MelcoLot Limited

(incorporated in the Cayman Islands with limited liability)
website: www.melcolot.com
(Stock Code: 8198)

FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009

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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to MelcoLot Limited. The directors of MelcoLot Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

The board of directors (the "Board") of MelcoLot Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2009 together with comparative figures for the year ended December 31, 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations			
Revenue	5	**86,110**	180,716
Changes in inventories of finished goods and work-in-progress		**(22,276)**	37,157
Purchase of inventories and raw materials consumed		**(42,176)**	(144,538)
Other income and gains		**1,867**	5,226
Employee benefits costs		**(22,939)**	(27,702)
Depreciation and amortisation		**(26,115)**	(54,590)
Impairment loss on goodwill		**(216,938)**	(259,943)
Impairment loss on intangible assets		**–**	(95,958)
Share of profits (losses) of jointly controlled entities		**116**	(15,701)
Other expenses		**(47,773)**	(57,717)
Finance costs	7	**(69,147)**	(41,202)
Loss before taxation		**(359,271)**	(475,252)
Taxation	8	**3,368**	13,653
Loss for the year from continuing operations		**(355,903)**	(461,599)
Discontinued operations			
Loss for the year from discontinued operations	9	**(41,457)**	(7,485)
Loss for the year	10	**(397,360)**	(469,084)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**6,681**	33,304
Reclassification adjustment of exchange reserve on disposal of subsidiaries		**(6,457)**	–
Total comprehensive income and expense for the year		**(397,136)**	(435,780)

	Note	2009 HK$'000	2008 HK$'000 (restated)
Loss for the year attributable to:			
Owners of the Company		**(388,019)**	(442,141)
Non-controlling interests		**(9,341)**	(26,943)
		(397,360)	(469,084)
Total comprehensive income and expense attributable to:			
Owners of the Company		**(387,795)**	(409,440)
Non-controlling interests		**(9,341)**	(26,340)
		(397,136)	(435,780)
Loss per share	12		
From continuing and discontinued operations			
Basic and diluted		**(HK77.53 cents)**	(HK98.89 cents)
From continuing operations			
Basic and diluted		**(HK69.24 cents)**	(HK97.22 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**12,088**	30,809
Goodwill		**66,694**	283,632
Intangible assets		**95,524**	121,121
Interests in jointly controlled entities		**11,635**	11,519
Available-for-sale investment		**138,102**	132,502
Amount due from a related company – due after one year		**10,000**	–
		334,043	579,583
CURRENT ASSETS			
Inventories		**18,779**	70,878
Trade and other receivables	13	**39,762**	174,591
Loan receivable		**–**	3,890
Amounts due from jointly controlled entities		**34,477**	44,458
Amounts due from related companies		**20,153**	148
Pledged bank deposits		**–**	15,310
Bank balances and cash		**61,555**	156,967
		174,726	466,242
CURRENT LIABILITIES			
Trade and other payables	14	**42,004**	213,478
Amount due to a shareholder		**–**	1,695
Amounts due to related companies		**8,029**	1,098
Tax payable		**10,385**	14,541
Bank and other borrowings – due within one year		**–**	35,408
		60,418	266,220
NET CURRENT ASSETS		**114,308**	200,022
		448,351	779,605

	2009	2008
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**5,008**	4,994
Reserves	**(227,073)**	154,521
Equity attributable to owners of the Company	**(222,065)**	159,515
Non-controlling interests	**20,883**	30,224
TOTAL EQUITY (CAPITAL DEFICIENCY)	**(201,182)**	189,739
NON-CURRENT LIABILITIES		
Other borrowings – due after one year	**80,000**	80,000
Convertible bonds	**565,594**	501,331
Deferred tax liabilities	**3,939**	8,535
	649,533	589,866
	448,351	779,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since May 17, 2002.

The functional currency of the Company was originally Hong Kong dollars ("HK$"). On December 30, 2009, the Company disposed of Wafer Systems Limited and it subsidiaries ("Wafer Group"), all of which have HK$ as their functional currency. The directors are of the opinion that after the disposal of Wafer Group, the primary economic environment in which the Company operates is the People's Republic of China (the "PRC"), taking into consideration that the operations of the Company's subsidiaries. The directors have therefore determined that the functional currency of the Company has been changed to Renminbi ("RMB") after disposal of Wafer Group.

The consolidated financial statements are presented in 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. The Group was also engaged in the provision of network system integration in Hong Kong and the PRC which was discontinued in current year.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis. The Company and its subsidiaries (the "Group") incurred a loss of HK$397,360,000 and reported a net decrease in cash and cash equivalents of HK$96,493,000 for the year ended December 31, 2009 and as at that date, the Group had net liabilities of HK$201,182,000. In preparing the consolidated financial statements, the directors of the Company have carefully reviewed the Group's financial position, future liquidity and cash flow forecast. In reviewing the Group's current and future financial position, the directors have considered the following factors:

- The ability to successfully replace the convertible bonds with equity instruments;
- The ability to successfully capitalise other loans to equity;
- Cost control measures.

The directors of the Company believe the above measures, if successfully implemented, will improve the Group's financial position and strengthen the capital base of the Group and accordingly, have prepared the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of Improvements to HKFRSs 2009 (adopted in advance of effective date of January 1, 2010).

Early adoption of amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

During the year, the Company disposed of Wafer Group and the provision of network system integration business was classified as discontinued operations. No consolidated statement of financial position as at January 1, 2008 has been presented as the directors of the Company considered that the restatement of statement of comprehensive income for presentation of discontinued operations has no impact on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 5[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after July 1, 2009

2 Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate

3 Effective for annual periods beginning on or after January 1, 2010

4 Effective for annual periods beginning on or after February 1, 2010

5 Effective for annual periods beginning on or after July 1, 2010

6 Effective for annual periods beginning on or after January 1, 2011

7 Effective for annual periods beginning on or after January 1, 2013

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the application of the other new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

5. REVENUE

An analysis of the Group's revenue for the year from continuing operations, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Lottery business		
Provision of management services for distribution of lottery products	**11,101**	22,824
Manufacturing and sales of lottery terminals and POS machines	**75,009**	157,892
	86,110	180,716

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format under HKAS 14 was business segments, comprising lottery and network system integration business. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group was involved in the network system integration, which was reported as a separate business segment under HKAS14. That operation was discontinued with effect from December 30, 2009.

After the disposal of the network system integration business, the Group's revenue and contribution to loss were mainly derived from provision of management services for distribution of lottery products and manufacturing and sales of lottery terminals and POS machines. The chief operating decision makers treat lottery business as a single reportable segment as a whole and review the consolidated financial information of the Group for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

The revenue of product and service is set out in note 5.

Geographical information

The Group's operations and revenue from continuing operations from external customers are in the PRC. All the non-current assets are located in the PRC.

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from continuing operations are as follows:

Each of the two (2008: three) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. For the year ended December 31, 2009, revenue of HK$45,462,000 and HK$22,200,000 are attributed to these two customers, respectively. For the year ended December 31, 2008, revenue of HK$66,312,000, HK$54,954,000 and HK$22,289,000 were attributed to those three customers, respectively.

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Other borrowings wholly repayable within five years	**4,000**	1,699
Effective interest expense on convertible bonds	**65,147**	39,503
	69,147	41,202

8. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**1,228**	11,794
Deferred taxation		
– Current year	**(4,596)**	(25,447)
	(3,368)	(13,653)

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No tax is payable on the profit for the year arising in Hong Kong since the Hong Kong subsidiaries have incurred losses from operations for both years.

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

Pursuant to an approval by the relevant PRC tax authority, one of the Company's PRC subsidiaries is granted advanced-technology relief from PRC income tax for three years which commenced from the year of grant, followed by 50% relief for the next three years. The first year of tax exemption granted to that subsidiary was year 2007. Under the EIT Law, the subsidiary continues to enjoy the tax relief and will enjoy concessionary tax rate of 7.5% starting from year 2010.

9. DISCONTINUED OPERATIONS

On November 5, 2009, the Group entered into a sale and purchase agreement with a related company, in which a director of the Company has beneficial interest, to dispose of a subsidiary, Wafer Systems Limited and its subsidiaries ("Wafer Group"), which carried out all of the Group's network system integration operations. The disposal was effected in order to generate cash flows for the expansion of the Group's lottery business. The disposal was completed on December 30, 2009, on which date control of the Wafer Group passed to the acquirer.

The loss for the year from the discontinued operations is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss of network system integration operations for the period/year	**(26,820)**	(7,485)
Loss on disposal of network system integration operations	**(14,637)**	–
	(41,457)	(7,485)

The results of the network system integration operations for the period from January 1, 2009 to December 30, 2009 and the year ended December 31, 2008, were as follows:

	1.1.2009 to 12.30.2009	1.1.2008 to 12.31.2008
	HK$'000	*HK$'000*
Revenue	**240,319**	426,300
Changes in inventories of finished goods and work-in-progress	**(23,497)**	19,583
Purchase of inventories and raw materials consumed	**(174,534)**	(357,623)
Other income and gains	**1,142**	694
Employee benefits costs	**(29,276)**	(25,667)
Depreciation and amortisation	**(2,646)**	(3,852)
Impairment loss on intangible assets	**(8,412)**	(2,629)
Other expenses	**(24,997)**	(57,578)
Finance costs	**(2,919)**	(4,886)
Loss before taxation	**(24,820)**	(5,658)
Taxation	**(2,000)**	(1,827)
Loss for the period/year	**(26,820)**	(7,485)

	1.1.2009 to 12.30.2009	1.1.2008 to 12.31.2008
	HK$'000	*HK$'000*
Loss for the period/year from discontinued operation include the following:		
Amortisation of intangible assets	**1,223**	2,539
Depreciation of property, plant and equipment	**1,423**	1,313
Total depreciation and amortisation	**2,646**	3,852
Directors' emoluments, including retirement benefit scheme contributions	**1,542**	1,542
Other staff costs:		
Salaries and other benefits	**23,782**	20,831
Retirement benefit scheme contributions	**3,952**	3,294
Total employee benefit expenses	**29,276**	25,667
Auditor's remuneration	**460**	720
Allowance for inventories	**1,036**	1,068
Impairment loss on intangible assets	**8,412**	2,629
Research and development costs recognised as an expense	**452**	385
(Reversal of) impairment loss on trade receivables	**(2,342)**	9,521
Operating lease rentals in respect of office properties	**3,867**	2,667
Net foreign exchange loss	**77**	365
and after crediting:		
Bank interest income	**310**	530

During the year, Wafer Group experienced a cash outflow of HK$46,115,000 (2008: cash inflow of HK$73,415,000) to the Group's net operating cash flows, received HK$9,261,000 (2008: HK$29,964,000) in respect of investing activities and paid HK$6,255,000 (2008: HK$145,519,000) in respect of financing activities.

Comparative information in consolidated statement of comprehensive income have been restated to present separately the results of the network system integration business as discontinued operations.

10. LOSS FOR THE YEAR

Continuing operations

Loss for the year has been arrived at after charging:

	2009	2008
	HK$'000	*HK$'000*
Amortisation of intangible assets	**19,123**	48,841
Depreciation of property, plant and equipment	**6,992**	5,749
Total depreciation and amortisation	**26,115**	54,590
Directors' emoluments	**4,490**	5,017
Other staff costs:		
Salaries and other benefits	**12,951**	14,819
Retirement benefit scheme contributions	**1,430**	1,545
Share-based payments	**4,068**	6,321
Total employee benefit expenses	**22,939**	27,702
Auditor's remuneration	**1,040**	610
Allowance for inventories	**–**	254
Impairment loss on amount due from a jointly controlled entity	**–**	1,788
Impairment loss on trade and other receivables	**522**	–
Impairment loss on loan receivable	**3,890**	396
Loss on disposal of/write-off of property, plant and equipment	**8,498**	1,879
Operating lease rentals in respect of land and buildings	**5,013**	5,418

and after crediting:

Bank interest income	**119**	315
Loan and other interest income	**5**	560
Net foreign exchange gain	**449**	3,214

11. DIVIDENDS

No dividend was declared or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

12. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share for the year is based on the loss attributable to the owners of the Company of HK$388,019,000 (2008: HK$442,141,000) and on the weighted average number of 500,495,926 (2008: 447,094,096) ordinary shares in issued during the year.

The computation of diluted loss per share does not include the Company's outstanding convertible bonds and share options since their assumed conversion and exercise would result in a decrease in loss per share.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss per share are calculated as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(388,019)**	(442,141)
Less: loss for the year from discontinued operations	**41,457**	7,485
Loss for the purpose of basic and diluted loss per share from continuing operations	**(346,562)**	(434,656)

The denominators used are the same as those detailed above for basic and diluted loss per share.

From discontinued operations

The basic and diluted loss per share for the discontinued operations is HK8.28 cents per share (2008: HK1.67 cents per share), based on the loss for the year from discontinued operations of HK$41,457,000 (2008: HK$7,485,000) and the denominators detailed above for basic and diluted loss per share.

13. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**13,580**	146,685
Less: allowance for doubtful debts	**–**	(18,895)
	13,580	127,790
Retention money receivables *(note)*	**–**	7,806
Other receivables	**24,748**	30,559
Prepayments and deposits	**1,434**	8,436
	39,762	174,591

Note: Retention money receivables represented the progress payments receivable on the contract works of network infrastructure with age over 180 days.

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 based on the invoice date at the end of the reporting period.

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**8,847**	63,041
31 – 90 days	**3**	24,120
91 – 180 days	**5**	23,768
181 – 365 days	**51**	16,861
Over 365 days	**4,674**	–
	13,580	127,790

Included in trade receivables are amounts of HK$9,257,000 (2008: Nil) due from non-controlling shareholders of a subsidiary. The amounts are unsecured, interest free and repayable according to credit terms granted to the non-controlling shareholders.

Trade receivables which over 365 days as at December 31, 2009 has been fully settled after the reporting period.

14. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables *(note)*	**31,311**	155,697
Other payables	**4,702**	20,893
Accruals	**5,991**	36,888
	42,004	213,478

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

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**31,311**	79,928
31-90 days	**–**	57,157
91-180 days	**–**	15,156
181-365 days	**–**	1,115
Over 365 days	**–**	2,341
	31,311	155,697

Note: Included in trade payables are amounts of HK$31,265,000 (2008: HK$64,824,000) due to non-controlling shareholders of a subsidiary. The amounts are unsecured, interest-free and repayable according to credit terms granted by the non-controlling shareholders.

CEO'S STATEMENT

The recessionary economic environment in 2009 had an adverse impact on the Group's revenues and margins and led to a net loss of HK$388.0 million (2008: net loss of HK$442.1 million) attributable to the owners of the Company. It should be noted that a technical application of the accounting rules requiring certain non-cash charges for impairment and amortization contributed to a large portion of the Group's losses. These non-cash impairment loss on goodwill, imputed interest on convertible bonds and depreciation and amortisation expenses amounted to approximately HK$308.1 million (2008: HK$354.0 million) were of a non-operational nature and will not adversely affect the cash flow or current assets of the Group. As at December 31, 2009, cash and cash equivalent balance of the Group amounted to HK$61.6 million (2008: HK$157.0 million). This cash balance does not include the HK$30 million receivable from the disposal of the network system integration business completed on December 30, 2009 in accordance with the terms of that disposal.

During the year, the Group disposed of its network system integration business in order to better focus on the lottery business. Accordingly, the loss for the year from the network system integration business, together with loss arising on disposal, of HK$41.5 million (2008: HK$7.5 million) have been separately disclosed as discontinued operations.

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

BUSINESS REVIEW

The Group's traditional network system integration business faced rapidly declining revenues and margins on account of the fierce competition in a shrinking market environment, where customers faced budget cuts and deferral of capital expenditure plans to acquire, replace or up-grade systems. Given the fact that the network system integration business in China is at a very mature stage with limited growth prospects, but at the same time faces increasingly active domestic companies, a strategic decision was taken to dispose of this business and focus managerial and other resources of the Group on to the lottery related businesses which have scope for considerable growth. The transaction to dispose the network system integration business was completed on December 30, 2009.

The lottery business of the Group faced a difficult year with positive sentiment generated by the 2008 Olympics gradually abating and giving way to the concerns of the economic crisis. The much anticipated launch of skill games (similar to fixed odds betting) was delayed until the second half of 2009, and the product release was conducted in a very gradual and controlled manner.

The Group's manufacturing facility in Shanghai, a core profit centre, operated at low capacity as several provincial authorities deferred plans to acquire lottery terminals.

Overseas, the Group's investment in the South Korean welfare lottery operation, the Nanum Lotto, Inc. ("Nanum Lotto"), started bearing fruit. Nanum Lotto, which is the government authorised consortium that has an exclusive licence to operate the national lotto games in South Korea, achieved profitability in late 2009, with sales reaching approximately USD2 billion for the year.

PROSPECTS

After the disposal of the network system integration business, the Group is more focussed on the lottery related businesses. In China, the launch of skill games has provided a new business opportunity for the Company. With the upcoming 2010 FIFA World Cup capturing the interest of soccer fans globally, it is expected that the Chinese lottery market, particularly the sports lottery sector, will see a great boost in sales. In this regard the Group has secured quality locations for management of high quality skill game retail outlets in preparation for the FIFA World Cup opportunity.

In the coming year the Group will be making an effort to consolidate its strong presence across the various industry verticals, such as venue management, supply of games, scratch card distribution, and lottery terminal manufacturing and distribution. Given the number of deferrals in lottery terminal orders in 2009, it is expected that there will be a pick up in activity in this sector.

Meanwhile, with the participation of European lottery giant Intralot S.A. ("Intralot") as a strategic shareholder, the Group gained access to Intralot's proprietary industry leading software for provision of lottery products and services into the Chinese lottery market. The Group will now be able to capitalise on the benefits of this software capability with projects in China. In this regard, the Group is actively pursuing selected projects in China in which it can gain competitive advantage.

With a gradual reversal of poor economic conditions expected in 2010, lottery revenues in China are expected to receive a boost. Apart from European soccers and the United States NBA (National Basketball Association) skill games related products, additional impetus is expected from the 2010 FIFA World Cup, and the 2010 Guangzhou Asian Games. The new skill games should help further expand the market.

The Group's investment in the Nanum Lotto consortium, which is the exclusive licence holder authorised by South Korean government to manage the nations welfare lottery operations is expected to become increasingly profitable. The Group is also evaluating profitable opportunities in certain other Asian countries.

Accordingly, the Group's focus for 2010 will be to:

– Participate in the growth of the lottery sales from new skill games launched by China Sports Lottery Administration Center;

– Maintain and improve market share in manufacture and distribution of high quality lottery terminals to provincial lottery authorities;

– Actively grow the lottery technology and services business by gaining competitive advantage through Intralot technology and expertise; and

– Carefully evaluate overseas lottery opportunities for regional growth.

CONCLUSION

On behalf of the Board, I would like to take the opportunity to thank all staff members for their contribution in the past year. My appreciation also goes to our customers, suppliers, bankers, business partners and shareholders for their continued trust and support in the past year. I look forward to building the Company into a successful corporation and growing its business with the wise counsel of the Board and the support of all staff members in the years ahead.

To our faithful shareholders, I would say that with the gradual reversal of the crippling economic downturn, as well as various internal efforts to streamline operations, identify lucrative opportunities and strengthen infrastructure and competitive advantage, our business is poised grow strong and profitable. The management team remains committed and focussed on the success of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group was severely impacted by the recessionary economic environment. For the year ended December 31, 2009, the Group recorded revenue of HK$86.1 million (2008: HK$180.7 million), representing year-on-year decrease of 52.4%.

Loss for the year of HK$397.4 million (2008: loss of HK$469.1 million) was mainly because of the following non-cash accounting losses:

(i) Impairment loss on goodwill of HK$216.9 million (2008: HK$259.9 million) in relation to investments in subsidiaries which was non-recurring in nature;

(ii) Imputed interest on convertible bonds amounted to HK$65.1 million (2008: HK$39.5 million), due to the liability component of the convertible bonds carried at amortised cost by using the effective interest method; and

(iii) Depreciation and amortisation expenses of property, plant and equipment and intangible assets of HK$26.1 million (2008: HK$54.6 million).

However, no material adverse effect is expected from the above items on the Group's cash flow.

The Group has restructured and streamlined its operations, and imposed tight cost control measures in all applicable areas. For the year ended December 31, 2009, the employee benefits costs amounted to HK$22.9 million (2008: HK$27.7 million), representing a decrease of 17.3% year-on-year. Other administrative expenses for the year amounted to HK$47.8 million (2008: HK$57.7 million), representing a decrease of 17.2% compared to the correspondence period in 2008.

A tax credit of HK$3.4 million for the year (2008: tax credit of HK$13.7 million) was principally due to a deferred tax credit arising from the fair value adjustments of intangible assets on business combination in previous years.

Lottery business – continuing operations

The Group is principally engaged in the lottery business. During the past two years, the Group had acquired substantial assets which are in connection with and subsidiaries which are engaging in various lottery related businesses and ventures in mainland China and other Asian countries, as well as in the manufacturing of lottery terminals for the sports and welfare lottery businesses in mainland China.

For the year, the Group recorded total revenue of HK$86.1 million from the lottery business. Revenue from provision of management services for distribution of lottery products amounted to HK$11.1 million (2008: HK$22.8 million), which mainly generated from management of lottery shops and distribution of scratch cards. The Group manages one of the largest lottery retail networks in mainland China. However, the Group has suffered from reduced scale in video lottery terminal ("VLT") shops since early 2008. The Group is evaluating various opportunities related to provision of new technologies and platforms by virtue of its technology license from strategic shareholder Intralot, listed on the Athens Exchange and being one of the leading providers of integrated gaming systems to lottery organisations worldwide.

The Group also generated income from manufacturing and sales of lottery terminals and point of sale machines, amounting to HK$75.0 million for the year ended December 31, 2009 (2008: HK$157.9 million). The decrease was due to the deferred orders from the provincial Sports Lottery Administration Centers in China. The business prospects in this sector are more promising for 2010 compared to 2009 as the China Sports Lottery Administration Center is expected to enter into a new procurement cycle during the year. The Group is working with a strategic shareholder of the Company, Firich Enterprises Co., Ltd. ("Firich"), listed on the Taiwan Gre Tai Securities Market in developing a new line of high quality and durable lottery terminals. Firich, being one of the worldwide leading point of sale system manufacturers, is able to provide procurement, technical and research and development support for the Group, to develop the newer models of lottery terminals.

Network system integration business – discontinued operations

In prior years, the Group was also engaged in the business of network system integration, which was discontinued in the current year.

The prospects of the network system integration business have been significantly deteriorating as it is a mature and highly competitive industry with increasing competition from local mainland firms. Revenues during the year amounted to HK$240.3 million (2008: HK$426.3 million), representing a decrease of 43.6% compared to prior year. Loss for the year from this segment was HK$26.8 million, over 3 times of that for 2008.

On November 5, 2009, the Company entered into a sale and purchase agreement with Fortune Grace Management Limited, 70% beneficially owned by Mr. Chan Sek Keung, Ringo ("Mr. Chan"), Chairman and a director of the Company, to dispose of a wholly owned subsidiary of the Company, Wafer Systems Limited, and its subsidiaries engaged in network system integration business for a consideration of HK$30 million (the "Disposal"). The Disposal was completed on December 30, 2009 and the Group recorded a loss of HK$14.6 million on the Disposal.

The consideration was satisfied with HK$10 million settled in cash, and the remaining HK$20 million in the form of two HK$10 million promissory notes due on or before March 31, 2010 and March 31, 2011. The promissory notes are guaranteed by Mr. Chan and bear interest at the rate of 5% per annum. Through the Disposal, the Group can focus on the development of the lottery business in order to strive for the highest return to the shareholders. Details of the Disposal are contained in the circular of the Company dated December 8, 2009.

SIGNIFICANT INVESTMENTS HELD

Available-for-sale investment

At December 31, 2009, the available-for-sale investment with carrying amount of HK$138.1 million (2008: HK$132.5 million) represented an investment in 14% equity interest in Nanum Lotto, a consortium incorporated in South Korea and formed by renowned international and Korean partners, possessing an exclusive lottery license to operate nation wide lotto games in South Korea.

Jointly controlled entities

During the year, the share of profits of jointly controlled entities amounted to HK$116,000 (2008: loss of HK$15.7 million), principally contributed by Beijing Telenet Information Technology Limited ("BTI"), indirectly owned as to 52.5% by the Group. BTI, being one of the largest authorised lottery terminal distributors approved by China Sports Lottery Administration Center, is engaged in the distribution of lottery terminals mainly supplied by the Group over 20 provinces in mainland China.

ACQUISITION

On February 24, 2010, the Group entered into a conditional framework agreement to acquire 35% equity interest in China Excellent Net Technology Investment Limited which is engaged in the provision of management services for the mobile lottery business in mainland China.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group kept its conservative policies in cash and financial management. Surplus funds were placed on interest-bearing deposits with banks. The Group generally financed its operations and serviced its debts with its internal resources, bank and other borrowings, loan from a related company and convertible bonds.

The Group's financial and liquidity position remained healthy for the year. As at December 31, 2009, bank balances and cash, denominated principally in Hong Kong dollars and Renminbi amounted to HK$61.6 million (2008: HK$157.0 million). The decrease during the year was mainly due to the Disposal. This balance does not include the consideration for the Disposal of HK$30 million satisfied by way of HK$10 million received in cash after the year end date, with the remaining HK$20 million to be settled by two payments of HK$10 million each on or before March 31, 2010 and March 31, 2011, respectively. As a measure of liquidity, at December 31, 2009, the Group had net current assets of HK$114.3 million, a decrease of 42.9% from last year end of HK$200.0 million, mainly because of the Disposal. However, the current ratio (ratio of current assets to current liabilities) has been improved to 2.9 as at December 31, 2009 (2008: 1.8).

The Group had net liabilities exceeding its assets of HK$201.2 million as at December 31, 2009, which was mainly because of the liability component of the convertible bonds amounting to HK$565.6 million and the non-cash accounting charges mentioned earlier. The convertible bonds, which are held entirely by the three strategic shareholders of the Group, are denominated in Hong Kong dollars and bear interest at 0.1% per annum. Maturity dates of the convertible bonds are December 12, 2012 and December 8, 2013. After the Disposal, the Group had no other borrowing as at December 31, 2009 except for the loan of HK$80 million from a related company beneficially owned by shareholders of the Company due on July 14, 2011. The Directors have carefully reviewed the Group's cash position and the cash flow forecast for the next twelve months and believe that the Group is able to meet its financial obligations in full as and when they fall due and balance its overall capital structure through new share issues and refinancing of debt as necessary.

At December 31, 2009, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements.

CHARGES ON GROUP ASSETS

The convertible bonds of the Company are secured by the shares of certain subsidiaries of the Company at December 31, 2009.

FOREIGN EXCHANGE EXPOSURE

As at December 31, 2009, all assets and liabilities of the Group were denominated in United States dollars, Hong Kong dollars, Renminbi and Korean Won. During the year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. As the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

CHANGE OF COMPANY NAME

As announced on January 15, 2009, the company name was changed to MelcoLot Limited from Melco LottVentures Limited. We believe that the new name would more accurately reflect the close business relationship with the two substantial shareholders of the Company, Melco International Development Limited and Intralot.

EMPLOYEE INFORMATION

As at December 31, 2009, the Group had a total of 129 full-time employees (2008: 322). The decrease was mainly due to the Disposal and streamlining of operations in China. The Group continues to provide remuneration package to employees according to market practices and past performance. In addition to basic remuneration, the Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training program.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at December 31, 2009.

REVIEW OF ACCOUNTS

The Audit Committee of the Compnay has reviewed the Group's consolidated financial statements for the year ended December 31, 2009, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company applies the principles set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM Listing Rules to maintain a sound and effective system of checks and balance and internal controls in the leadership, executive management and business operations of the Group.

In practising corporate governance in line with, sometimes exceeding, the Code provisions, the Board is conscientious for the benefits of its shareholders and the investing public.

During the year ended December 31, 2009 under review, the Company complied with all the provisions on the Code contained in Appendix 15 to the GEM Listing Rules and, where appropriate, also the recommended best practices.

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 2009 Annual Report will be available on both websites and despatched to shareholders of the Company on or about Wednesday, March 31, 2010.

By Order of the Board
MelcoLot Limited
Ko Chun Fung, Henry
Executive Director and Chief Executive Officer

Hong Kong, March 25, 2010

As at the date of this announcement, the Board consists of two executive Directors, namely, Mr. Ko Chun Fung, Henry and Mr. Moumouris, Christos; two non-executive Directors, namely, Mr. Wang, John Peter Ben and Mr. Chan Sek Keung, Ringo and three independent non-executive Directors, namely, Mr. Tsoi, David, Mr. Pang Hing Chung, Alfred and Mr. So Lie Mo, Raymond.

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