新濠環彩
MelcoLot

MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8198)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of MelcoLot Limited (the "Company" and together with its subsidiaries collectively the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	6	**54,561**	86,940
Changes in inventories of finished goods and work-in-progress		**–**	8,229
Purchase of inventories and raw materials consumed		**(46,084)**	(80,572)
Other income		**15,324**	8,166
Employee benefits costs		**(18,873)**	(15,159)
Depreciation and amortisation		**(1,455)**	(2,967)
Gain on group restructuring		**–**	226,767
Impairment losses on:			
– property, plant and equipment		**–**	(3,138)
– trade and other receivables		**(749)**	(19,064)
Share of results of associates		**(307)**	(2,581)
Other expenses		**(7,894)**	(21,686)
Finance costs	8	**(7,215)**	(93,023)
(Loss) profit before taxation		**(12,692)**	91,912
Taxation	9	**(278)**	(21,371)
(Loss) profit for the year	10	**(12,970)**	70,541
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation from deregistration of a subsidiary/disposal of subsidiaries/translation to presentation currency		**(5,552)**	(4,328)
Total comprehensive (expense) income for the year		**(18,522)**	66,213
(Loss) profit for the year attributable to:			
Owners of the Company		**(17,117)**	78,981
Non-controlling interests		**4,147**	(8,440)
		(12,970)	70,541
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(22,755)**	74,474
Non-controlling interests		**4,233**	(8,261)
		(18,522)	66,213
(Loss) earnings per share	12		
– Basic		**HK(0.73) cents**	HK9.21 cents
– Diluted		**HK(0.73) cents**	HK(2.25) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,038**	5,975
Intangible assets		**–**	–
Interests in associates		**–**	307
Interest in a joint venture		**–**	–
		3,038	6,282
CURRENT ASSETS			
Trade and other receivables	13	**44,167**	66,741
Amount due from a fellow subsidiary		**–**	106
Amount due from an associate		**645**	–
Bank balances and cash		**56,199**	29,121
		101,011	95,968
CURRENT LIABILITIES			
Trade, other payables and accruals	14	**26,536**	58,358
Amount due to immediate holding company	15	**248,492**	241,277
Amounts due to related companies		**889**	190
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to an associate		**–**	190
Amount due to a fellow subsidiary		**90**	–
Amount due to non-controlling interests		**6,282**	–
Tax payable		**20,858**	20,858
		305,481	323,207
NET CURRENT LIABILITIES		**(204,470)**	(227,239)
NET LIABILITIES		**(201,432)**	(220,957)
CAPITAL AND RESERVES			
Share capital	16	**24,081**	22,886
Reserves		**(234,819)**	(255,750)
Deficiency of equity attributable to owners of the Company		**(210,738)**	(232,864)
Non-controlling interests		**9,306**	11,907
TOTAL CAPITAL DEFICIENCY		**(201,432)**	(220,957)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital	Share premium	Share-based payment reserve	PRC statutory reserves	Other reserve	Convertible bonds equity reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note i)	*(Note ii)*						
At 1 January 2012	5,030	368,963	30,783	3,543	(4,922)	645,492	6,870	(1,671,164)	(615,405)	24,900	(590,505)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(4,507)	–	(4,507)	179	(4,328)
Profit (loss) for the year	–	–	–	–	–	–	–	78,981	78,981	(8,440)	70,541
Total comprehensive income (expense) for the year	–	–	–	–	–	–	(4,507)	78,981	74,474	(8,261)	66,213
Recognition of equity-settled share-based payments	–	–	460	–	–	–	–	–	460	–	460
Issue of ordinary shares upon exercise of share options	53	1,015	(411)	–	–	–	–	–	657	–	657
Release on disposal of subsidiaries	–	–	–	(3,543)	–	–	(42,515)	46,058	–	(4,732)	(4,732)
Release on settlement of loan from a related company	–	–	–	–	–	–	4,663	(4,663)	–	–	–
Repurchase of convertible bonds	–	–	–	–	–	(210,401)	17,995	192,406	–	–	–
Issue of new shares *(note 16)*	15,073	102,494	–	–	–	–	–	–	117,567	–	117,567
Transaction costs attributable to issue of new shares	–	(1,505)	–	–	–	–	–	–	(1,505)	–	(1,505)
Conversion of convertible bonds	2,730	380,804	–	–	–	(192,646)	9,374	(9,374)	190,888	–	190,888
Release on maturity of convertible bonds	–	–	–	–	–	(242,445)	11,797	230,648	–	–	–
At 31 December 2012	22,886	851,771	30,832	–	(4,922)	–	3,677	(1,137,108)	(232,864)	11,907	(220,957)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(5,638)	–	(5,638)	86	(5,552)
(Loss) Profit for the year	–	–	–	–	–	–	–	(17,117)	(17,117)	4,147	(12,970)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(5,638)	(17,117)	(22,755)	4,233	(18,522)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,748)	(6,748)
Recognition of equity-settled share-based payments	–	–	6,525	–	–	–	–	–	6,525	–	6,525
Transfer of share-based payment reserve upon forfeiture of share options	–	–	(1,290)	–	–	–	–	1,290	–	–	–
Issue of ordinary shares upon exercise of share options	1,195	54,671	(17,510)	–	–	–	–	–	38,356	–	38,356
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	10	10
Deregistration of a subsidiary	–	–	–	–	–	–	(371)	371	–	(96)	(96)
At 31 December 2013	24,081	906,442	18,557	–	(4,922)	–	(2,332)	(1,152,564)	(210,738)	9,306	(201,432)

Notes:

(i) For subsidiaries established in the People's Republic of China (the "PRC") other than Hong Kong, statutory reserves represented the appropriation of 10% of profit after taxation determined based on the PRC accounting standards and the relevant PRC laws applicable to the Group's PRC subsidiaries. The appropriation may cease to apply if the balance of the PRC statutory reserves has reached 50% of the registered capital of the respective PRC subsidiaries.

(ii) Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM since 17 May 2002.

Its immediate holding company is Melco LottVentures Holdings Limited ("Melco LV"), a private company incorporated in the British Virgin Islands ("BVI"), and its ultimate holding company is Melco International Development Limited ("Melco"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The directors are of the opinion that the functional currency of the Company is Renminbi ("RMB"), after taking into consideration that the primary economic environment in which the Company's subsidiaries operate is the PRC. The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in lottery business in the PRC.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had current liabilities which exceed current assets by approximately HK$204,470,000 as at 31 December 2013.

As disclosed in note 15, the Company entered into a loan agreement with Melco LV in March 2013 to restructure the amount due to it from the Group with a principal amount of approximately HK$240,506,000 as a shareholder's loan plus accrued interest thereon with a final repayment date on 30 March 2014. In March 2014, the Company entered into a supplementary loan agreement with Melco LV to further extend the loan repayment date to 30 March 2015, which is subject to Melco LV's overriding right to demand immediate repayment.

The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are of the opinion that Melco LV will not demand immediate repayment of the shareholder's loan before 30 March 2015 unless the Group has adequate financial resources to do so, and taking into account the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as and when they fall due in the next twelve months from the end of the reporting period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Impact of the application of HKFRS 10

The management concluded that HKFRS 10 does not have material effect on the Group’s consolidated financial statements.

Impact of the application of HKFRS 11

Under HKFRS 11, the Group previously classified as a jointly controlled entity is treated as the Group’s joint venture and continues to be accounted for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual period beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of trade receivables was HK$40,438,000, net of allowance for doubtful debts of HK$1,734,000 (2012: HK$62,866,000, net of allowance for doubtful debts of HK$14,633,000). As at 31 December 2013, the carrying amount of other receivables was HK$2,482,000, net of allowance for doubtful debts of HK$18,089,000 (2012: HK$2,792,000, net of allowance for doubtful debts of HK$15,012,000).

Estimated impairment of property, plant and equipment

If there is any indication of impairment, determining the extent to which property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

As at 31 December 2013, the carrying amount of property, plant and equipment was HK$3,038,000 (2012: HK$5,975,000), net of accumulated impairment losses of HK$3,138,000 (2012: HK$3,138,000). The management performed impairment review as at 31 December 2013 and considered no impairment is necessary (2012: HK$3,138,000).

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Manufacturing and sales and trading of lottery terminals	**49,395**	82,596
Provision of services and solutions for distribution of lottery products	**5,166**	4,344
	54,561	86,940

7. SEGMENT INFORMATION

The Group's revenue and contribution to loss were solely derived from lottery business which comprises of provision of services and solutions for distribution of lottery products and manufacturing and sales and trading of lottery terminals. The chief operating decision maker, the Chief Executive Officer, reviews the internally reported information for the lottery business as a whole and the consolidated financial information of the Group for purposes of resource allocation and performance assessment. Accordingly, the Group has only one operating segment, which is the lottery business. No segment analysis is presented other than entity-wide disclosures.

The revenue of product and service is set out in note 6.

Geographical information

The Group's operations are carried out in the PRC and revenue from external customers based on the location of goods and services delivered is derived in the PRC.

The following is an analysis of the non-current assets, analysed by the geographical area in which the assets are located:

	2013	2012
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**3,004**	6,175
Hong Kong	**34**	107
	3,038	6,282

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**39,331**	80,858
Customer B	**10,064**	–

8. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
Amount due to immediate holding company	**7,215**	356
Effective interest expense on convertible bonds	**–**	91,972
Loan from a related company wholly repayable within five years	**–**	695
	7,215	93,023

9. TAXATION

	2013	2012
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**248**	513
– Underprovision in respect of prior year	**30**	–
– Capital gain tax on disposal of the PRC subsidiaries	**–**	20,858
	278	21,371

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax was provided for since the Hong Kong subsidiaries have incurred losses from operations for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 12 November 2012, the Group disposed of certain subsidiaries established in the PRC. Pursuant to the relevant tax laws in the PRC, capital gain tax of HK$20,858,000 arising from the disposal of these subsidiaries has been provided, based on 10% of the difference between disposal consideration and the Group's share of registered capital.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(12,692)**	91,912
Tax at the domestic income tax at the rate of 25%	**(3,173)**	22,978
Tax effect of income not taxable for tax purposes	**(3,782)**	(3,024)
Underprovision in respect of prior year	**30**	–
Tax effect of expenses not deductible for tax purposes	**3,117**	31,657
Tax effect of tax losses not recognised	**4,325**	4,823
Utilisation of tax losses previously not recognised	**(316)**	(28)
Tax effect of different tax rates and bases applied on disposal of the PRC subsidiaries	**–**	(35,680)
Tax effect of share of results of associates	**77**	645
Taxation for the year	**278**	21,371

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

10. (LOSS) PROFIT FOR THE YEAR

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

	2013	2012
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,455**	2,967
Directors' emoluments	**8,479**	3,115
Other staff costs:		
Salaries and other benefits	**7,537**	10,259
Retirement benefit scheme contributions	**1,290**	1,490
Share-based payments	**1,567**	295
Total employee benefit expenses	**18,873**	15,159
Auditor's remuneration	**1,154**	1,325
Allowance for inventories (included in purchase of inventories and raw materials consumed)	**–**	5,593
Charity donation	**–**	2,467
(Gain) loss on disposal and written off of property, plant and equipment	**(560)**	515
Loss on deregistration of a subsidiary	**257**	–
Operating lease rentals in respect of land and buildings	**2,255**	3,955
Management fee paid to lottery operator (included in other expenses)	**1,345**	2,288
Transaction costs in relation to group restructuring (included in other expenses)	**–**	4,091
Net foreign exchange gain	**(6,261)**	(7,528)
Reversal of impairment on interest in associate	**(205)**	–
Bank interest income	**(62)**	(38)

11. DIVIDENDS

No dividend was declared or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
(Loss) Earnings		
(Loss) profit attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(17,117)**	78,981
Effect of dilutive potential ordinary shares:		
Convertible bonds *(Note)*	**–**	(120,771)
Loss for the purpose of diluted loss per share	**(17,117)**	(41,790)

Note: The adjustments for the purpose of diluted loss per share due to the assumed conversion of outstanding convertible bonds consist of effective interest expense, exchange gain arising on translation of convertible bonds, gain on group restructuring and capital gain tax on group restructuring.

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,342,672**	857,193
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	1,003,327
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,342,672**	1,860,520

The computation of diluted loss per share in 2013 and 2012 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in diluted loss per share.

13. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**42,172**	77,499
Less: allowance for doubtful debts	**(1,734)**	(14,633)
	40,438	62,866
Other receivables	**20,571**	17,804
Less: allowance for doubtful debts	**(18,089)**	(15,012)
	2,482	2,792
Prepayments and deposits	**1,247**	1,083
	44,167	66,741

The Group allows credit periods ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**13,566**	32,706
31 – 90 days	**–**	18,435
91 – 180 days	**11,907**	11,525
181 – 365 days	**2,273**	200
Over 365 days	**12,692**	–
	40,438	62,866

Before accepting any new customers, the Group reviews the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$26,872,000 (2012: HK$11,725,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

14. TRADE, OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**15,635**	44,805
Other payables	**9,294**	13,417
Accruals	**1,607**	136
	26,536	58,358

The average credit period on purchases of goods is 30 days.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**–**	28,419
31 – 90 days	**–**	11,084
91 – 180 days	**11,128**	–
181 – 365 days	**–**	2,151
Over 365 days	**4,507**	3,151
	15,635	44,805

15. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 31 December 2012, the amount due to immediate holding company represented the outstanding principal of approximately HK$240,506,000 payable to Melco LV upon maturity of convertible bonds in December 2012 and accrued interest of HK$771,000. The principal amount of approximately HK$240,506,000 is unsecured, interest bearing at 3% per annum and repayable on demand.

On 13 March 2013, the Company entered into an agreement with Melco LV to restructure the amount due to immediate holding company with a principal amount of approximately HK$240,506,000 as a shareholder loan. The amount is restructured to become unsecured, interest bearing at 3% per annum, and subject to Melco LV's overriding right to demand immediate repayment, repayable on 30 March 2014. In March 2014, the Company entered into a supplementary loan agreement with Melco LV to further extend the loan repayment date to 30 March 2015, which is also subject to Melco LV's overriding right to demand immediate repayment.

16. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2012	2,000,000,000	20,000
Increase during the year	3,500,000,000	35,000
At 31 December 2012, 1 January 2013 and 31 December 2013	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2012	502,966,933	5,030
Exercise of share options	5,323,093	53
Issue of new shares	1,507,267,099	15,073
Conversion of convertible bonds	273,008,144	2,730
At 31 December 2012 and 1 January 2013	2,288,565,269	22,886
Exercise of share options	119,476,218	1,195
At 31 December 2013	2,408,041,487	24,081

On 12 November 2012, the Company issued 1,507,267,099 new ordinary shares as a result of the Open Offer at the price of HK$0.078 per share on the basis of three new shares for every existing share, out of which 128,205,128 shares and 1,145,361,487 shares were taken up by Melco LV and Power Way Group Limited ("Power Way"), a related company. The aggregate subscription price paid by Power Way had been set off against the loan with outstanding principal of HK$80,000,000 and accrued interest of HK$9,338,000 up to 31 May 2012 in relation to the Power Way Loan.

The net proceeds of approximately HK$26,724,000 arose from the Open Offer had been used as additional working capital to strengthen the Company's financial position and to develop its lottery business.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board of directors (the "Board") of the Company, I hereby present the results of the Company and its subsidiaries for the year ended 31 December 2013.

During the year, the loss attributable to shareholders amounted to HK$17.1 million compared with a profit of HK$79.0 million in 2012, of which profit was mainly the result of a one-off gain on restructuring amounting to HK$226.8 million.

Details of the Group's financial performance during the year are discussed further under the Management Discussion and Analysis section.

Following completion of the repurchase of the convertible bonds in November 2012, finance costs for the year under review were significantly reduced. The Group rationalized retail operation in the PRC and imposed tight cost control measures on expenses during the year. These strategies improved the Group's financial performance and strengthened its financial position.

The Group is a prominent supplier of high quality lottery terminals for the China Sports Lottery Association (the "CSLA"). During the year, the Company was impacted by the delay of CSLA's new procurement cycle. The CSLA had completed the evaluation process for new terminals in the fourth quarter of 2012. However, terminal upgrade process of the sports lottery was slower than expected and consequently, the Group needed to adopt a low margin strategy to maintain market share, impacting profitability.

During the year, the Group made developmental efforts in the paperless distribution of lottery products and services. In addition, steady progress was made in developing the multimedia content distribution channel for the "Shi Shi Cai" (時時彩) game in Chongqing and in enhancing paperless platforms in Shandong.

As the lottery markets are increasingly being regulated by the government, the Group will focus on actively pursuing projects in the PRC in which it has competitive advantage by virtue of access to industry leading lottery services and solutions.

Since 2012, the Company became a non wholly-owned subsidiary of Melco International Development Limited ("Melco"), a company listed on the Main Board of the Hong Kong Stock Exchange. We will leverage on Melco's expertise in gaming and entertainment fields as well as its extensive relationship network to execute our growth strategy in the lottery business.

In Appreciation

On behalf of the Board, I would like to express our sincere gratitude to all our stakeholders. I would also like to give our genuine thankfulness to our shareholders for their continued support and confidence. To my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for your hard work and dedicated commitment. To our business partners, we are grateful for your trust and confidence in us and look forward to many more years of support.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the provision of lottery-related technologies, systems and solutions for two state-run lottery operators in the PRC, namely the China Welfare Lottery and the China Sports Lottery. The Group has developed a wide presence by managing a network of retail outlets across the PRC, a telephone betting system in Shandong Province for the distribution of computer-generated lottery tickets and lottery scratch cards, as well as providing the maintenance and upgrade services for the high frequency game, "Shi Shi Cai" (時時彩), in Chongqing Municipality. The Group is also a distributor of high quality, versatile lottery terminals for the Sports Lottery.

FINANCIAL REVIEW

The Group continues to be engaged in a single operating segment which is the lottery business. During the year, total revenue of the Group amounted to HK$54.6 million, decreased by 37.2% (2012: HK$86.9 million) and comprising of:

(1) Sales of lottery terminals

Revenues generated from the sales of lottery terminals for the Sports Lottery amounted to HK$49.4 million for the year 2013, representing a decrease of 40.2% (2012: HK$82.6 million). After the new terminal type approval by the Sports Lottery in early 2013, the terminal replacement cycle has been slower than we expected.

(2) Provision of management services for the distribution of lottery products

Revenue derived from provision of management services for the distribution of lottery products in 2013 amounted to HK$5.2 million, increased by 18.9% compared with HK$4.3 million in 2012. The increase was in line with the overall growth rate of the lottery market in China.

Operating results

The Group recorded a loss of HK$13.0 million for the year ended 31 December 2013 against a profit of HK$70.5 million for the year 2012, which was mainly attributable to the combined effect of:

(i) the absence of a non-operational gain on group restructuring of HK$ 226.8 million as recorded in the year ended 31 December 2012 (details of which were disclosed in the announcement of the Company dated 3 May 2013);

(ii) the decrease in revenue of the Group for the year ended 31 December 2013 and the decrease in gross margin of the Group from 16.8% in 2012 to 15.5% in 2013;

(iii) the significant decrease in other administrative expenses from HK$21.7 million in 2012 to HK$7.9 million in 2013 mainly due to the absence of professional fees for the group restructuring in 2012;

(iv) the significant decrease in finance costs from HK$93.0 million in 2012 to HK$7.2 million in 2013 due to the extinguishment of all outstanding convertible bonds in late 2012; and

(v) the decrease in impairment losses on trade and other receivables and property, plant and equipment in 2012 from HK$22.2 million to HK$0.7 million in 2013.

The Group also shared losses of associates, engaged in development of paperless lottery sale channels, amounting to HK$0.3 million (2012: HK$2.6 million).

In 2012, capital gain tax of HK$20.9 million arising from the disposal of subsidiaries under the group restructuring had been provided pursuant to the relevant tax laws in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2013, the Group's bank balances and cash amounted to HK$56.2 million, representing an increase of HK$27.1 million from last year (2012: HK$29.1 million). 87% of cash and cash equivalents at 31 December 2013 was denominated in Hong Kong dollar (2012: 84%), with the remaining balance in Renminbi. The increase was mainly due to net cash of HK$38.1 million generated from financing activities in 2013, which was mainly attributable to the proceeds from exercise of share options during the year. In respect of the share options exercised, the Company issued 119,476,218 new shares during the year and the share capital of the Company has increased to HK$24.1 million (2012: HK$22.9 million). In 2012, net cash generated from financing activities amounted to HK$27.4 million, which was mainly attributable to proceeds from issue of new shares.

The Group did not have any bank borrowings in 2013 (2012: Nil) and generally financed its operations with internal resources and the amount due to immediate holding company, Melco LottVentures Holdings Limited ("Melco LV") which is a wholly owned subsidiary of Melco International Development Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. The principal amount due to immediate holding company is approximately HK$240,506,000, which amount is unsecured and bearing interest at 3% per annum. Subject to the overriding right to demand immediate repayment by Melco LV, the repayment date has been automatically extended from 30 September 2013 to 30 March 2014.

In March 2014, the Company entered into a supplementary loan agreement with Melco LV to further extend the loan repayment date to 30 March 2015, which is subject to Melco LV's overriding right to demand immediate repayment.

The Group has current liabilities which exceed current assets by HK$204.5 million as at 31 December 2013 (2012: HK$227.2 million). The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are of the opinion that Melco LV will not demand immediate repayment of the shareholder's loan before 30 March 2015, unless the Group has adequate financial resources to do so, and, taking into account the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting period. The Company may also consider carrying out possible fund raising exercise to repay the loan.

OUTLOOK

According to the data from the Ministry of Finance, lottery sales in China amounted to RMB309.3 billion for the year 2013, representing an increase of 18.3%. Regardless of the fact that the lottery industry continues to show strong year-on-year growth as a whole, there is still enormous potential for future growth in China's lottery market. This situation is backed by the rising disposable income in China, together with the low lottery penetration rate and low sales rates compared to other more developed nations in per capita terms. Just a few years ago, China's lottery market consisted largely of traditional paper lotto tickets. Now, single match games, rapid-draw games, video lottery terminals and scratch games are also very common. In particular, paperless lottery sales channels such as mobile and internet are gaining momentum.

Integrity is the most critical foundation in the gaming industry. While the Ministry of Finance has expressed concern about the need to better monitor these new channels and implemented new regulations to govern them in conjunction with the welfare and sports lottery authorities, the operation of online sports lottery sales services has been approved under a pilot phase. It is believed that the authorities want to consolidate the lottery market, to replace thousands of private lottery operators by a handful of licensed and regulated firms, making it easier to control and regulate. These developments are anticipated to aid the planned development of the industry. We believe the China lottery market will continue to grow very quickly and the government regulatory regime will become more open and transparent.

Our Company is carefully monitoring the situation to identify opportunities that could be capitalized upon. The Group aims to leverage its access to the world-class expertise of its strategic shareholders and is increasing its focus on new media technologies and sales platforms in order to capture this growing market development. At the same time, we continue to evaluate other business opportunities for development that could support our goal of maximizing long-term value for shareholders.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2013 and 2012.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2013, all assets and liabilities of the Group were denominated in Hong Kong dollar, Renminbi and United States dollar ("USD"). For the year ended 31 December 2013, the business activities of the Group were mainly denominated in Hong Kong dollar and Renminbi. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of 35 full-time employees (2012: 79). For the year ended 31 December 2013, the Directors received emoluments of approximately HK$8.5 million (2012: HK$3.1 million) and other staff costs of the Group were approximately HK$10.4 million (2012: HK$12.0 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training programs.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2013, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and it also did not have any significant contingent liabilities.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company reviewed the 2013 consolidated financial statements in conjunction with the external auditor. Based on this review and discussions with the management, the Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2013.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the auditor's report, but wishes to draw attention by adding the emphasis of matter as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of its loss and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that as at 31 December 2013, the Group's current liabilities exceeded its current assets by approximately HK$204,470,000, and the Group's total liabilities exceeded its total assets by approximately HK$201,432,000. In addition, the Group incurred a loss of approximately HK$12,970,000 for the year ended 31 December 2013. As explained in note 2 to the consolidated financial statements, in March 2014 the Company entered into a supplementary loan agreement with a shareholder to extend the loan repayment date to March 2015, subject to the shareholder's overriding right to demand repayment. The directors consider that the shareholder will not demand repayment of the loan prior to March 2015 unless the Group has adequate financial resources to do so, and accordingly, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, these conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules. The Board is conscientious of the need for accountability, transparency, fairness and integrity of the operations of the Company for the benefit of its shareholders and the investing public.

During the financial year of 2013, the Company has complied with all the code provisions of the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2013.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee comprises a non-executive Director and three independent non-executive Directors.

The audit committee has reviewed the audited consolidated financial statements of the Group and the final results for the year ended 31 December 2013, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

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

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.melcolot.com and the HKExnews website at www.hkexnews.hk. The 2013 Annual Report will be available on both websites and despatched to shareholders of the Company on or about Monday, 31 March 2014.

By Order of the Board
MelcoLot Limited
Tsui Che Yin, Frank
Chairman

Hong Kong, 26 March 2014

As at the date of this announcement, the Board comprises Mr. Tsui Che Yin, Frank (Chairman), Mr. Ko Chun Fung, Henry#, Mr. Tsang Yuen Wai, Samuel#, Mr. Tam Chi Wai, Dennis#, Mr. Tsoi, David+, Mr. Pang Hing Chung, Alfred+ and Ms. Chan Po Yi, Patsy+.*

Executive Director
* Non-executive Director
+ Independent Non-executive Director

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.melcolot.com.