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



AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF GEM

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

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

* For identification purpose only

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2014

- Total revenue of the Group for the year under review amounted to approximately HK\$211.1 million (2013: approximately HK\$208.4 million). Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the PRC.
- The Group recorded a loss from business operations of approximately HK\$50.0 million (2013: approximately HK\$15.2 million). The gross profit percentage for the year under review stood at approximately 33.0%.
- Loss attributable to owners of the Company for the year under review amounted to approximately HK\$189.2 million, primarily due to the share-based payments (totalling approximately HK\$136.3 million) recognised in accordance with Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company.
- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 December 2014, together with the comparative audited figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK\$	2013 HK\$
Revenue	4	211,051,211	208,359,744
Cost of sales and services		(141,469,067)	(117,091,934)
Gross profit		69,582,144	91,267,810
Investment and other income		4,548,814	2,088,338
Selling and administrative expenses		(124,149,875)	(108,532,427)
Share of losses of a joint venture		(1,177)	(178)
Loss from business operations		(50,020,094)	(15,176,457)
Share-based payments		(136,279,494)	(60,072,362)
Net foreign exchange gain/(loss)		4,276	(105,667)
Amortisation of other intangible assets	10	(477,744)	(478,805)
Finance costs		–	(517,190)
Loss before tax		(186,773,056)	(76,350,481)
Income tax expense	6	(599,113)	(7,630,537)
Loss for the year	7	(187,372,169)	(83,981,018)
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain arising on revaluation of property transferred to investment property		14,402,384	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences on translating foreign operations		(4,645,168)	33,688,361
Other comprehensive income for the year, net of income tax		9,757,216	33,688,361
Total comprehensive income for the year		(177,614,953)	(50,292,657)

	<i>Notes</i>	2014 HK\$	2013 HK\$
Loss attributable to:			
Owners of the Company		(189,184,139)	(82,939,885)
Non-controlling interests		1,811,970	(1,041,133)
		<u>(187,372,169)</u>	<u>(83,981,018)</u>
Total comprehensive income attributable to:			
Owners of the Company		(179,391,019)	(49,456,875)
Non-controlling interests		1,776,066	(835,782)
		<u>(177,614,953)</u>	<u>(50,292,657)</u>
Loss per Share			
Basic and diluted	8	<u>HK4.30 cents</u>	<u>HK2.01 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment		15,182,473	53,078,985
Investment properties		54,343,400	–
Goodwill	9	793,618,120	796,946,317
Other intangible assets	10	2,219,141	2,700,348
Investment in a joint venture		645,895	647,072
Available-for-sale investment		1	–
Deposits and prepayments		20,745,450	28,891,609
Other assets		1,794,596	1,802,122
Deferred tax assets	14	6,227,111	4,589,919
		894,776,187	888,656,372
Current assets			
Inventories		25,290,520	46,532,486
Trade receivables	11	31,071,078	37,288,514
Other receivables, deposits and prepayments		68,810,458	55,383,695
Amount due from a joint venture		8,210	5,855
Fixed deposit held at bank with original maturity over three months	12	37,914,000	–
Pledged bank deposit	12	2,976,249	–
Bank balances and cash	12	274,709,738	286,530,951
		440,780,253	425,741,501
Current liabilities			
Trade payables	13	26,081,904	9,782,747
Accruals and other payables		39,282,597	31,219,473
Amount due to a joint venture		650,000	650,000
Current tax liabilities		414,588	2,472,838
		66,429,089	44,125,058
Net current assets		374,351,164	381,616,443
Total assets less current liabilities		1,269,127,351	1,270,272,815
Non-current liabilities			
Provision for warranties		41,514,070	30,495,217
Deferred tax liabilities	14	5,705,745	4,398,952
		47,219,815	34,894,169
Net assets		1,221,907,536	1,235,378,646
Capital and reserves			
Share capital		8,880,768	8,697,648
Reserves		1,209,959,883	1,225,390,179
Equity attributable to owners of the Company		1,218,840,651	1,234,087,827
Non-controlling interests		3,066,885	1,290,819
Total equity		1,221,907,536	1,235,378,646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *For the year ended 31 December 2014*

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Statutory reserve HK\$ (Note (a))	Exchange reserve HK\$	Contributed surplus HK\$ (Note (b))	Property revaluation reserve HK\$ (Note (c))	Accumulated losses HK\$	Subtotal HK\$	
Balance at 1 January 2013	7,687,907	1,174,554,927	75,317,280	10,746,631	164,107,837	47,191,476	–	(416,381,699)	1,063,224,359	1,065,350,960
Loss for the year	–	–	–	–	–	–	–	(82,939,885)	(82,939,885)	(83,981,018)
Other comprehensive income for the year	–	–	–	–	33,483,010	–	–	–	33,483,010	33,688,361
Total comprehensive income for the year	–	–	–	–	33,483,010	–	–	(82,939,885)	(49,456,875)	(50,292,657)
Recognition of equity-settled share-based payments	–	–	60,072,362	–	–	–	–	–	60,072,362	60,072,362
Lapse of share options	–	–	(11,504,495)	–	–	–	–	11,504,495	–	–
Shares issued by way of placing	813,043	139,436,957	–	–	–	–	–	–	140,250,000	140,250,000
Shares issue expenses	–	(2,020,706)	–	–	–	–	–	–	(2,020,706)	(2,020,706)
Shares issued on exercise of part of share options	196,698	79,011,492	(57,189,503)	–	–	–	–	–	22,018,687	22,018,687
Transfer from accumulated losses	–	–	–	3,116,933	–	–	–	(3,116,933)	–	–
Balance at 31 December 2013 and 1 January 2014	8,697,648	1,390,982,670	66,695,644	13,863,564	197,590,847	47,191,476	–	(490,934,022)	1,234,087,827	1,235,378,646
Loss for the year	–	–	–	–	–	–	–	(189,184,139)	(189,184,139)	(181,197,019)
Other comprehensive income for the year	–	–	–	–	(4,609,264)	–	14,402,384	–	9,793,120	9,757,216
Total comprehensive income for the year	–	–	–	–	(4,609,264)	–	14,402,384	(189,184,139)	(179,391,019)	(177,614,953)
Recognition of equity-settled share-based payments	–	–	136,279,494	–	–	–	–	–	136,279,494	136,279,494
Lapse of share options	–	–	(407,208)	–	–	–	–	407,208	–	–
Shares issued on exercise of part of share options	183,120	37,105,412	(9,424,183)	–	–	–	–	–	27,864,349	27,864,349
Transfer from accumulated losses	–	–	–	1,397,841	–	–	–	(1,397,841)	–	–
Balance at 31 December 2014	<u>8,880,768</u>	<u>1,428,088,082</u>	<u>193,143,747</u>	<u>15,261,405</u>	<u>192,981,583</u>	<u>47,191,476</u>	<u>14,402,384</u>	<u>(681,108,794)</u>	<u>1,218,840,651</u>	<u>1,221,907,536</u>

Notes:

- In accordance with the statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained profits to statutory reserve. The statutory reserve is not distributable.
- The contributed surplus of the Group represents the transfer from share premium account in a prior year.
- The property revaluation reserve represents cumulative gains and loss arising from the revaluation of property, plant and equipment that have been transferred to investment properties. Items included in the property revaluation reserve will not be reclassified subsequently to profit or loss.

1. GENERAL

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

At 31 December 2014, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands (“BVI”), as the immediate and ultimate holding company of the Company.

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

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

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

The Group has applied for the first time in the current year the following amendments to HKFRS and a new interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Leases

The application of amendments and interpretation in the current year has had no material impact on the Group’s financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRS that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

Amendments to HKFRS
Amendments to HKFRS
Amendments to HKFRS

Annual Improvements to HKFRS 2010-2012 Cycle⁶
Annual Improvements to HKFRS 2011-2013 Cycle⁴
Annual Improvements to HKFRS 2012-2014 Cycle⁵

- ¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- ⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
- ⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- ⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. REVENUE

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Gaming technologies (game software, systems, hardware and terminals) business	188,522,482	178,889,185
Provision of sports lottery management and marketing consultancy services	<u>22,528,729</u>	<u>29,470,559</u>
	<u>211,051,211</u>	<u>208,359,744</u>

5. SEGMENT INFORMATION

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

Accordingly, the CODM have determined that the Group has one sole operating segment (as a professional service provider in China’s sports lottery market). The information regarding revenue derived from the principal businesses described above is set out in Note 4.

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

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

Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
PRC	209,513,326	199,558,167	885,753,460	883,263,368
Hong Kong	–	–	2,795,616	803,085
Others	1,537,885	8,801,577	–	–
	<u>211,051,211</u>	<u>208,359,744</u>	<u>888,549,076</u>	<u>884,066,453</u>

* Non-current assets excluding deferred tax assets.

Information about major customers

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

	2014	2013
	HK\$	HK\$
Customer A	43,422,682	50,205,829
Customer B	N/A ¹	22,128,927
Customer C	21,947,985	N/A ¹
	<u>65,370,667</u>	<u>72,334,756</u>

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

6. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2014	2013
	HK\$	HK\$
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	2,294,720	8,250,705
Under provision in prior year:		
– PRC EIT	178,992	715,284
Deferred tax:		
– Current year	(1,874,599)	(1,335,452)
Total income tax recognised in profit or loss	<u>599,113</u>	<u>7,630,537</u>

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

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

* For identification purpose only

Income tax recognised in other comprehensive income

	2014 HK\$	2013 HK\$
Deferred tax		
Arising on income recognised in other comprehensive income:		
Revaluation of property transferred to investment properties	1,537,137	–
Total income tax recognised in other comprehensive income	<u>1,537,137</u>	<u>–</u>

7. LOSS FOR THE YEAR

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

	2014 HK\$	2013 HK\$
Auditors’ remuneration	950,000	950,000
Cost of inventories recognised as an expense (included in cost of sales and services)	109,105,053	78,179,053
Provision for warranties (included in cost of sales and services)	18,224,373	11,817,322
Reversal of provision for warranties (included in cost of sales and services)	(2,688,448)	(2,259,239)
Impairment loss recognised on trade receivables	227,056	–
Depreciation of property, plant and equipment	5,699,603	7,797,197
Net gains on disposals of property, plant and equipment	(184,329)	(104,653)
Operating lease rentals in respect of rented premises	16,374,884	8,658,870
Research and development costs	<u>12,953,666</u>	<u>9,585,461</u>
Gross rental income from investment property	(1,417,964)	–
Less: direct operating expenses from investment property that generated income during the year	<u>131,044</u>	<u>–</u>
	<u>(1,286,920)</u>	<u>–</u>
Employee benefits expense, including Directors’ remunerations:		
Fees, salaries, discretionary bonuses and other benefits	43,410,241	43,680,428
Share-based payments	37,295,771	13,217,793
Social security costs	8,018,259	6,911,719
Contributions to retirement benefits schemes	<u>180,643</u>	<u>170,357</u>
Total employee benefits expense	<u>88,904,914</u>	<u>63,980,297</u>

8. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2014 of HK\$189,184,139 (2013: HK\$82,939,885) and the weighted average number of 4,397,479,227 Shares (2013: 4,126,466,413 Shares) in issue during the year ended 31 December 2014.

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

9. GOODWILL

	<i>HK\$</i>
COST	
Balance at 1 January 2013	772,518,603
Effect of foreign currency exchange differences	<u>24,427,714</u>
Balance at 31 December 2013 and 1 January 2014	796,946,317
Effect of foreign currency exchange differences	<u>(3,328,197)</u>
Balance at 31 December 2014	<u><u>793,618,120</u></u>
CARRYING AMOUNTS	
Balance at 31 December 2014	<u><u>793,618,120</u></u>
Balance at 31 December 2013	<u><u>796,946,317</u></u>

10. OTHER INTANGIBLE ASSETS

	Club membership HK\$	Capitalised development costs HK\$	Non- competition agreements HK\$	Contracted Customer HK\$	Total HK\$
COST					
Balance at 1 January 2013	1,741,936	2,787,103	6,087,030	206,560,422	217,176,491
Effect of foreign currency exchange differences	–	88,131	192,477	6,531,621	6,812,229
Balance at 31 December 2013 and 1 January 2014	1,741,936	2,875,234	6,279,507	213,092,043	223,988,720
Effect of foreign currency exchange differences	–	(12,008)	(26,225)	(889,913)	(928,146)
Balance at 31 December 2014	1,741,936	2,863,226	6,253,282	212,202,130	223,060,574
AMORTISATION AND IMPAIRMENT					
Balance at 1 January 2013	–	1,393,551	6,087,030	206,560,422	214,041,003
Amortisation expense	–	478,805	–	–	478,805
Effect of foreign currency exchange differences	–	44,466	192,477	6,531,621	6,768,564
Balance at 31 December 2013 and 1 January 2014	–	1,916,822	6,279,507	213,092,043	221,288,372
Amortisation expense	–	477,744	–	–	477,744
Effect of foreign currency exchange differences	–	(8,545)	(26,225)	(889,913)	(924,683)
Balance at 31 December 2014	–	2,386,021	6,253,282	212,202,130	220,841,433
CARRYING AMOUNTS					
Balance at 31 December 2014	1,741,936	477,205	–	–	2,219,141
Balance at 31 December 2013	1,741,936	958,412	–	–	2,700,348

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

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

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

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

11. TRADE RECEIVABLES

	2014 HK\$	2013 HK\$
Trade receivables	<u>31,071,078</u>	<u>37,288,514</u>

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

	2014 HK\$	2013 HK\$
0 to 30 days	19,135,158	31,925,030
31 to 60 days	–	861,719
61 to 90 days	6,792,419	491,141
91 to 120 days	–	861,719
121 to 365 days	3,116,265	2,641,670
Over 365 days	<u>2,027,236</u>	<u>507,235</u>
	<u>31,071,078</u>	<u>37,288,514</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on trade receivables.

12. BANK BALANCES AND CASH, PLEDGED BANK DEPOSIT AND FIXED DEPOSIT HELD AT BANK WITH ORIGINAL MATURITY OVER THREE MONTHS

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry effective interest ranging from 0.001% to 3.600% per annum (2013: 0.001% to 4.520% per annum) with an original maturity of three months or less. Fixed bank deposit with original maturity over three months carries effective interest at 3.000% per annum (2013: nil).

Pledged bank deposit represents deposit held in a designated bank account to secure letter of guarantee granted to the Group. As at 31 December 2014, the deposit carries effective interest at 3.300% per annum (2013: nil). The pledged bank deposit will be released upon expiry of the relevant letter of guarantee.

As at 31 December 2014, bank balances and cash of approximately HK\$203,299,000 (2013: approximately HK\$158,205,000) were denominated in RMB which are not freely convertible into other currencies.

13. TRADE PAYABLES

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

	2014 HK\$	2013 HK\$
0 to 30 days	25,549,533	9,021,534
31 to 60 days	–	108,253
61 to 90 days	21,387	–
91 to 120 days	453,549	14,101
121 to 365 days	–	638,859
Over 365 days	57,435	–
	<u>26,081,904</u>	<u>9,782,747</u>

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

14. DEFERRED TAXATION

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

Deferred tax assets

	Provision for warranties HK\$
Balance at 1 January 2013	3,488,071
Effect of foreign currency exchange differences	111,124
Credit to profit or loss	<u>990,724</u>
Balance at 31 December 2013 and 1 January 2014	4,589,919
Effect of foreign currency exchange differences	(21,042)
Credit to profit or loss	<u>1,658,234</u>
Balance at 31 December 2014	<u>6,227,111</u>

Deferred tax liabilities

	Accelerated tax depreciation HK\$	Investment properties HK\$	Total HK\$
Balance at 1 January 2013	4,598,558	–	4,598,558
Effect of foreign currency exchange differences	145,122	–	145,122
Credit to profit or loss	(344,728)	–	(344,728)
Balance at 31 December 2013 and 1 January 2014	4,398,952	–	4,398,952
Effect of foreign currency exchange differences	(29,329)	15,350	(13,979)
Charge to other comprehensive income upon reclassification as investment properties	(4,153,258)	5,690,395	1,537,137
Credit to profit or loss	(216,365)	–	(216,365)
Balance at 31 December 2014	–	5,705,745	5,705,745

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK\$76,254,000 (2013: approximately HK\$75,284,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$220,108,000 (2013: approximately HK\$196,308,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK\$19,506,000 (2013: approximately HK\$26,733,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK\$200,602,000 (2013: approximately HK\$169,575,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

15. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

About the Group

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

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

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

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

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

Corporate Strategy and Objectives

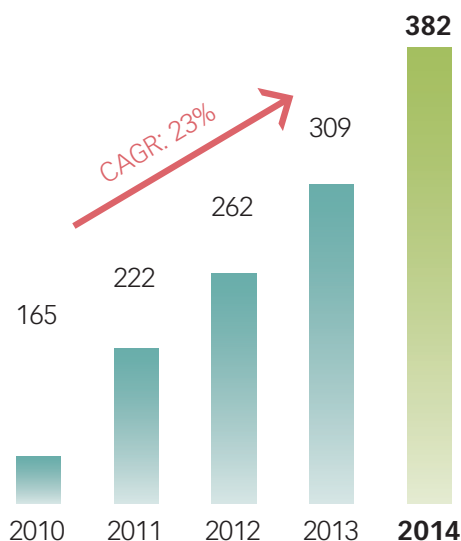
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and competitive legal lottery games to help the Chinese government to crack down on illegal gambling. We will continue to support both of China's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, in this respect. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the Chinese lottery markets both through the existing and any new remote channels. Our Group has been working with various world-renowned strategic partners in these efforts for many years.

INDUSTRY OVERVIEW

China's Lottery Market Achieved Sales of over RMB382 billion in 2014

2014 was another record year for the China lottery market. According to data published by the PRC's Ministry of Finance, total lottery sales reached over RMB382 billion. Sales increased by approximately RMB73 billion from the prior year, representing an annual growth rate of approximately 24%. According to figures published by Sina Lottery, this growth enabled the lotteries to distribute over RMB102 billion to good causes during 2014, the largest amount in the lotteries' history.

Total Lottery Sales 2010-2014 (RMB billion)



Source: PRC Ministry of Finance

As shown in the accompanying chart, the lottery has delivered ever increasing sales between 2010 and 2014, growing at a compound annual growth rate (“CAGR”) of approximately 23% in this period. This growth has been driven by a number of factors including growth in disposable income, increased prize payout ratios, the introduction of more appealing products as well as changes to the retail distribution network through the nascent interface between the retail network and remote channels.

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

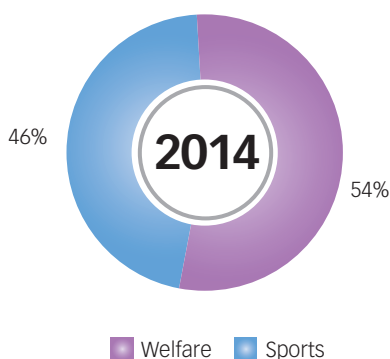
The authorities in China are committed to channeling the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network. This process is already well underway and is a vital step to ensure that the vulnerable in Chinese society are adequately protected,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

Industry Highlights

China has two legal lottery operators: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery).

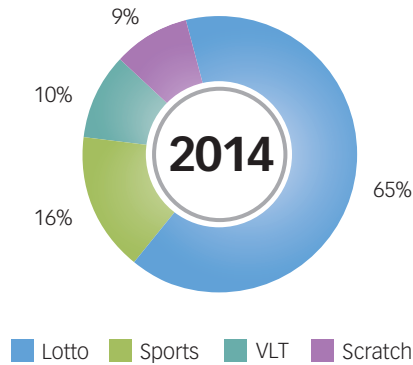
These lotteries have four main product categories: draw games that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour (Lotto), sports betting (Sports), video lottery terminals (VLT) and instant scratch cards (Scratch). Of these products, Lotto and Scratch are common to both lottery operators. Only the Sports Lottery is permitted to offer Sports, however. Historically, VLT has only been permitted in the Welfare Lottery although it is anticipated that a trial VLT product will be launched in the Sports Lottery during 2015.

Total Lottery Sales by Lottery (2014)



Source: PRC Ministry of Finance

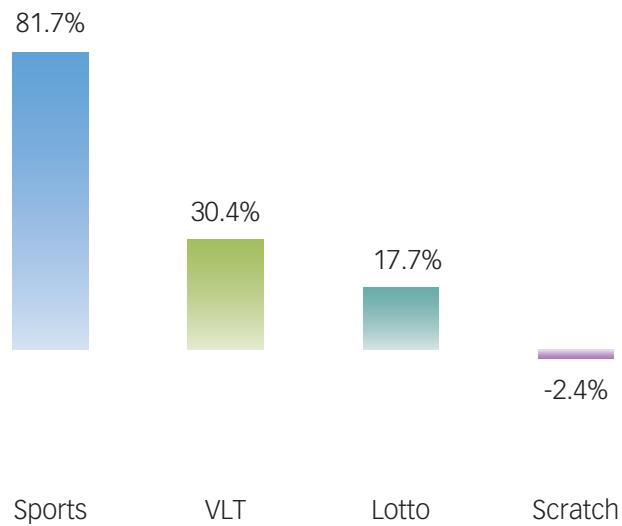
Total Lottery Sales by Major Game Type (2014)



Source: PRC Ministry of Finance

The overall growth of lottery sales in China during 2014 of approximately 23% masks significant differences within each of the product categories. Whilst Sports and VLT enjoyed very strong growth, Lotto grew more modestly and Scratch posted another year of declining sales figures.

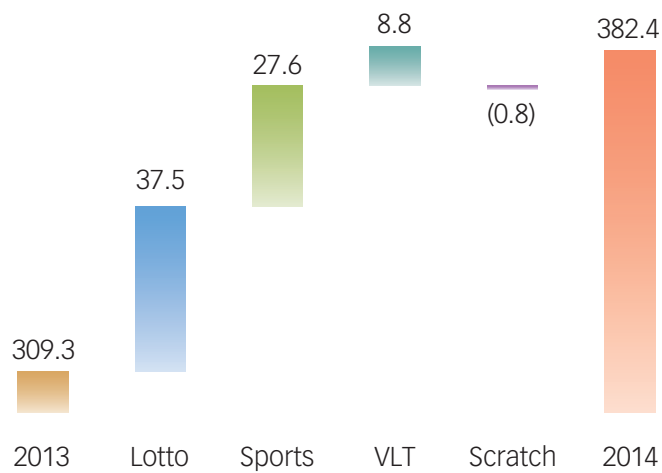
Lottery Sales Growth Comparison by Product (2014 vs 2013)



Source: PRC Ministry of Finance

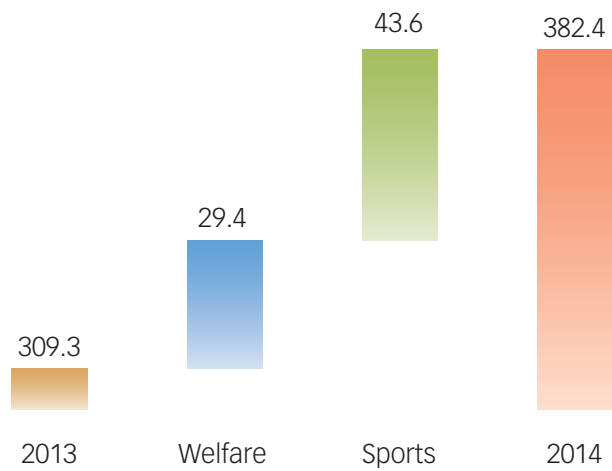
Given the very strong sales growth of the Sports product during 2014, reflecting the popularity of the 2014 FIFA World Cup tournament, the Sports Lottery grew considerably more rapidly than the Welfare Lottery during 2014. In absolute terms, the Sports Lottery generated approximately 60% of national ticket sales growth during 2014.

Lottery Sales Bridge 2013–2014: By Product (RMB billion)



Source: PRC Ministry of Finance

Lottery Sales Bridge 2013–2014: By Lottery (RMB billion)



Source: PRC Ministry of Finance

Performance by Product Type

1. *Sports*

Only the Sports Lottery is permitted to offer the Sports product.

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

Sports as a category grew by approximately 82% in 2014. This phenomenal growth rate has been attributed to the impact of the hugely popular FIFA World Cup which took place during the summer of 2014. While traditional football betting grew by just 14% in this period, single match betting grew by approximately 97% and now accounts for approximately 85% of the entire category. During 2014, new rules were approved for Sports that will see the permitted prize payout ratio increase to 73%. The impact of this increase is expected to be seen during 2015.

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

2. *VLT*

Video lottery terminals are networked self-service lottery terminals that facilitate rapid play of themed, graphically-rich lottery games that are not available for play via the other product categories. Industry estimates suggest that the Welfare Lottery has an installed base of approximately 28,000 such terminals in approximately 1,000 VLT halls across China. Although extremely popular and growing rapidly, due to its relatively low base, the overall contribution to national lottery sales from the VLT product remains modest. Sales in 2014 were approximately RMB29 billion, representing approximately 10% of the national market. 2015 may be an interesting year for this product category in light of the trial VLT approval recently granted to the Sports Lottery.

3. *Lotto*

Lotto contributed sales of approximately RMB249 billion during the year and remains by far the largest category. The annual growth rate of 17.7%, however, showed a decline from the previous year's rate of approximately 21.4%. The growth of the Lotto category is being driven by modern high (draw) frequency games (HFG) which grew at over 26% during 2014. The traditional daily or weekly draw games grew by just approximately 9% which reflects their relatively maturity. In 2014, annual HFG sales exceeded traditional lotto draw sales for the first time.

We expect both the Welfare Lottery and the Sports Lottery to continue to exploit the popularity of HFG. Since Lucky Racing, AGT's proprietary game, is classified as a high frequency game we believe that our Virtual Sports Lottery business is likely to benefit from this trend through the planned roll-out of Lucky Racing to more province(s) in China, for example.

4. *Scratch*

In 2014, sales of Scratch tickets were approximately RMB34.3 billion, a decline of approximately 2.4% from the previous year. Sales of the Scratch product are exhibiting a multi-year downward trend. Scratch accounted for approximately 9% of the total lottery market in 2014 compared to approximately 11% and approximately 15% in the preceding two years. The increase in the payout ratio of other products such as HFG has created an attractive substitutable product in the market whilst, unlike other products, Scratch sales have not benefitted from the nascent online/mobile distribution channel links that have been established with the retail network. Finally, the paper scratch product, like traditional draw based games in the Lotto category, is a relatively mature product in the China lottery market.

BUSINESS REVIEW

Gaming Technologies Business

Virtual Sports Betting

The Group supplied its virtual sports lottery game “e-Ball Lottery” (“e球彩”) to the launch province of Jiangsu during the year. Meanwhile, our first game, “Lucky Racing” (“幸運賽車”), has continued to be operated successfully in the province of Hunan, in advance of a planned rollout to more province(s) across the PRC. The e-Ball game is a football themed virtual sports lottery game with a 69% payout ratio. It is only the second Ministry of Finance-approved, rapid draw, fixed-odds virtual sports lottery game in China. The other such game being the Group’s Lucky Racing. e-Ball Lottery is live in China’s largest Sports Lottery province and has been approved by the National Sports Lottery Administration Centre as a sports betting game. The first full year of e-Ball operations went smoothly. In close cooperation with our customer and the relevant lottery authorities in China, we continually optimised the game and we are encouraged by the potential of this game. Like Lucky Racing, we expect that e-Ball will roll out to more provinces in China in due course. Following the successful launch of Lucky Racing and e-Ball Lottery, virtual sports lottery has become a high growth and diversified game category and it is fully accepted by China’s market.

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

Lucky Racing has become a very popular lottery game in Hunan Sports Lottery. Our technical partners at the Sports Lottery have completed the technical preparation work of the national high frequency game platform and have satisfied the technical requirements necessary to carry our Lucky Racing game to other provinces beyond Hunan and we expect the game to be supplied to more province(s) in China in the relatively near future.

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

Gaming Hardware and Technology Development

The Group's GOT has retained its status as the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery during 2014 and continues to enjoy the largest share of the market. Through the recent acquisition of Zoom Read (completed on 8 January 2015), the Group has become a leading manufacturer and supplier of paper scratch card sales hardware in China. Through GOT and Zoom Read, AGTech supplies 29 provinces, cities and municipalities in total in China with lottery hardware.

The results of Zoom Read are not included in the Group's 2014 financial statements since the acquisition was completed on 8 January 2015. Zoom Read's results will be reflected in the Group's Q1 2015 financial statements and in future reporting periods.

2014 represented another good year for GOT domestically. The terminal replacement cycle in China's sports lottery market continued and GOT was chosen as a supplier by most of the provinces which concluded tenders during the year. This encouraging performance is testament to GOT's unparalleled reputation in the Sports Lottery field, gained during more than ten years of successful operation. During the year we continued to pursue international opportunities. Currently, GOT is in active discussions with a number of potential international customers and/or distributors of GOT terminals and has machines live or on trial in market such as South Africa, the United Kingdom, Italy, Austria and Canada.

The Group's hardware division plans to leverage its larger scope and increased product differentiation to maintain its domestic market share, grow its international sales and to broaden its product spectrum still further with new hardware ranges such as VLT which would be suitable for both domestic and international audiences.

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

Online and Mobile Lottery

To date, in line with the relevant lottery regulations, the Group has not conducted any online lottery sales or maintained any website to conduct such sales. However, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile.

In the internet channel, the authorities are working on a national (as opposed to provincial) internet distribution system. It is anticipated that sales of the Group's approved games, Lucky Racing and e-Ball Lottery, are likely to benefit strongly when such a system is introduced.

With respect to mobile smart phones, China's lottery authorities are expected to create a fully regulated provincial mobile lottery distribution market in China. The Group is well positioned to participate in this market in various aspects through its recently acquired subsidiary.

With the Group's valuable PRC internet service provider and PRC internet content provider experience, as well as its excellent business track record and relationship, the Group has established close cooperation with the most advanced international companies and is committed to providing a full range of support and services to localise and develop China's mobile lottery systems and games.

Lottery Management Business

Lottery management services as currently provided by the Group primarily comprise long term contracts with provincial Sports Lottery authorities for services such as marketing and promotion consultancy and management.

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

The Group's lottery management business is performing in-line with expectations. The decline in sales in the Lottery Management Business during the period was due to the natural expiry of some of its provincial contracts. Looking forward, in view of the Group's transition to a professional and integrated lottery service provider, it is expected that the proportion of revenue contributed by the Lottery Management division will be modest. However, in light of the Group's valuable experience, solid background as well as its trusting cooperative relationships built up with various provincial lottery administration and distribution authorities through the existing lottery management business, together with new lottery technologies/terminals to be introduced and new developments in the new internet/mobile channel business, it is possible that new opportunities in the Lottery Management business will emerge. We are currently exploring and building new business co-operations and business models in this area.

BUSINESS OUTLOOK

The Directors expect 2015 to be a year of significant regulatory progress in the China lottery industry. China's lottery industry will introduce relevant laws and regulations (particularly on internet and mobile distribution) which will further regulate and professionalise lottery supervision. Based on accurate interpretation of national regulations and policies, the Group has successfully grasped industry trends and formulated its long-term and stable strategic positioning and business development strategies in previous operation. We believe that, following the regulatory evolution of the Chinese lottery industry and relying upon the Group's competitive advantages formed in game development and channel construction, the Group will achieve a significant breakthrough in business development.

Earlier this year, the "National Football Reform Overall Plan" was passed by China's Central Leading Group for Comprehensively Deepening Reforms. This development positions the sport of football in the overall social economy development plan of China and is expected to bring material benefits to football-related industries, including the sports lottery industry. In particular, it is proposed that the direction of the plan is "the proactive research and development on the issuance of football lottery relating to betting on the China Football Super League". This will enhance the status of sports betting lottery in terms of policy. Thanks to

the Group's strengths in advanced and creative lottery game system and content development, we expect to be able to grasp the opportunities brought about by the forthcoming evolution in the sports industry and actively promote various virtual sports lottery games including "Lucky Racing" and "e-Ball Lottery".

In the area of remote (i.e. online and mobile) lottery ticket distribution, we anticipate that there will be a more clearly regulated operation, management and distribution model. In the internet channel, in the fullness of time, we expect to see both the Welfare and Sports Lotteries develop national-level platforms to sell selected pre-approved lottery products online on behalf of the provinces and through licensed internet distributors. In the area of mobile, the Group is well positioned in the race to supply the related system and content technology to one or more of the first-mover provinces (subject to the relevant approvals).

With respect to retail lottery stores, with the 2014 FIFA World Cup now behind us, the Directors anticipate an increasing urgency within the Sports Lottery. Taken together with the completion of the Sports Lottery's national high frequency game platform, this bodes very well for the Group's approved proprietary games Lucky Racing and e-Ball as well as its pipeline of planned new products.

Finally, on the topic of hardware, with our leading positions in both point of sale and handheld scratch card hardware as well as our first class international partnerships and long track-record in the China lottery, we believe that AGTech is very well positioned to take advantage of new opportunities in hardware.

Taken together with the continuing underlying revenue growth of the lottery business in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group for 2015 and beyond.

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

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$211.1 million (2013: approximately HK\$208.4 million), representing an increase of approximately 1.3% over 2013. Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) business and from provision of sports lottery management and marketing consultancy services in the PRC. During the year under review, the gross profit margin percentage stood at approximately 33.0% (2013: approximately 43.8%). The decrease in gross profit margin percentage was mainly attributable to (i) change in business mix (being drop in revenue from the Group's higher-margin lottery management business due to the expiry of certain contracts in such business line as a result of the Group's transition of its

core business from the legacy, lower-growth lottery management business to fully integrated services involving its advanced, higher-growth gaming technologies business); (ii) the fact that the gross profit margins for GOT in 2014 were lower than those in 2013 as a result of the increasingly competitive lottery terminal supply market in China; and (iii) increase in cost of sales and services of approximately HK\$4.9 million due to the establishment of a data centre for rolling out the e-Ball Lottery game.

Loss attributable to owners of the Company for the year under review increased to approximately HK\$189.2 million (2013: approximately HK\$82.9 million), primarily due to a rise in the share-based payments to approximately HK\$136.3 million (2013: approximately HK\$60.1 million) as a result of an increase in share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme during the year under review. In addition, there were increases in other major expenses, including (i) a rise in office costs to approximately HK\$19.0 million (2013: approximately HK\$10.2 million) as a result of the relocation of the Group's Beijing office in China during the year under review and (ii) an increase in legal, professional and consultancy fees to approximately HK\$18.2 million (2013: approximately HK\$10.2 million) as a result of an increase in project/acquisition-related professional services.

Liquidity and financial resources

Net bank balances and cash (defined as total bank balances and cash, fixed deposit held at bank with original maturity over three months and pledged bank deposit less total bank borrowings) as at 31 December 2014 were approximately HK\$315.6 million (2013: approximately HK\$286.5 million). The total assets and net current assets of the Group as at 31 December 2014 were approximately HK\$1,335.6 million and approximately HK\$374.4 million respectively (2013: approximately HK\$1,314.4 million and approximately HK\$381.6 million respectively). Current liabilities of the Group as at 31 December 2014 were approximately HK\$66.4 million (2013: approximately HK\$44.1 million). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2014 was approximately 6.6 (2013: 9.6) which continuously reflected adequacy of financial resources of the Group.

Capital structure and foreign exchange risk

During the year under review, the Group was operated on a debt-free capital structure. The Group financed its operations primarily with internally generated cash flows as well as the proceeds from the previous fund raising exercise and from the exercising by grantees of the share options granted under the Share Option Scheme. The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2014 was nil (2013: nil).

As at 31 December 2014, majority of the Group's bank deposits were denominated in HK\$ and RMB. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in HK\$ and RMB, which is not freely convertible into foreign currencies, the Group faced minimal foreign exchange risk during the year under review. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review.

Contingent liabilities and capital commitment

As at 31 December 2014, the Group did not have any material contingent liabilities and capital commitment.

Significant investments, material acquisitions and disposals during the year under review

As disclosed in the Circular, an agreement dated 17 November 2014 (the “Sale and Purchase Agreement”) was entered into between the Company, Silvercreek Technology Holdings Limited (being a wholly-owned subsidiary of the Company, as purchaser (the “Purchaser”), Immense Wisdom Limited (“IWL”), King Achieve Limited (“KAL”) (with IWL and KAL together as vendors (the “Vendors”)) and Score Value Limited (the “Target”, together with its subsidiaries, the “Target Group”) in relation to the acquisition by the Purchaser of a 100% equity interest in the Target (the “Acquisition”) for a maximum consideration of HK\$489.5 million (subject to downward adjustments). The maximum consideration is to be satisfied as to HK\$239.5 million in cash and as to HK\$250.0 million by way of the allotment and issue of a maximum of 168,918,918 Consideration Shares (as defined in the Circular) at the issue price of HK\$1.48 per Share. Subject to the Target Group meeting certain operational targets as set out in the Sale and Purchase Agreement, the Company shall also grant the Bonus Options (as defined in the Circular) to the Vendors which shall entitle the Vendors to subscribe for a maximum of 166,666,666 Bonus Option Shares (as defined in the Circular) at a subscription price of HK\$1.8 per Bonus Option Share.

The Target Group is principally engaged in the research and development, quality assurance and sale of handheld lottery sales equipment, provision of aftersales maintenance of such devices, and design of lottery games and system development in the PRC.

The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules and was approved by the Shareholders at the special general meeting of the Company held on 23 December 2014. The Acquisition was completed on 8 January 2015 and as a result, the Target has become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Save for the Acquisition disclosed above, there were no significant investments, material acquisitions and disposals during the year ended 31 December 2014.

Employees’ information and remuneration policies

As at 31 December 2014, the Group had 218 (2013: 215) employees in Hong Kong and the PRC. Total staff costs (excluding Directors’ emoluments) for the year ended 31 December 2014 amounted to approximately HK\$67.2 million (2013: approximately HK\$45.8 million).

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

Charges on Group's assets

As at 31 December 2014, bank deposit of approximately HK\$3.0 million (2013: nil) was held in a designated bank account to secure letter of guarantee granted to the Group. The pledged bank deposit will be released upon expiry of the relevant letter of guarantee.

Save as disclosed above, as at 31 December 2014, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

Save as disclosed in the paragraph headed "Significant investments, material acquisitions and disposals during the year under review" above, there was no specific plan for material investments and acquisition of capital assets as at 31 December 2014.

Significant event after the reporting period

As disclosed in the paragraph headed "Significant investments, material acquisitions and disposals during the year under review" above, the Acquisition was completed on 8 January 2015. In addition, pursuant to the Sale and Purchase Agreement in respect of the Acquisition, the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK\$300 million to the Vendors upon fulfilment of certain pre-conditions at a later stage, including profit guarantees of an average of RMB20 million (equivalent to approximately HK\$25.3 million) per year provided by the Vendors in respect of a subsidiary of the Target for each of the three financial years ending 31 December 2015, 2016 and 2017 as described in the paragraph headed "Deferred Consideration" on pages 9 and 10 of the Circular. The Company will make further announcement(s) in due course when the status of any of these deferred consideration settlements can be ascertained.

Significant changes to financial position

Inventories as at 31 December 2014 was approximately HK\$25.3 million (2013: approximately HK\$46.5 million), with inventory turnover period decreased from 111 days in 2013 to 93 days in 2014. Trade receivables as at 31 December 2014 was approximately HK\$31.1 million (2013: approximately HK\$37.3 million), with debtor turnover period decreased from 100 days in 2013 to 59 days in 2014. It reflects the Group's more stringent control on working capital management.

The decrease in current tax liabilities from approximately HK\$2.5 million as at 31 December 2013 to approximately HK\$0.4 million as at 31 December 2014 was due to the decrease in assessable profits of certain subsidiaries of the Group in the PRC.

Fund raising exercise and use of proceeds

As disclosed in the announcements of the Company dated 6 May 2013 and 21 May 2013, the Company completed on 21 May 2013:

- (i) a placing of 406,521,739 Shares at the placing price (“**Placing Price**”) of HK\$0.345 each under general mandate (“**Placing**”) to not less than six independent individual, corporate, professional and/or institutional investors (“**Placees**”); and
- (ii) the grant of an option (“**Option**”) under general mandate to Rainwood Resources Limited, entitling it to subscribe for up to 212,879,224 Shares at an exercise price of HK\$0.40 per Share (subject to adjustments) over an exercisable period of three years.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) the Placees (including Rainwood Resources Limited) and their respective ultimate beneficial owners (if any) were third parties independent of and were not connected with the Company and its connected persons (as defined in the GEM Listing Rules); and (ii) none of the Placees and their respective associates became a Substantial Shareholder (as defined in the GEM Listing Rules) of the Company immediately upon completion of the Placing.

The aggregate nominal value of the 406,521,739 Shares under the Placing was approximately HK\$813,043. The Placing Price represents a discount of approximately 19.8% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 May 2013, being the date of agreement in respect of the Placing. The net Placing Price, after taking into account the commission for and expenses of the Placing, was approximately HK\$0.34 per Share. The net proceeds of the Placing received by the Company amounted to approximately HK\$138 million (“**Placing Proceeds**”), and the Option has not been exercised as at the date hereof. The Placing Proceeds together with the aggregate exercise price receivable by the Company if the Option is exercised in full shall amount to approximately HK\$223 million.

The Group financed its operations primarily with internally generated cash flows as well as the proceeds from the Placing and from the exercising by grantees of the share options granted under the Share Option Scheme. Primarily due to the Placing Proceeds raised, the bank balances and cash of the Group increased from HK\$137,666,360 as at 31 December 2012 to HK\$295,017,209 as at 30 June 2013, thus strengthening the working capital position of the Group.

As disclosed in the aforesaid announcement dated 6 May 2013, the Directors considered it beneficial for the Group to raise funds through the Placing. The Placing represented a good opportunity to raise additional general working capital for future business development of the Group, and would enhance the capital and Shareholders’ base of the Company, thereby increasing the liquidity of the Shares. In addition, the Placing Proceeds were intended to be used for business development, working capital of the Group, and/or investments undertaken or to be made by the Group should suitable investment opportunities arise including, but not limited to, investment opportunities in relation to any entertainment, hotel and/or leisure related business in Macau.

The actual usage of the Placing Proceeds has been as follows:

Period under review	Aggregate amount used during period under review	Purpose of usage	Remaining balance of Placing Proceeds as at the last date of the period under review
Since completion of the Placing on 21 May 2013 up to and including 31 December 2013	approximately HK\$37 million	for working capital of the Group	approximately HK\$101 million*
From 1 January 2014 up to and including 31 December 2014	approximately HK\$14 million	for working capital of the Group	approximately HK\$87 million*
From 1 January 2015 up to the date of this announcement	approximately HK\$87 million	for investment in 100% equity interest in Score Value Limited as disclosed in the Circular and for working capital of the Group	Nil

* The remaining balance was placed in the bank savings account of the Company.

RETIREMENT OF A NON-EXECUTIVE DIRECTOR

During the year under review, Ms. Yang Yang retired as a non-executive Director with effect from the conclusion of the Company's 2014 annual general meeting which was held on 5 May 2014.

APPOINTMENT OF COMPANY SECRETARY, AUTHORISED REPRESENTATIVE, MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE AND SENIOR FINANCIAL CONTROLLER

During the year under review, Mr. Lai Yick Fung was appointed as the company secretary, authorised representative, member of the corporate governance committee and senior financial controller of the Company with effect from 7 April 2014.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated results of the Group for the year ended 31 December 2014 have been reviewed and commented on by the audit committee.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the “**Code of Conduct**”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in the Code of Conduct during the year under review.

SHARE OPTION SCHEME

A new share option scheme of the Company was approved by the Shareholders at the special general meeting held on 23 December 2014 and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on 18 November 2004 (which had expired on 17 November 2014).

During the year under review, options for 427,790,238 Shares were granted by the Company pursuant to the Share Option Scheme. During the year under review, options for 91,560,000 Shares were exercised and options for 15,302,500 Shares were lapsed. As at 31 December 2014, options for 730,769,426 Shares remained outstanding.

CORPORATE GOVERNANCE PRACTICES

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

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

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors at all times;
- the proper procedures for appointment and re-election of Directors;
- the annual review of individual Directors’ contributions to the Group, the status of each Director’s work commitments outside of the Group, and the years of service of each independent non-executive Directors;
- the establishment of an audit committee to review the financial reporting and internal controls of the Group and the enhanced communications between the audit committee and the auditors of the Company through meetings held for the pre-audit planning and the annual results of the Group without the presence of other Directors;

- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters for the Group;
- the establishment of a nomination committee to formulate a policy concerning diversity in the Board and a nomination policy, make recommendations to the Board on any proposed appointment of Directors and assess the independence of the independent non-executive Directors on a regular basis;
- the establishment of a corporate governance committee to assist the Board in performing the corporate governance duties as required under the Code;
- the provision of briefing or training (at the expense of the Company) on the relevant requirements of the GEM Listing Rules (including the Code) and the Securities and Futures Ordinance to all newly appointed Directors and to the entire Board as and when there are new changes to such rules and regulations;
- the provision of insurance coverage for Directors' liabilities;
- the timely supply of sufficient information to Directors for matters seeking their approval or opinions;
- the timely publications of announcements, circulars, annual, interim and quarterly results and reports (collectively referred to as the "**Publications**") to keep the Shareholders posted of the latest business developments and financial performance of the Group;
- the holding of an annual general meeting each year to meet with the Shareholders and answer their enquiries; and
- the timely updating of the Company's official website with the latest Publications of the Company and the provision of a platform for communications with the Shareholders and investors through such website.

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

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

- (b) under the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;
- (c) under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year under review, the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under the Code provision A6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- (e) under the Code provision B.1.2, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;

- (f) under the Code provision B.1.5, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future;
- (g) under the Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the Shareholders. An annual general meeting (“AGM”) and a special general meeting (“SGM”) were held by the Company during the year on 5 May 2014 and 23 December 2014 respectively. The independent non-executive Directors, Mr. Wang Ronghua and Mr. Hua Fengmao, were absent from both the AGM and SGM, whereas the non-executive Director, Mr. Ho King Fung, Eric, and a former non-executive Director, Ms. Yang Yang, were absent from the AGM. The above-mentioned Directors and former Director considered that the attendance at general meetings of the Company could not help develop a balanced understanding of the views of the Shareholders because not many Shareholders attended such meetings in the past few years, that the chairperson of the Audit, Nomination and Remuneration Committees of the Board, Ms. Monica Maria Nunes (an independent non-executive Director), already attended the AGM and SGM to represent all other non-executive Directors, and that Ms. Yang Yang was to retire from the Board on the date of the AGM; and
- (h) during the year under review, the management of the Company did not provide the Directors with monthly updates on the Company’s financial position and performance for the first two months of 2014 as required under the Code provision C.1.2, due to the resignation of the former senior financial controller and company secretary of the Company during the first quarter of 2014 and the fact that the management was busy focusing their efforts on the annual audit and preparation of the annual results announcement and report during such transitional period. This deviation from the Code had been rectified during the second quarter of 2014 after the appointment of the new senior financial controller and company secretary of the Company in early April 2014, and the Company will ensure that monthly updates shall be provided to the Directors in the future.

(The above deviations (a) to (f) were similarly disclosed on pages 29 and 30 of the Company's annual report for the year ended 31 December 2013, and the above deviations (g) and (h) were new ones that took place during the year under review. All the above deviations (a) to (h) were similarly disclosed on pages 27 to 29 of the Company's interim report for the six months ended 30 June 2014.)

INTERESTS IN COMPETING BUSINESS

During the year under review, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competes or might compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of the Shares, representing not less than 25% of the total issued Shares as required under the GEM Listing Rules.

DEFINITIONS

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

“Board”	means the board of Directors
“Bye-laws”	means the bye-laws of the Company
“CEO”	means chief executive officer
“Circular”	means the circular of the Company dated 8 December 2014
“Company” or “AGTech”	means AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares are listed on GEM
“Director(s)”	means the director(s) of the Company
“GEM”	means the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM
“GOT”	means 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Macau”	means the Macau Special Administrative Region of the PRC
“PRC” or “China”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“province(s)”	means province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	means the share option scheme of the Company adopted on 18 November 2004 (or, after its expiry on 17 November 2014, the share option scheme of the Company adopted on 23 December 2014)
“Share(s)”	means ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of the Share(s)
“Silvercreek”	means 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Zoom Read”	means 深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company following completion of its acquisition on 8 January 2015
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	means Renminbi, the lawful currency of the PRC
“%”	means per cent

Notes:

1. In this announcement, the exchange rate of HK\$1.2638 to RMB1.00 has been used for reference only.
2. The English translation of the Chinese company names in this announcement are included for reference only and should not be regarded as the official English translation of such Chinese company names.
3. In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* For identification purpose only

By order of the Board
AGTech Holdings Limited
Sun Ho
Chairman & Chief Executive Officer

Hong Kong, 23 March 2015

As at the date of this announcement, the Board comprises (i) Mr. Sun Ho, Mr. Robert Geoffrey Ryan, Mr. Bai Jinmin and Mr. Liang Yu as executive Directors; (ii) Mr. Ho King Fung, Eric as non-executive Director; and (iii) Ms. Monica Maria Nunes, Mr. Wang Ronghua and Mr. Hua Fengmao as independent non-executive Directors.

This announcement will remain on the “Latest Company Announcement” page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.