 2014: HK\$347,700,000).

In 2014, the Company issued 4.5% convertible bonds due 2019 in principal amount of HK\$1,900,000,000 (the "2019 Convertible Bonds"). Each 2019 Convertible Bond will be convertible into fully paid ordinary Shares of the Company at the applicable conversion price of HK\$1.3700 per Share. The 2019 Convertible Bonds bear interest at the rate of 4.5% per annum payable semi-annually in arrears. During the period under review, there was no conversion of the 2019 Convertible Bonds into Shares by the bondholders and no redemption of the 2019 Convertible Bonds made by the Company. As at 30 June 2015, the principal amount of the 2019 Convertible Bonds outstanding was HK\$1,900,000,000 (31 December 2014: HK\$1,900,000,000).

The gearing ratio as at 30 June 2015 was 32.35% (31 December 2014: 33.09%). The gearing ratio was derived by dividing the total borrowings including the Convertible Bonds, obligation under finance leases and bank borrowings of approximately HK\$2,065,158,000 (31 December 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 286% (31 December 2014: 2,082%), reflecting adequacy of financial resources. The decrease of liquidity ratio mainly due to the reclassification of the Convertible Bonds from non-current liabilities to current liabilities for the period ended 30 June 2015.

The Group had outstanding bank borrowings of approximately HK\$87,500,000 as at 30 June 2015 (31 December 2014: approximately HK\$87,500,000). 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. It is expected 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 30 June 2015, the Group's land and building with total market value of approximately HK\$120,625,000 (31 December 2014: approximately HK\$87,250,000) were pledged to banks to secure the bank borrowings granted to the Group.

Share Capital

There was no change in the Company's share capital structure during the period under review. As at 30 June 2015, the total number of issued shares of the Company was 9,960,024,710.

2016 Convertible Bonds

The Company issued the 2016 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 2016 Convertible Bonds, (i) adjustment has been made to the conversion price of the 2016 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; (ii) further adjustment has been made to the conversion price of the 2016 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; (iii) further adjustment has been made to the conversion price of the 2016 Convertible 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 Convertible 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 Convertible 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 period under review, there was no conversion of the 2016 Convertible Bonds into Shares by the bondholders and no redemption of the 2016 Convertible Bonds made by the Company. As at 30 June 2015, the principal amount of the 2016 Convertible Bonds outstanding was HK\$347,700,000. The 2016 Convertible Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the 2016 Convertible Bonds remaining outstanding is HK\$347,700,000. Each 2016 Convertible Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$0.5600 per Share upon conversion.

Pursuant to the terms and conditions of the 2016 Convertible Bonds, the Company may at any time after 28 September 2014 and prior to the maturity date of the 2016 Convertible Bonds, and subject to the provisions of the terms and conditions thereof, redeem in whole, or in part, the 2016 Convertible Bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption.

2019 Convertible Bonds

The Company issued the 2019 Convertible Bonds in 2014 which shall, upon conversion, be convertible into fully paid Shares at an initial conversion price of HK\$1.4070 per Share. Pursuant to the adjustment provisions in the terms and conditions of the 2019 Convertible Bonds, (i) adjustment has been made to the conversion price of the 2019 Convertible 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 Convertible 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.

There was no conversion of any 2019 Convertible Bonds since their issuance and during the period under review. As at 30 June 2015, the principal amount of the 2019 Convertible Bonds outstanding was HK\$1,900,000,000. The 2019 Convertible Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the 2019 Convertible Bonds remaining outstanding is HK\$1,900,000,000. Each 2019 Convertible Bond will be convertible into fully paid Shares at an applicable conversion price of HK\$1.3700 per Share upon conversion.

Relevant Event in relation to the Convertible Bonds

As stated in the announcement of the Company dated 20 August 2015, pursuant to the terms and conditions of each of the 2016 Convertible Bonds and the 2019 Convertible 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 of Hong Kong Limited. Notice has been given by the Company to the holders of the Convertible Bonds that a “Relevant Event” occurred. Each holder of the Convertible Bonds will have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s Convertible 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 Convertible Bonds and the 2019 Convertible Bonds. Upon redemption of any of the Convertible Bonds, such redeemed Convertible Bonds will be cancelled.

Exposure to Exchange Rate Risk and Interest Rate Risk

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. In August 2015, The People's Bank of China has adjusted the official exchange rate of Renminbi. The official exchange rate of Renminbi against the Hong Kong dollar as at 31 August 2015 depreciated by approximately 4.5% as compared to that as at 31 December 2014. The Directors are aware that the fluctuations 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 the interest rates currently remain at low levels.

Deconsolidation of a Subsidiary

The PRC Company was deconsolidated as a subsidiary of the Company. The date of the deconsolidation was taken to be 1 January 2014 and the PRC Company was reclassified as an available-for-sale financial asset in the Group's consolidated management accounts from 1 January 2014 onwards.

Details of the deconsolidation of the PRC Company are set out in the Company's 2014 annual report. As at the date hereof, the PRC Company remains a long term investment of the Group.

Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 June 2015.

Human Resources

At 30 June 2015, the Group had 1,245 employees.

The Group remunerated its employees 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 the individual's performance.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: 2.30 HK cents per share).

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

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 unaudited interim financial statements for the six months ended 30 June 2015.

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 six months period, 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Group for the six months ended 30 June 2015 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.aplushk.com/clients/00555rexlot/index.html>) respectively. The 2015 interim report 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, 31 August 2015

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.