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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 2016

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 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	<i>4</i>	675,335	848,843
Cost of sales/services rendered		(335,493)	(256,937)
Other income		5,560	6,271
Other gains, net		39,623	36,919
Selling and distribution expenses		(51,884)	(34,621)
Administrative expenses		(160,353)	(159,842)
Operating profit		172,788	440,633
Finance costs		(81,499)	(99,152)
Share of (losses)/profits of joint ventures		(521)	740
Profit before taxation	<i>5</i>	90,768	342,221
Taxation	<i>6</i>	(13,308)	(18,323)
Profit for the period		77,460	323,898

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Equity shareholders of the Company		82,159	332,873
Non-controlling interests		(4,699)	(8,975)
		<u>77,460</u>	<u>323,898</u>
Earnings per share for profit attributable to equity shareholders of the Company			
– Basic and diluted	<i>8</i>	<u>0.82 cent</u>	<u>3.34 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Profit for the period	<u>77,460</u>	<u>323,898</u>
Other comprehensive (expenses)/income		
Items that may be reclassified subsequent to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	(48,325)	6
Share of other comprehensive expenses of joint ventures	<u>(3,478)</u>	<u>–</u>
Total other comprehensive (expenses)/income	<u>(51,803)</u>	<u>6</u>
Total comprehensive income for the period	<u><u>25,657</u></u>	<u><u>323,904</u></u>
Attributable to:		
Equity shareholders of the Company	33,308	332,879
Non-controlling interests	<u>(7,651)</u>	<u>(8,975)</u>
	<u><u>25,657</u></u>	<u><u>323,904</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		53,528	59,271
Prepaid lease payments on land use rights		735	735
Goodwill		405,206	405,206
Intangible assets		1,617	1,920
Interests in joint ventures		373,616	377,614
Available-for-sale financial assets		<u>301,442</u>	<u>307,810</u>
Total non-current assets		<u>1,136,144</u>	<u>1,152,556</u>
Current assets			
Inventories		44,041	23,494
Trade receivables	9	853,383	760,152
Utility and other deposits		1,583,611	1,600,474
Prepayments and other receivables		1,794,960	1,795,121
Financial assets at fair value through profit or loss		89,657	63,935
Cash and bank balances	10	<u>1,019,045</u>	<u>1,098,073</u>
		5,384,697	5,341,249
Assets of the disposal group classified as held for sale	18	<u>2,134,789</u>	<u>2,236,663</u>
Total current assets		<u>7,519,486</u>	<u>7,577,912</u>
Total assets		<u>8,655,630</u>	<u>8,730,468</u>

		At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	14	99,835	99,835
Reserves		<u>5,888,963</u>	<u>5,871,322</u>
		5,988,798	5,971,157
Non-controlling interests		<u>106,595</u>	<u>114,246</u>
Total equity		<u>6,095,393</u>	<u>6,085,403</u>
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		46,195	46,195
Deferred tax liabilities		161,465	155,857
Convertible bonds	11	238,217	250,773
Obligations under finance leases		<u>–</u>	<u>8,867</u>
Total non-current liabilities		<u>445,877</u>	<u>461,692</u>
Current liabilities			
Trade payables	12	3,302	2,728
Other payables and accruals		53,818	64,311
Bank borrowings	13	1,008	–
Current portion of convertible bonds	11	1,722,898	1,824,629
Obligations under finance leases		17,065	17,038
Amount due to a shareholder	17	221,476	118,000
Current tax liabilities		<u>3,826</u>	<u>3,051</u>
		2,023,393	2,029,757
Liabilities directly associated with the assets of the disposal group classified as held for sale	18	<u>90,967</u>	<u>153,616</u>
Total current liabilities		<u>2,114,360</u>	<u>2,183,373</u>
Total liabilities		<u>2,560,237</u>	<u>2,645,065</u>
Total equity and liabilities		<u>8,655,630</u>	<u>8,730,468</u>
Net current assets		<u>5,405,126</u>	<u>5,394,539</u>
Total assets less current liabilities		<u>6,541,270</u>	<u>6,547,095</u>

NOTES:

1. BASIS OF PREPARATION

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”).

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 2015 except for the adoption of new and revised standard and interpretation with effect from 1 January 2016.

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 2016.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
HKFRS 14	Regulatory deferral accounts

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 HKAS 7 ¹	Disclosure initiative
Amendments to HKAS 12 ¹	Recognition of deferred tax assets for unrealised loss
Amendments to HKFRS 10 and HKAS 28 ⁴	Sales or contribution of assets between an investor and its associate or joint venture
HKFRS 15 ²	Revenue from contracts with customers
HKFRS 9 ²	Financial instruments
HKFRS 16 ³	Leases

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

² *Effective for annual periods beginning on or after 1 January 2018*

³ *Effective for annual periods beginning on or after 1 January 2019*

⁴ *To be determined*

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Revenue	675,335	848,843
Segment results	199,736	438,183
Net unallocated expenses	(108,968)	(95,962)
Profit before taxation	90,768	342,221
Taxation	(13,308)	(18,323)
Profit for the period	77,460	323,898

Segment assets and liabilities

	Lottery business	
	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Assets		
Segment assets	6,377,297	6,367,252
Assets of the disposal group classified as held for sale (Note 18)	2,134,789	2,236,663
Unallocated assets	143,544	126,553
Total assets	<u>8,655,630</u>	<u>8,730,468</u>
Liabilities		
Segment liabilities	279,657	282,744
Liabilities directly associated with the assets of the disposal group classified as held for sale (Note 18)	90,967	153,616
Unallocated liabilities	2,189,613	2,208,705
Total liabilities	<u>2,560,237</u>	<u>2,645,065</u>

4. REVENUE

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Income from provision of lottery machines and related services	<u>675,335</u>	<u>848,843</u>

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation on:		
– Property, plant and equipment	22,344	24,101
– Prepaid lease payments on land use rights	461	481
– Intangible assets	7,744	7,805
Operating lease rentals in respect of machinery, office premises and warehouses	<u>18,162</u>	<u>19,018</u>

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 2016 (2015: 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	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – PRC income tax	12,366	12,745
Deferred tax	<u>942</u>	<u>5,578</u>
Taxation charge	<u>13,308</u>	<u>18,323</u>

7. DIVIDEND

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2016 (2015: Nil).

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2016 are based on the profit attributable to equity shareholders of the Company of approximately HK\$82,159,000 (2015: approximately HK\$332,873,000).

- (a) The basic earnings per share is based on the weighted average number of approximately 9,983,495,338 (2015: approximately 9,960,024,710) ordinary shares in issue during the six months ended 30 June 2016.
- (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 2016 and 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.

9. TRADE RECEIVABLES

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Trade receivables – Lottery business	<u>853,383</u>	<u>760,152</u>

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

The ageing analysis of trade receivables – Lottery business is as follows:

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Three months or less	234,491	358,148
One year or less but over three months	596,878	382,644
Over one year	<u>22,014</u>	<u>19,360</u>
	<u>853,383</u>	<u>760,152</u>

10. CASH AND BANK BALANCES

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Fixed bank deposits	<u>480,000</u>	<u>491,429</u>
Cash at banks		
– general accounts	538,127	605,665
– segregated accounts	–	330
Cash in hand	<u>918</u>	<u>649</u>
	<u>539,045</u>	<u>606,644</u>
	<u>1,019,045</u>	<u>1,098,073</u>

Fixed bank deposits represented fixed bank deposits with maturity at acquisition over 3 months and within 1 year.

11. CONVERTIBLE BONDS

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

	Convertible bonds due 2019 ("2019 Bonds") HK\$'000	Convertible bonds due 2016 ("2016 Bonds") HK\$'000	Total HK\$'000
Carrying amount at 31 December 2015	1,752,312	323,090	2,075,402
Redemption during the period	(120,428)	(22,430)	(142,858)
Interest expenses	61,835	17,105	78,940
Interest payable	(40,489)	(9,880)	(50,369)
	<u>1,653,230</u>	<u>307,885</u>	<u>1,961,115</u>
Carrying amount at 30 June 2016	1,653,230	307,885	1,961,115
Portion classified as current	<u>(1,415,013)</u>	<u>(307,885)</u>	<u>(1,722,898)</u>
Non-current portion	<u><u>238,217</u></u>	<u><u>–</u></u>	<u><u>238,217</u></u>

The 2016 Bonds and the 2019 Bonds are together referred to as the "Bonds". An extraordinary resolution was duly passed by the bondholders of each series of the Bonds (the "Bondholders") on 3 June 2016 in which the Company agreed to redeem approximately 6.79% of the principal amount of the Bonds with total nominal amount of HK\$2,135,315,000 on 22 June 2016 and the Bondholders agreed to delay the Relevant Event Redemption Date to a date falling no earlier than 29 June 2016 and no later than 29 July 2016. The Company agreed to offer Bondholders who vote in favour of the relevant extraordinary resolution a consent fee of 0.5% of the principal amount of the relevant Bonds as an incentive. In the respective extraordinary resolution, the Bondholders also agreed to provide a carve-out to the relevant event of default to ensure that the Company and its principal subsidiaries are permitted to dispose of assets, business or operations, where the net proceeds of such disposal are primarily applied towards the redemption or repayment of the Bonds (including interest), without triggering an event of default. Further details in relation to the Relevant Event are disclosed in the Company's announcements dated 20 August 2015, 22 September 2015, 7 October 2015, 29 October 2015, 29 March 2016, 8 April 2016, 29 April 2016, 3 May 2016 and 3 June 2016.

On 22 June 2016, the Company redeemed the Bonds with principal amount of HK\$145,000,007.08 at HK\$145,000,007.08 and a gain of approximately HK\$13,525,000 from the redemption was recognised in profit or loss. Immediately after the redemption and at the end of the reporting period, the Bonds with principal amount of HK\$1,990,314,992.92 remain outstanding.

12. TRADE PAYABLES

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Other client payables	314	314
Trade payables – Lottery business	<u>2,988</u>	<u>2,414</u>
	<u>3,302</u>	<u>2,728</u>

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

No ageing analysis is disclosed for other client payables as, in the opinion of the Directors, the ageing analysis does 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 is as follows:

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Three months or less	1,593	966
Over three months	<u>1,395</u>	<u>1,448</u>
	<u>2,988</u>	<u>2,414</u>

13. BANK BORROWINGS

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Bank loans		
– unsecured and due within one year	<u>1,008</u>	<u>–</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.

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	
	Number of shares '000	Amount <i>HK\$'000</i>
At 31 December 2015 and at 30 June 2016	<u>20,000,000</u>	<u>200,000</u>

Issued and fully paid:

	Ordinary shares of HK\$0.01 each	
	Number of shares '000	Amount <i>HK\$'000</i>
At 31 December 2015 and at 30 June 2016	<u>9,983,496</u>	<u>99,835</u>

15. COMMITMENTS

As at 30 June 2016, the Group's future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2016		
	Land and buildings (Unaudited) <i>HK\$'000</i>	Factory equipment (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Within one year	11,921	8,721	20,642
In the second to fifth year inclusive	1,861	34,883	36,744
More than five years	–	47,602	47,602
	<u>13,782</u>	<u>91,206</u>	<u>104,988</u>

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

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 10 years (2015: 1 to 11 years). The leases do not include any contingent rentals.

16. CONTINGENT LIABILITIES

Financial guarantees issued

As at 30 June 2016 and 31 December 2015, 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 2016 and 31 December 2015, the Directors do not consider it probable that a claim will be made against these subsidiaries under any of the guarantees.

17. 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 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Balance with Director/Shareholder:		
Balance due from the Group (<i>Note</i>)	221,476	118,000
Convertible bonds	<u>265,647</u>	<u>285,000</u>
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions with Director/Shareholder:		
Convertible bonds interest paid	6,393	6,750
Interest on amount due to a shareholder	418	–
Redemption of convertible bonds	19,353	–
Consent fee paid for delaying redemption of convertible bonds	<u>2,367</u>	<u>–</u>
Compensation of directors of the Group during the period are as follows:		
Fees, salary and other short-term employee benefits	3,881	3,794
Pension scheme contributions	<u>9</u>	<u>9</u>
	<u>3,890</u>	<u>3,803</u>

Note:

The balance due to a shareholder is unsecured and repayable with one year. Except for the balance of HK\$34,353,000 bearing interest at 4.5% per annum, the remaining balance of HK\$187,123,000 is interest free.

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

On 4 January 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (as supplemented and amended on 23 February 2016) (the “Sale and Purchase Agreement”) with a related party, Sunjet Investments Limited, in which a director (also a substantial shareholder) of the Company has beneficial interest, for the disposal of entire interests in Multi Glory Limited (“Multi Glory”) and the loan due from Multi Glory to the Group for a cash consideration of HK\$2,150,000,000 (the “Disposal”). Certain restructuring (the “Restructuring”) was required to put the Disposal Group (as defined below) in place before completion of the Disposal. After the Restructuring, Multi Glory would, through certain wholly-owned subsidiaries, hold 100% interest in 港樂貿易(深圳)有限公司 (Gang Le Trading (Shenzhen) Co., Ltd.*), which in turn would hold 100% interest in 深圳市鵬樂實業發展有限公司 (Shenzhen Peng Le Industrial Development Co., Ltd.*), which in turn would hold 100% interest in 深圳市思樂數據技術有限公司 (Shenzhen Sinodata Technology Co., Ltd.*) which in turn would hold 100% interest in 深圳市思樂數據設備服務有限公司 (Shenzhen Sinodata Equipment Services Co., Ltd.*) and 50% interest in 深圳市思遠卓越科技開發有限公司 (Shenzhen Siyuan Zhuoyue Technology Development Co., Ltd.*) (hereinafter collectively referred to as the “Disposal Group”). It is intended that the net proceeds from the Disposal will firstly be applied by the Company for the redemption of the Bonds which are subject to redemption notices and in the aggregate principal amount of approximately HK\$1,723,000,000. The principal activities of the Disposal Group are design and provision of lottery systems and equipment for lottery in the PRC for traditional Welfare Computer Ticket Games operations. On 2 August 2016, a supplemental agreement (the “Supplemental Agreement”) was entered into. It will become effective if the Supplemental Agreement and the transactions contemplated thereunder are approved by the shareholders at the special general meeting to be held by the Company. Further details are set out in the Company’s announcements dated 5 January 2016, 23 February 2016, 29 March 2016, 29 April 2016, 19 May 2016, 27 July 2016, 2 August 2016 respectively and circular dated 29 February 2016.

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

According to the accounting standards HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations and HKFRS 10, Consolidation Financial Statements, the profit after taxation of the Disposal Group for the period ended 30 June 2016 amounting to approximately HK\$44,235,000 has been consolidated into consolidated financial statements of the Group as the Disposal has not yet been completed during this period. However, with reference to the terms of the Sale and Purchase Agreement, the Group will not be entitled to the profit/loss after taxation of the Disposal Group since 1 January 2016. Corresponding adjustment will be made upon completion and the gain on sale of the Disposal Group at completion date will be adjusted accordingly.

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

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit for the period from Disposal Group:		
Revenue	176,762	219,667
Cost of sales/services rendered	(78,439)	(98,190)
Other income	301	2,644
Selling and distribution expenses	(6,562)	(5,488)
Administrative expenses	(38,989)	(50,450)
	<hr/>	<hr/>
Operating profit	53,073	68,183
Finance costs	(1,534)	(3,145)
	<hr/>	<hr/>
Profit before taxation	51,539	65,038
Taxation	(7,304)	(12,702)
	<hr/>	<hr/>
Profit for the period	44,235	52,336
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The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 30 June 2016 are as follows:

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Property, plant and equipment	136,166	138,690
Prepaid lease payments or land use rights	41,240	42,615
Goodwill	1,026,795	1,026,795
Intangible assets	29,839	37,991
Deposit for acquisition of leasehold building	441	452
Inventories	104,855	116,397
Trade receivables	94,229	97,231
Utility and other deposits	103,795	103,885
Prepayment and other receivables	521,178	527,889
Cash and cash equivalents	<u>76,251</u>	<u>144,718</u>
Assets of the disposal group classified as held for sale	<u>2,134,789</u>	<u>2,236,663</u>
Trade payables	(6,931)	(36,549)
Other payables and accruals	(23,492)	(31,280)
Bank borrowings	(58,140)	(71,429)
Current tax liabilities	(2,610)	(9,526)
Deferred taxation	<u>206</u>	<u>(4,832)</u>
Liabilities directly associated with the assets of the disposal group classified as held for sale	<u>(90,967)</u>	<u>(153,616)</u>
Net assets of the disposal group classified as held for sale	<u><u>2,043,822</u></u>	<u><u>2,083,047</u></u>

At 30 June 2016, bank loans of approximately HK\$58,140,000 (31 December 2015: approximately HK\$71,429,000) are secured by the leasehold buildings and land use rights of the Disposal Group.

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

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

- (i) As disclosed in Note 18, the Supplemental Agreement in relation to the Disposal was entered into on 2 August 2016. It will become effective if the Supplemental Agreement and the transactions contemplated thereunder are approved by the shareholders at the special general meeting to be held by the Company.

- (ii) As disclosed in Note 11, the Company was required to redeem the Bonds which were subject to redemption notice on a date falling no earlier than 29 June 2016 and no later than 29 July 2016. As completion of the Disposal had not taken place as at 29 July 2016, the Company therefore is requesting (i) the Bondholders of the 2016 Bonds to agree to delay the maturity date of the 2016 Bonds to 28 February 2017; and (ii) the Bondholders of each of the 2016 Bonds and the 2019 Bonds to agree to further delay the relevant event redemption date to (among other things) a date from but excluding 28 January 2017 to and including 28 February 2017 in relation to the relevant delisting event.

Further details are disclosed under the sections “LATEST DEVELOPMENT OF THE DISPOSAL – MAJOR AND CONNECTED TRANSACTION” and “LATEST PROPOSAL IN RELATION TO THE CONVERTIBLE BONDS” in this announcement.

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"). Revenue of the lottery business accounted for 100% of the Group's total revenue.

During the first six months ended 30 June 2016, total Group revenue was approximately HK\$675,335,000, decreased by 20% over the same period last year (2015: approximately HK\$848,843,000). Profit before taxation declined 73% to approximately HK\$90,768,000 (2015: approximately HK\$342,221,000).

Whilst the Group delivered better results during the first half of 2015, the period under review (similar to the second half of 2015) presented a challenging operating environment. The PRC economy experienced a slowdown in growth. There was a general decline in various sectors of the Chinese lottery market and the internet lottery distribution channel remained suspended. The general operating environment for the Group has been very challenging. Cost of sales/services and selling and distribution expenses including salary, marketing cost and other operating costs in the PRC increased substantially during the period under review due to business restructuring and keen market competition. These have led to a general decline in the margin of the various business operations of the Group. General expenses of the Group also went up mainly due to the increase in corporate expenses in relation to the delay in the closing of the Disposal.

Despite the challenging operating environment, the Group continued to deliver positive earnings, which demonstrated the resiliency of lottery industry and the strong foundation of the Group's business portfolio. The Group still managed to achieve a satisfactory performance amid the market dynamics and regulatory developments which pulled back the industry from its robust growth.

Whilst the suspension of internet distribution channel continued to exert its influence over various fronts of the Chinese lottery market, its overall impact has already been fading. In light of the adoption of China's 13th Five-Year Plan and the subsequent action plans formulated by lottery authorities, electronic lottery distribution channels including the internet and mobile remain on agenda.

In view of this, the Group embarked on its journey to implement transformation initiatives with a vision to capitalize on the right opportunities to drive for the long-term success of its business. Firstly, driven by the latest development in the lottery market, the Group aimed to reposition its Welfare Computer Ticket Games ("CTG") business. Through the realisation of part of its long-term investment in the traditional segment of Welfare CTG market, this strategic move can unlock the substantial value of the Group's assets and allow us to focus on growing its business in various sectors with high growth potential in the industry. Secondly, with the Group's remarkable foundation established in the downstream lottery operations, we are excited about the opportunities arising from the possible reopening of internet lottery distribution channel in the future and proliferation of mobile technology for lottery distribution. Given the various acquisitions we have made so far coupled with the capabilities organically developed, the Group continues to pursue its goal to become the reliable partners of the lottery authorities and lottery players, providing solutions for lottery distribution. These strategic transformation initiatives will lay the groundwork for our future growth and allow us to deliver long-term value for our shareholders.

Reference is made to the announcements of the Company dated 27 July and 2 August 2016. During the period under review, the Company put in significant efforts and continued its progress in obtaining the sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds (as defined in the announcement dated 27 July 2016). The Outstanding PRC Approval Condition (as defined in the announcement dated 2 August 2016) has been satisfied after the Outstanding Restructuring PRC Approval (as defined in the announcement dated 2 August 2016) has been obtained. However, the Seller has been requested to produce additional documents (including a valuation report) to the relevant PRC authorities for the purpose of obtaining the Tax Clearances (as defined in the announcement dated 27 July 2016) due to the recent promulgation of Bulletin 42 (as defined in the announcement dated 27 July 2016). The Seller requires additional time to compile its current financial information for inclusion in the valuation report to be submitted to the relevant PRC authorities. Given the Tax CP (as defined in the announcement dated 27 July 2016) has become an outstanding Condition Precedent (as defined in the announcement dated 27 July 2016) to be satisfied, completion of the Disposal has not taken place as at 29 July 2016. As a

result, the Company did not have sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds on 29 July 2016. The Company therefore proposed to seek the Bondholders' consent to allow more time for the Company to complete the Disposal and obtain sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds.

Furthermore, in order to expedite the completion of the Disposal in light of the promulgation of Bulletin 42, on 2 August 2016, REXCAPITAL Financial Group Limited (the "Seller") and Sunjet Investments Limited (the "Purchaser") entered into the Supplemental Agreement whereby the Seller and the Purchaser agreed to the amendments to the Sale and Purchase Agreement together with other consequential amendments, which would become effective if the Supplemental Agreement and the transactions contemplated thereunder are approved by the independent shareholders of the Company.

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

China Lottery Market

China's lottery market registered total lottery sales of RMB194.25 billion in the first six months of 2016, representing an increase of 4% as compared to the same period last year. The growth was primarily led by Single Match Games ("SMG") of Sports Lottery.

During the period under review, total Welfare Lottery sales was RMB102.28 billion. Welfare CTG sales decreased 1% to RMB72.12 billion, accounting for 70% of the total Welfare Lottery sales. Welfare Scratch Card sales decreased 4% to RMB7.90 billion and Video Lottery Terminals ("VLT") sales increased by 4% to RMB22.11 billion. Sales of Keno was RMB0.15 billion, down by 49%. Welfare Scratch Card and VLT accounted for 8% and 22% of the total Welfare Lottery sales respectively.

In the first half of the year, total Sports Lottery sales was RMB91.97 billion. Sales of Sports CTG, including SMG, increased by 9% to RMB84.64 billion accounting for 91% of total Sports Lottery sales. Sports Scratch Card sales was RMB7.33 billion, decreased 2% over last year, accounted for 8% of the total Sports Lottery sales. Total sales of Sports VLT increased 20% to RMB3.75 million in the first six months of 2016.

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 continued to deliver solid earnings which reflected the steady execution of its strategy in a time of evolving market dynamics.

Welfare CTG Business

In the first six months of 2016, total sales of Welfare CTG in China slightly decreased 1% to RMB72.12 billion as compared to the same period last year. The decline was primarily attributed to the suspension of internet distribution which commenced since March 2015. Although performance of the Welfare CTG market during the period under review was impacted by the internet suspension, such impact gradually reduced as the year progressed. By studying the performance of sub-segments in detail, it was observed that both national draw based games and regional high frequency games actually managed to register low single digit growth for the period from March to June compared with the same period last year. This performance illustrated the importance of the existing physical retail network and also revealed that a large population of lottery players remained steadfast in their support for both sub-segments of Welfare CTG products.

In January 2016, the Company announced a plan to realise one of its long-term investment in the traditional Welfare CTG market. The business of the Disposal Group mainly consists of the manufacturing and provision of Welfare CTG machines and supporting systems for the traditional lottery market. Upon completion of the Diposal, the Group will continue to provide various lottery system and specialized equipment for the non-traditional Welfare CTG market.

In the last several months, the Group continued to make progress in completing this strategic plan and reorganizing its Welfare CTG operations. After completion of the reorganization, the Group will remain solidly positioned in this market segment through it relentlessly focus on lottery games development and peripheral lottery system innovation which is expected to be robust growth drivers with long term growth prospects.

Welfare Scratch Cards Business

The Group involved in the validation and printing business of Welfare Scratch Cards in China. In the first half of 2016, total sales of Welfare Scratch Cards in China registered a small 4% decline compared with the corresponding period in 2015.

The Group has jointly controlled interests, through 北京戈德利邦科技有限公司 (Beijing Guard Libang Technology Co Ltd*) (“Guard Libang”), in Welfare Scratch Cards validation services. Guard Libang is the validation system and specialized equipment provider for Welfare Scratch Cards in the Chinese lottery market. Revenue of the validation services slightly declined during the reporting period compared to the same period last year, which mirrored the performance of the Welfare Scratch Cards market.

Apart from Welfare Scratch Card validation services, the Group continued to participate in Welfare Scratch Cards printing business during the period under review through its cooperative venture with Shijiazhuang Offset Printing House, one of the three entities authorized to print for the Welfare Scratch Cards programs. Despite strong competition from other lottery products which continued to impact scratch card sales, the revitalization initiatives taken by lottery authorities created valuable opportunities for the Group’s printing operations to offer new game designs to ignite players’ interests.

Sports CTG Business

The Group’s Sports CTG business was engaged in the manufacturing and sales of CTG terminals to provincial Sports Lottery Centres across China serving the needs of traditional CTG segment and supporting the development of SMG. During the period under review, the Group continued its efforts in forging ahead with business development and participated in the procurement bidding of CTG/SMG terminals.

Distribution and Marketing Business

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

The Group's downstream lottery operations pledged to provide reliable, efficient and innovative lottery services to address the needs of end consumers in lottery market and assist lottery authorities to promote and develop the Chinese Lottery market in sustainable manner. Over the years, the Group has fostered long-term relationships with lottery authorities and acted as innovator for technologies which help to improve the way lottery products are distributed and experienced.

During the period under review, regulatory development in relation to electronic lottery distribution resulted in a challenging operating environment for the Group's DMB. On scratch cards distribution, the Group made progress in realigning its strategy and restructuring its physical network in-line with the revitalization campaign initiated by lottery authorities. Meanwhile, the Group's DMB has established solid foundation in the electronic lottery distribution channels and will seek opportunities to expand in such growing markets with significant unmet needs.

Scratch Cards Distribution Business

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

In the first half of 2016, the overall performance of scratch cards sales in China continued to be impacted by the fierce competition from other lottery products. Lottery authorities focused on improving sales growth through various initiatives aiming to bring innovative elements to scratch card designs and marketing programs. The launch of new scratch cards and latest promotional campaigns were positively received by lottery players. In addition to the top-up prize strategy, the combined strength of social media and second prize drawing proved to be effective measure to regain traction among players. With the new marketing elements implemented, the sales of scratch cards in China saw a narrowed decline during the period under review.

The Group continued its efforts to optimize and reorganize its distribution network which is expected to improve effectiveness of scratch cards selling and lead to cost savings in long run. During the transition period when we realign the strategy and restructure the sales network in order to adapt to the evolving marketplace, the Group's distribution network experienced certain disruption which affected its performance. Overall, the business segment achieved satisfactory results in the first half of 2016.

Single Match Games Business

SMG sales in China reached a new record high in the first half of 2016. According to statistics released by the General Administration of Sport of China, total SMG sales in China (as of 10 July 2016) achieved an unabated growth of 38% compared with the same period in 2015. This outstanding performance demonstrated the growing recognition of SMG in China which significantly exceeded market expectation considering the internet channel suspension. It is believed that the long-awaited regulatory development and licensing regime governing internet lottery distribution channel will bring tremendous opportunities to this market segment given the strength and relevance of the channel which can forge ahead an even better connection with the player public. During the period under review, the Group operated its SMG business through physical distribution network and slightly benefited from the major sports event like UEFA European Championship.

It is understood that the resumption of internet channel will depend on the development of the relevant regulatory framework. The lottery authorities have taken the initiative to achieve appropriate balance between promoting sustainable future growth and addressing other concerns including players' expectations and the problem of illegal operators. The Group applauds the hard work initiated by the authorities and trusts that the upcoming regulatory framework will enhance the operating environment and provide great opportunities for the industry. The Group takes a positive view on long-term significance of internet lottery distribution channel, continues to maintain its investment in this channel through its interest in the Okooo platform to prepare for the reopening of internet distribution channel. With the solid progress on this front, the Group is committed to doing everything reasonable to foster this development and acts as a reliable partner of the lottery authorities and lottery players.

Mobile Lottery Business and Mobile Electronic Lottery Platform

The Group conducts its mobile lottery business through its self developed Mobile Electronic Lottery Platform (“Mobile ELP”), which offers a multi-functional back-end system with convenience interface to facilitate lottery distribution over mobile devices. Mobile ELP improves the convenience of lottery purchase by connecting players directly to the centralized system of provincial lottery centre, enabling a safe and reliable lottery purchase experience. The adoption of Mobile ELP provides provincial lottery centres with technological breakthrough to better connect with players located in their respective provinces and attract purchases from the locals.

During the period under review, overall operating environment for mobile lottery business was very challenging given that the interpretation of relevant measures governing the administration of mobile lottery distribution remained uncertain. Such latest regulatory development provided limited opportunities for the industry to make meaningful progress in promoting mobile technology for lottery distribution, this inevitably affected the development of our operations.

It is believed that the clarification of regulation which governs the administration of mobile lottery distribution is essential to remove the hurdle for the industry development. With the Group’s existing penetration of the mobile channel, the Group is confident that it is well positioned to seize enormous market opportunities driven by the overall growth in this lottery distribution method when market has regulatory clarity. The Group will prioritize resources on this front to make our mobile solution more relevant and effective for the lottery authorities while capitalizing on the upcoming shift to mobile.

Sports Video Lottery

Sports VLT was first introduced in Hainan Province to support the local tourism development. The Group was honored to be chosen as one of the first companies to play an active role in supporting the launch of this new lottery product for Sports Lottery. The Sports VLT in Hainan Province, featuring four distinctive lottery games, is still at its infancy. Since its maiden launch in the early 2015, reactions from players have been positive. The Group will continue to deliver players with fantastic lottery experience through its franchised lottery outlet. The Group is confident on the long-term growth of this lottery product and its potential contribution to the lottery market.

Outlook

The broad base of business portfolio in the entire value chain of the lottery industry has helped us to deliver satisfactory financial performance over time, but the Group will not slow down its pace to innovate for growth and remains agile in addressing regulatory change and latest industry development. Given the evolution of marketplace and shifts in lottery player preferences and expectations, the transformation initiatives taking shape will strengthen the Group's business capability and create long-term value.

Looking ahead, whilst the timing for the reopening of electronic distribution channels remains uncertain, the reopening will generate tremendous market excitements and be a welcomed development for lottery industry. These channels and together with physical distribution channels are highly complementary to each other and are set to be a powerful combination that will bring vitality to the lottery market once again and introduce great new experiences to the player public.

Although it is still at the early stage in the digitization of lottery distribution for the entire industry, the Group has already put special focus on Okooo and Mobile ELP platforms. The Group is ideally positioned to identify and capture the broadest range of growth opportunities to be appeared in these areas.

Given the device driven lifestyles among younger generations and the increasing role technology plays in the lives of individuals, we believe that electronic lottery distribution remains the most important driver in the Chinese lottery market. The Group's DMB already took significant steps to prepare for this evolution and our emphasis on growth will pay off when the regulatory framework comes in force.

Altogether, the progress that we make on our priorities will help drive success for each of our business segments. The Group is optimistic about the future opportunities in the lottery market and remains steadfast in its belief in the long-term success in lottery market.

With the combined strength of our upstream system capability, wide distribution coverage in the downstream and the digital channel breakthrough in the pipeline, we feel confident our lottery business can successfully navigate through the evolving market dynamics and potential competitive entrants available in the market.

Finally, the Group's ongoing innovation and dedicated efforts over lottery solutions will allow us to address the evolving marketplace, drive better outcomes and generate sustainable shareholder value over time. Most importantly of all, the Group will continue to create and provide more valuable services for the Chinese lottery market which makes significant contributions for the good causes that benefit the general public in China.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2016, the Group recorded a revenue of approximately HK\$675,335,000 (2015: approximately HK\$848,843,000), representing a decrease of 20% over the same period last year. The decrease was attributable to the decrease in revenue from the lottery business in China.

The unaudited profit attributable to equity shareholders of the Company was approximately HK\$82,159,000 (2015: approximately HK\$332,873,000). The earnings per share was 0.82 HK cent (2015: 3.34 HK cents). Diluted earnings per share for the six months ended 30 June 2016 and 30 June 2015 is the same as the basic earnings per share as both the share options and the Bonds outstanding during the year had an anti-dilutive effect on the basic earnings per share.

Liquidity, Financial Resources and Funding

At 30 June 2016, the equity attributable to equity shareholders of the Company amounted to approximately HK\$5,988,798,000 as compared to approximately HK\$5,971,157,000 at the end of the previous year.

At 30 June 2016, the Group (including the Disposal Group as defined in Note 18) had cash and bank balances of approximately HK\$1,095,296,000 (31 December 2015: approximately HK\$1,242,791,000), which included HK\$Nil (31 December 2015: approximately HK\$330,000) of clients' funds that were kept in designated segregated bank accounts.

In 2011 and 2012, the Company issued 2016 Bonds in principal amount of HK\$964,700,000 and HK\$429,000,000 respectively. Each 2016 Bond is convertible into fully paid ordinary share of HK\$0.01 each (the “Share”) of the Company at the applicable conversion price of HK\$0.5600 per Share. The 2016 Bonds bear interest at the rate of 6% per annum payable semi-annually in arrears. During the period under review, there was no conversion of the 2016 Bonds into Shares by the bondholders. On 22 June 2016, the Company made a partial payment of approximately 6.79% of the principal in respect of all the 2016 Bonds for the amount of HK\$22,430,266.08. As at 30 June 2016, the principal amount of the 2016 Bonds outstanding was HK\$307,884,733.92 (31 December 2015: HK\$330,315,000).

In 2014, the Company issued 2019 Bonds in principal amount of HK\$1,900,000,000. Each 2019 Bond is convertible into fully paid ordinary Shares of the Company at the applicable conversion price of HK\$1.3700 per Share. The 2019 Bonds bear interest at the rate of 4.5% per annum payable semi-annually in arrears. During the period under review, there was no conversion of the 2019 Bonds into Shares by the bondholders. On 22 June 2016, the Company made a partial payment of approximately 6.79% of the principal in respect of all the 2019 Bonds for the amount of HK\$122,569,741. As at 30 June 2016, the principal amount of the 2019 Bonds outstanding was HK\$1,682,430,259 (31 December 2015: HK\$1,805,000,000).

The gearing ratio as at 30 June 2016 was 33.42% (31 December 2015: 35.70%). The gearing ratio was derived by dividing the total borrowings including the Bonds, obligation under finance leases and bank borrowings of approximately HK\$2,037,328,000 (31 December 2015: approximately HK\$2,172,736,000) by the amount of total equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 356% (31 December 2015: 347%), reflecting adequacy of financial resources.

The Group had outstanding bank borrowings of approximately HK\$59,148,000 as at 30 June 2016 (31 December 2015: approximately HK\$71,429,000), of which bank borrowings of approximately HK\$58,140,000 was loaned to the Disposal Group as at 30 June 2016. The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. The Disposal Group’s land and building were pledged to secure the bank borrowings.

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 2016, the Disposal Group's land and building with total market value of approximately HK\$90,930,000 (31 December 2015: approximately HK\$122,500,000) were pledged to banks to secure the bank borrowings granted to the Disposal Group.

Share Capital

There was no change in the Company's share capital structure during the period under review. As at 30 June 2016, the total number of issued shares of the Company was 9,983,495,338.

2016 Convertible Bonds

The Company issued the 2016 Bonds in 2011 and 2012 respectively which shall, upon conversion, be convertible into fully paid Shares at an initial conversion price of HK\$0.6175 per Share, subject to adjustment in accordance with the terms and conditions of the 2016 Bonds. As at 30 June 2016, the conversion price of the 2016 Bonds was HK\$0.5600 per Share.

During the period under review, there was no conversion of the 2016 Bonds. On 22 June 2016, the Company made a partial payment of approximately 6.79% of the principal in respect of all the 2016 Bonds for the amount of HK\$22,430,266.08. As at 30 June 2016, the principal amount of the 2016 Bonds outstanding was HK\$307,884,733.92. The 2016 Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the 2016 Bonds remaining outstanding is HK\$307,884,733.92. Each 2016 Convertible Bond is convertible into fully paid Shares at an applicable conversion price of HK\$0.5600 per Share upon conversion.

2019 Convertible Bonds

The Company issued the 2019 Bonds in 2014 which shall, upon conversion, be convertible into fully paid Shares at an initial conversion price of HK\$1.4070 per Share, subject to adjustment in accordance with the terms and conditions of the 2019 Convertible Bonds. As at 30 June 2016, the conversion price of the 2019 Bonds was HK\$1.3700 per Share.

There was no conversion of any 2019 Bonds since their issuance and during the period under review. On 22 June 2016, the Company made a partial payment of approximately 6.79% of the principal in respect of all the 2019 Bonds for the amount of HK\$122,569,741. As at 30 June 2016, the principal amount of the 2019 Bonds outstanding was HK\$1,682,430,259. The 2019 Bonds are currently listed on the Singapore Exchange Securities Trading Limited.

As at the date hereof, the principal amount of the 2019 Bonds remaining outstanding is HK\$1,682,430,259. Each 2019 Bond is 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 Bonds and the 2019 Bonds, a “Relevant Event” occurs when, among other things, the Shares are suspended for trading for a period equal to or exceeding 30 consecutive trading days on The Stock Exchange of Hong Kong Limited. Notice has been given by the Company to the holders of the Bonds that a “Relevant Event” occurred. Each holder of the Bonds will have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s Bonds on 2 November 2015 at their principal amount together with interest accrued to such redemption date, in each case in accordance with the respective terms and conditions of the 2016 Bonds and the 2019 Bonds. Upon redemption of any of the Bonds, such redeemed Bonds will be cancelled.

The First Proposals in relation to the Convertible Bonds

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

Detailed information regarding the First Proposals and the relevant meetings of the Bondholders are set out in the announcements of the Company dated 22 September 2015, 7 October 2015 and 29 October 2015, respectively.

Second Proposals in relation to the Convertible Bonds

As stated in the announcement of the Company dated 29 March 2016, given the completion of the Disposal did not take place before 31 March 2016, because the Outstanding Restructuring PRC Approval could not be obtained in time, the Company formulated second proposals to the Bondholders to, among other things, delay the March Relevant Event Redemption Date to the date no later than 29 April 2016 (the “April Relevant Event Redemption Date”) in relation to the Relevant Delisting Event (as defined in the Company’s announcement dated 29 March 2016) (collectively, the “Second Proposals”). The Second Proposals were approved by the Bondholders and took effect on 12 April 2016. Detailed information regarding the Second Proposals and the relevant written resolutions of the Bondholders are set out in the announcements of the Company dated 29 March 2016 and 8 April 2016, respectively.

Third Proposals in relation to the Convertible Bonds

As stated in the announcement of the Company dated 3 May 2016, given the completion of the Disposal did not take place before 29 April 2016, because the Outstanding Restructuring PRC Approval could not be obtained in time, the Company further formulated the third proposals to the Bondholders to, among other things, delay the April Relevant Event Redemption Date to the date no later than 29 July 2016 (the “July Relevant Event Redemption Date”) in relation to the Relevant Delisting Event (as defined in the Company’s announcement dated 3 May 2016) (collectively, the “Third Proposals”). The Third Proposals were approved by the Bondholders and took effect on 7 June 2016. Detailed information regarding the Third Proposals and the relevant meetings of the Bondholders are set out in the announcements of the Company dated 3 May 2016 and 3 June 2016, respectively. Based on the redemption notices received by the Company by 29 June 2016 (being 30 days prior to the July Relevant Event Redemption Date), the aggregate principal amount of the Put Bonds subject to redemption on 29 July 2016 was approximately HK\$1,723,000,000.

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. Since August 2015, the exchange rate of RMB fluctuated significant, 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.

Acquisitions and Disposals of Subsidiaries

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

The Disposal constituted a major and connected transaction of the Company under the Listing Rules. By a resolution passed at the special general meeting of the Company held on 18 March 2016, the Sale and Purchase Agreement and the transactions contemplated thereunder has been approved by the independent shareholders of the Company.

As stated in the announcement of the Company dated 29 March 2016, the relevant conditions precedent under the Sale and Purchase Agreement had not been fully satisfied since the Outstanding Restructuring PRC Approval had not yet been obtained at the time. Therefore the Seller and the Purchaser have agreed to extend the long stop date under the Sale and Purchase Agreement to 29 April 2016.

As stated in the announcement of the Company dated 29 April 2016, after further communication with the relevant PRC authority, the Company had been asked to provide further, and revise, documents in order to satisfy the requirements of the relevant PRC authority under PRC laws and regulations. As a result, the Outstanding Restructuring PRC Approval had not yet been obtained at the time, and hence the relevant conditions precedent under the Sale and Purchase Agreement have not been fully satisfied. Therefore the Seller and the Purchaser have agreed to further extend the long stop date under the Sale and Purchase Agreement to 29 July 2016. As at the date hereof, the Disposal has not been completed.

Details of the Disposal are set out in the Company's circular dated 29 February 2016 and the announcements of the Company dated 18 March 2016, 29 March 2016 and 29 April 2016 respectively.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries during the six months ended 30 June 2016.

Human Resources

At 30 June 2016, the Group had 1,142 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 2016 (2015: Nil).

LATEST DEVELOPMENT OF THE DISPOSAL – MAJOR AND CONNECTED TRANSACTION

As stated in the announcement of the Company dated 27 July 2016, the Outstanding Restructuring PRC Approval has been obtained and therefore the Outstanding PRC Approval Condition has been satisfied. Notwithstanding that the Company has previously announced that all the Conditions Precedent (save for the Outstanding PRC Approval Condition) have been satisfied, on 29 June 2016, the State Administration of Taxation promulgated Bulletin 42, which affects related party transactions such as the Disposal. As a result, the Tax CP under the Sale and Purchase Agreement has become an outstanding Condition Precedent to be satisfied.

In light of the recent promulgation of Bulletin 42, the Seller has been requested to produce additional documents (including a valuation report) to the relevant PRC authorities for the purpose of obtaining the Tax Clearances. The Seller requires additional time to compile its current financial information for inclusion in the valuation report to be submitted to the relevant PRC authorities.

Having consulted its PRC tax advisers, the Company expects that the Tax Clearances should be able to be obtained, and completion of the Disposal should be able to take place, by no later than 28 February 2017. Therefore the Seller and the Purchaser have agreed to further extend the long stop date under the Sale and Purchase Agreement to 28 February 2017.

As stated in the announcement of the Company dated 2 August 2016, in order to expedite the Completion of the Disposal in light of the recent promulgation of Bulletin 42, the Seller and the Purchaser entered into a supplemental agreement (the “Supplemental Agreement”) whereby the Seller and the Purchaser agreed to the following amendments to the Sale and Purchase Agreement together with other consequential amendments, which would become effective if the Supplemental Agreement and the transactions contemplated thereunder are approved by the shareholders of the Company (the “Shareholders”) at the special general meeting to be held by the Company:

- (a) the Tax CP shall be deemed to be fulfilled so long as the Seller has, to the reasonable satisfaction of the Purchaser, submitted all the documents as required by the relevant PRC authorities for the purpose of Bulletin 42; and

- (b) the Withheld Amount shall be amended to HK\$350,000,000 or such other amount of tax stated on a demand notice issued by the relevant PRC authorities received by the Seller prior to Completion.

Save as disclosed above, all other provisions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

As the amendments under the Supplemental Agreement constitute material variation of terms of the Sale and Purchase Agreement, pursuant to Chapters 14 and 14A of the Listing Rules, the Supplemental Agreement and the transactions contemplated thereunder are subject to the announcement and independent shareholders' approval requirements. As at the date hereof, the Disposal has not been completed.

In consideration of the Purchaser entering into the Sale and Purchase Agreement and the Supplemental Agreement, on 2 August 2016, the Company executed a deed of guarantee pursuant to which the Company agreed to guarantee in favour of the Purchaser the due performance and observance by the Seller of all its obligations under or pursuant to the Sale and Purchase Agreement as supplemented and amended by the Supplemental Agreement in accordance with the terms of the said deed of guarantee.

LATEST PROPOSALS IN RELATION TO THE CONVERTIBLE BONDS

As stated in the announcement of the Company dated 2 August 2016, as completion of the Disposal has not taken place as at 29 July 2016, the Company did not have sufficient offshore cash resources to satisfy its redemption obligations in relation to the Put Bonds on 29 July 2016, which has resulted in an event of default under the Bonds. The Company therefore is requesting (i) the Bondholders of the 2016 Bonds to agree to delay the maturity date of the 2016 Bonds to 28 February 2017 and (ii) the Bondholders of each of the 2016 Bonds and the 2019 Bonds to agree to delay the July Relevant Event Redemption Date to a date (as notified by the Company to the Bondholders and the trustee of the Bonds no less than two Hong Kong business days prior to the date on which payment is to be made) from but excluding 28 January 2017 to an including 28 February 2017 in relation to the Relevant Delisting Event (as defined in the Company's announcement dated 2 August 2016) (collectively, the "Latest Proposals"). The Latest Proposals are subject to the obtaining of the approval by the Stock Exchange in accordance with Rule 28.05 of the Listing Rules. Such approval was granted by the Stock Exchange on 3 August 2016.

In addition, as a further act of support to the Company, Mega Market Assets Limited (“Mega Market”) has conditionally agreed to grant an interest-free unsecured loan to the Company in an amount up to HK\$360,000,000 (the “Mega Market Loan”) to finance the Company’s repayment obligations for the Third Partial Redemption (as defined in the Company’s announcement dated 2 August 2016) under the Latest Proposals. Mega Market is an associate of a connected person of the Company. As the Mega Market Loan is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the Mega Market Loan is fully exempted from the Shareholders’ approval, annual review and all the disclosure requirements pursuant to the Listing Rules.

As completion of the Disposal has not taken place on 29 July 2016, the Company was therefore unable to satisfy its redemption obligations under the Bonds on 29 July 2016, and the Company is, starting from 30 July 2016, in default under the Bonds, unless and until the Extraordinary Resolutions (as defined in the Company’s announcement dated 2 August 2016) are passed by the Bondholders (and the Latest Proposals were effected by no later than 14 September 2016 if the relevant conditions are satisfied) or all relevant payment obligations of the Company under the Bonds are duly satisfied, as the case may be.

The Directors expect that the Company would be able to complete the Disposal by no later than 28 February 2017, whereupon the Company would receive sufficient offshore cash resources for redemption of the Put Bonds, by no later than 28 February 2017 should the Latest Proposals be approved.

Upon the occurrence of an Event of Default, the Bondholders may through the Trustee take action against the Company in respect of the Bonds. In that case, if the Company is not able to satisfy the payment obligation, the business of the Group and the interests of the Company and the Shareholders may be materially and adversely affected. However, the Company, having consulted its legal advisers, expects the possible courses of actions to be taken by the Trustee in relation to the Bonds would not have substantial impact on the Company, provided that the Latest Proposals be approved.

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

During the six month ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2016.

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 2016.

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 requires that 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 2016 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 2016 interim report of the Company will be despatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 29 August 2016

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

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