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MelcoLot Limited

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

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

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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 GEM (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 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.*

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of MelcoLot Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2010 (the “**Review Period**”) together with the comparative unaudited figures for the corresponding period in 2009.

Business Review

The Group is principally engaged in the provision of lottery related technologies, systems and solutions in China. It is a recognized manufacturer and distributor of high quality, versatile point of sale lottery terminals for Chinese lottery authorities. The Group has a wide retail presence across several provinces by managing a network of retail outlets for sale of lottery tickets, including the increasingly popular Skill Games (similar to fixed odds betting). The Group is also engaged in the distribution of scratch card tickets for both China Sports Lottery and China Welfare Lottery. In addition to being the China licence holder for Intralot S.A.’s (“**Intralot**”) world leading lottery technologies, the Group is also a member of the Nanum Lotto consortium which is the exclusive operator of South Korean national welfare lottery.

Total revenue of the Group during the Review Period amounted to HK\$35.3 million (2009: HK\$35.3 million).

Loss from continuing operations amounted to HK\$66.2 million for the Review Period (2009: HK\$63.5 million). The loss included considerable non-cash charges on account of:

- (i) imputed interest expenses on convertible bonds of HK\$36.1 million (2009: HK\$32.4 million); and
- (ii) depreciation and amortization of HK\$11.3 million (2009: HK\$12.9 million).

Loss before interest, taxes, depreciation and amortization for the Review Period amounted to HK\$18.8 million (2009: HK\$18.4 million). During the Review Period, employee benefits costs decreased by 3.5% pursuant to streamlining of operations and cost control measures, and amounted to HK\$10.9 million (2009: HK\$11.3 million).

The loss of HK\$5.8 million from discontinued operations disclosed in the six months ended June 30, 2009 related to the Group’s network system integration operations, which were disposed of in December 2009 in order to enable the Group to enhance its development efforts in relation to new lottery related growth opportunities.

Acquisitions

On March 5, 2010, the Group completed the acquisition of a 35% equity interest in China Excellent Net Technology Investment Limited (“**China Excellent**”), a company incorporated in Hong Kong and engaged in provision of lottery related technology solutions and management services for mobile lottery business in China, at a consideration of HK\$7.0 million. Of this amount, HK\$3.0 million has been paid as at June 30, 2010 in accordance with the terms of the acquisition. The Group is currently developing the relevant technology platform and solutions for this venture.

On July 2, 2010, the Group acquired a 40% interest in ChariLot Company Limited (“**ChariLot**”), a company incorporated in Hong Kong pursuant to a joint venture agreement entered into between the Group and Calo Investments Limited (“**Calo**”). ChariLot is primarily a vehicle for the new investment in the operation of the lottery business in China. The cash consideration paid by the Group for the acquisition was HK\$10.0 million. Pursuant to the joint venture agreement,

- (i) if ChariLot fails to enter into a supply agreement or other form of agreement to be entered into by ChariLot in relation to the supply of the lottery terminal, provision of technical support, operation consultation and fund raising solution to the potential lottery operator in China on an exclusive basis (the “**Supply Agreement**”) on or before June 30, 2011, Calo is obliged to transfer its entire shareholding, i.e. the 60% shareholdings in ChariLot, to the Group at a cash consideration of HK\$1.00; or
- (ii) if ChariLot enters into the Supply Agreement on or before June 30, 2011, Group shall have the right to give a notice to Calo for acquisition of a further 20% stake in ChariLot. Upon receipt of such notice, Calo and the Group shall negotiate in good faith for the consideration which may be settled in a combination of cash and/or shares of the Company.

The acquisition constituted a discloseable transaction for the Company, details of which are set out in the Company’s announcement dated June 21, 2010.

Dividend

No interim dividend has been paid or declared by the Company during the six months ended June 30, 2010 (2009: Nil).

Liquidity, Financial Resources and Capital Structure

During the Review Period, the Group kept its conservative policies in cash and financial management. 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 during the Review Period. As at June 30, 2010, bank balances and cash, denominated principally in Hong Kong dollars and Renminbi amounted to HK\$59.5 million (December 31, 2009: HK\$61.6 million). The current ratio (ratio of current assets to current liabilities) was 2.3 as at June 30, 2010 (December 31, 2009: 2.9).

The Group had net liabilities exceeding its assets of HK\$268.2 million as at June 30, 2010 (December 31, 2009: HK\$201.2 million), which was mainly because of the liability component of the convertible bonds amounting to HK\$601.3 million (December 31, 2009: HK\$565.6 million). 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. Also, the Group had a loan of HK\$80 million borrowed 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 June 30, 2010, the Group had capital commitments of HK\$10 million authorized but not provided for in the consolidated financial statements for the investment in an associate, ChariLot.

Charges on Group Assets

The convertible bonds of the Company are secured by certain assets of subsidiaries and available-for-sale investment of the Company at June 30, 2010.

Foreign Exchange Exposure

As at June 30, 2010, all assets and liabilities of the Group were denominated in United States dollars, Hong Kong dollars, Renminbi and Korean Won. During the Review Period, 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.

Employee Information

As at June 30, 2010, the Group had a total of 99 full-time employees (31 December 2009: 129). The decrease was mainly due to 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 June 30, 2010.

Outlook

It is expected that lottery industry in China will continue to grow year on year. The demand for advanced lottery terminals, systems and technologies is expected to accelerate in order to cope with the rapid growth in the industry. As announced by the Company on July 15, 2010, the Company and Intralot entered into a supply agreement, pursuant to which Intralot has agreed to advise on the supply, delivery and installation of LOTOS Horizon system for the creation, delivery, display and management of rich multimedia content at multiple, geographically dispersed lottery venues. This installation will be made under the five-year upgrade agreement for the “Shi Shi Cai” game in the municipality of Chongqing in China, which was entered into between the Group and Chongqing Welfare Lottery Issuing Center, and can be renewed for a further five years. In case the Company requires additional new features to the system or additional implementation, maintenance and support services, Intralot will also provide advice on the additional new features to the system and provide additional services to the Company at cost. The Directors are of view that the support from Intralot would benefit the Group as Intralot has extensive know how, advanced product development standards and substantial experience in operating lottery games worldwide. Intralot offers custom-made integrated solutions, which ensure maximum efficiency and absolute security. Subsequent to successful roll out in Chongqing, multiple provinces are targeted by the Group for similar upgrade opportunities.

Furthermore, the acquisitions of 35% interest in China Excellent and 40% interest in ChariLot will enable expansion of the Group’s lottery business in China. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the joint venture partners and their business associates have established business networks relevant to lottery industry in China. The formation of the joint ventures will have synergic effect for the Group to develop its lottery businesses in China. The Directors believe that the acquisitions will be a crucial stepping stone for the Group to deploy its software related capabilities in the lottery business in China.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2010

	Notes	Three months ended June 30,		Six months ended June 30,	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Continuing operations					
Revenue	3	25,315	18,382	35,278	35,270
Changes in inventories of finished goods and work-in-progress		11,916	(8,491)	4,644	(10,194)
Purchases of inventories and raw materials consumed		(33,150)	(8,676)	(33,776)	(20,226)
Other income and gains		140	54	412	1,999
Employee benefits costs		(5,296)	(5,061)	(10,866)	(11,325)
Depreciation and amortization		(5,663)	(6,658)	(11,329)	(12,943)
Share of profits/(losses) of jointly controlled entities		224	(163)	(263)	(515)
Share of loss of an associate		(267)	–	(338)	–
Other expenses		(6,205)	(6,907)	(13,854)	(13,419)
Finance costs	5	(19,415)	(16,868)	(38,109)	(34,419)
Loss before taxation		(32,401)	(34,388)	(68,201)	(65,772)
Taxation	6	977	2,860	2,012	2,310
Loss for the period from continuing operations		(31,424)	(31,528)	(66,189)	(63,462)
Discontinued operations	8				
Loss for the period from discontinued operations		–	(2,182)	–	(5,792)
Loss for the period	9	<u>(31,424)</u>	<u>(33,710)</u>	<u>(66,189)</u>	<u>(69,254)</u>
Loss for the period attributable to:					
Owners of the Company		(30,417)	(30,914)	(63,548)	(63,935)
Non-controlling interests		(1,007)	(2,796)	(2,641)	(5,319)
		<u>(31,424)</u>	<u>(33,710)</u>	<u>(66,189)</u>	<u>(69,254)</u>
Loss per share	10				
From continuing and discontinued operations					
– Basic and diluted		<u>(HK6.05 cents)</u>	<u>(HK6.18 cents)</u>	<u>(HK12.65 cents)</u>	<u>(HK12.78 cents)</u>
From continuing operations					
– Basic and diluted		<u>(HK6.05 cents)</u>	<u>(HK5.74 cents)</u>	<u>(HK12.65 cents)</u>	<u>(HK11.62 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(31,424)	(33,710)	(66,189)	(69,254)
Other comprehensive (expense)/income:				
Exchange differences arising on translation of foreign operations	(4,090)	3,211	(2,704)	1,196
Total comprehensive expense for the period	<u>(35,514)</u>	<u>(30,499)</u>	<u>(68,893)</u>	<u>(68,058)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(34,507)	(27,703)	(66,252)	(62,739)
Non-controlling interests	(1,007)	(2,796)	(2,641)	(5,319)
	<u>(35,514)</u>	<u>(30,499)</u>	<u>(68,893)</u>	<u>(68,058)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2010

		As at June 30, 2010 (Unaudited) HK\$'000	As at December 31, 2009 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	10,840	12,088
Goodwill		66,694	66,694
Other intangible assets		85,962	95,524
Interests in jointly controlled entities		11,372	11,635
Interest in an associate	12	6,662	–
Available-for-sale investment		135,302	138,102
Amount due from a related company – due after one year		–	10,000
		316,832	334,043
Current assets			
Inventories		28,878	18,779
Trade and other receivables	13	36,579	39,762
Amount due from a jointly controlled entity		39,283	34,477
Amounts due from related companies – due within one year		10,251	20,153
Bank balances and cash		59,466	61,555
		174,457	174,726
Current liabilities			
Trade and other payables	14	63,208	42,004
Amounts due to related companies		10,013	8,029
Tax payable		3,125	10,385
		76,346	60,418
Net current assets		98,111	114,308
		414,943	448,351

		As at June 30, 2010	As at December 31, 2009
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and Reserves			
Share capital	15	5,026	5,008
Reserves		(290,815)	(227,073)
Equity attributable to owners of the Company		(285,789)	(222,065)
Non-controlling interests		17,589	20,883
Total capital deficiency		(268,200)	(201,182)
Non current liabilities			
Other borrowings – due after one year		80,000	80,000
Convertible bonds		601,274	565,594
Deferred tax liabilities		1,869	3,939
		683,143	649,533
		414,943	448,351

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2010

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Share-based payment reserve	PRC statutory reserves	Convertible bonds equity reserve	Exchange reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at January 1, 2009 (audited)	4,994	368,540	16,244	5,589	645,492	37,184	(918,528)	159,515	30,224	189,739
Recognition of equity-settled share-based payments	-	-	2,784	-	-	-	-	2,784	-	2,784
Issue of ordinary shares upon exercise of share options	11	121	(44)	-	-	-	-	88	-	88
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,196	-	1,196	-	1,196
Loss for the period	-	-	-	-	-	-	(63,935)	(63,935)	(5,319)	(69,254)
As at June 30, 2009 (unaudited)	<u>5,005</u>	<u>368,661</u>	<u>18,984</u>	<u>5,589</u>	<u>645,492</u>	<u>38,380</u>	<u>(982,463)</u>	<u>99,648</u>	<u>24,905</u>	<u>124,553</u>
As at January 1, 2010 (audited)	<u>5,008</u>	<u>368,695</u>	<u>22,290</u>	<u>3,543</u>	<u>645,492</u>	<u>37,408</u>	<u>(1,304,501)</u>	<u>(222,065)</u>	<u>20,883</u>	<u>(201,182)</u>
Recognition of equity-settled share-based payments	-	-	2,371	-	-	-	-	2,371	-	2,371
Issue of ordinary shares upon exercise of share options	18	228	(89)	-	-	-	-	157	-	157
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(2,704)	-	(2,704)	-	(2,704)
Loss for the period	-	-	-	-	-	-	(63,548)	(63,548)	(2,641)	(66,189)
Payment of dividend	-	-	-	-	-	-	-	-	(653)	(653)
As at June 30, 2010 (unaudited)	<u>5,026</u>	<u>368,923</u>	<u>24,572</u>	<u>3,543</u>	<u>645,492</u>	<u>34,704</u>	<u>(1,368,049)</u>	<u>(285,789)</u>	<u>17,589</u>	<u>(268,200)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2010

	Six months ended June 30,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash used in operating activities	(17,843)	(31,953)
Investing activities		
Deferred proceeds from disposal of subsidiaries	20,126	—
Interest received	40	110
Investment in an associate	(3,000)	—
Purchase of property, plant and equipment	(567)	(1,787)
Capital expenditure on intangible assets	—	(1,851)
Increase in pledged bank deposits	—	(325)
Net cash generated from/(used in) investing activities	16,599	(3,853)
Financing activities		
Payment of dividend to non-controlling interests	(653)	—
Interest paid	(445)	(3,569)
Proceeds from exercise of share options	157	88
Repayment of bank and other borrowings	—	(7,879)
Net cash used in financing activities	(941)	(11,360)
Net decrease in cash and cash equivalents	(2,185)	(47,166)
Cash and cash equivalents at beginning of the period	61,555	156,967
Effect of foreign exchange rate changes	96	(204)
Cash and cash equivalents at end of the period, represented by bank balances and cash	59,466	109,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

For the six months ended June 30, 2010

(1) BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated financial statements have been prepared on a going concern basis. The Company and its subsidiaries (the “**Group**”) incurred a loss of HK\$66.2 million for the six months ended June 30, 2010. In preparing the condensed consolidated financial statements, the Directors 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 capitalize other loans to equity; and
- cost control measures.

The Directors 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 condensed consolidated financial statements on a going concern basis.

(2) SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2009, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on January 1, 2010. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements.

(3) REVENUE

An analysis of the Group's revenue for the three months and the six months ended June 30, 2010 from continuing operations is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of management services for distribution of lottery products	2,526	2,662	4,880	5,877
Manufacturing and sales of lottery terminals and point of sale machines	22,789	15,720	30,398	29,393
	25,315	18,382	35,278	35,270

(4) SEGMENT INFORMATION

The Group had 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 makers 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 had 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 HKAS 14. 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 point of sale 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 and 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 3.

Geographical information

The Group's operations and revenue from continuing operations from external customers are in the People's Republic of China (the "PRC"). All the non-current assets, which excluded those relating to discontinued operations and financial instruments, are located in the PRC.

(5) **FINANCE COSTS**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Effective interest expenses on convertible bonds	18,417	15,870	36,125	32,435
Interest expenses on other loans	998	998	1,984	1,984
	19,415	16,868	38,109	34,419

(6) **TAXATION**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Enterprise Income Tax of the PRC				
– current period	58	(334)	58	216
Deferred taxation				
– current period	(1,035)	(2,526)	(2,070)	(2,526)
Tax (credit)/charge	(977)	(2,860)	(2,012)	(2,310)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the six months ended June 30, 2010 and its corresponding period in 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(7) **DIVIDEND**

No interim dividend has been paid or declared by the Company during the six months ended June 30, 2010 (2009: Nil).

(8) 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 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 Wafer Group passed to the acquirer.

The results of the discontinued operations for the three months and six months ended June 30, 2009, which have been included in the condensed consolidated income statement, were as follows:

	Three months ended June 30, 2009	Six months ended June 30, 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	48,196	127,614
Changes in inventories of finished goods and work-in-progress	29,275	(22,703)
Purchases of inventories and raw materials consumed	(65,713)	(75,744)
Other income and gains	7	10
Employee benefits costs	(6,702)	(13,513)
Depreciation and amortization	(686)	(1,409)
Other expenses	(5,992)	(18,462)
Finance costs	(567)	(1,585)
Loss before taxation	(2,182)	(5,792)
Taxation	—	—
Loss for the period	<u>(2,182)</u>	<u>(5,792)</u>

(9) LOSS FOR THE PERIOD

Three months ended June 30,		Six months ended June 30,	
2010	2009	2010	2009
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Continuing operations

Loss for the period has been arrived
at after charging:

Amortization of intangible assets	4,780	4,780	9,562	9,562
Depreciation of property, plant and equipment	883	1,878	1,767	3,381
Staff costs (including directors’ remuneration)				
Salaries and wages	4,149	4,381	8,495	8,541
Share-based payments	1,147	680	2,371	2,784

and after crediting:

Interest income	140	50	412	100
Other services income	—	—	—	1,397
Net foreign exchange gain	—	4	—	502

(10) LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share for the three months and the six months ended June 30, 2010 is based on the unaudited loss attributable to owners of the Company of approximately HK\$30,417,000 and HK\$63,548,000 (2009: HK\$30,914,000 and HK\$63,935,000) and on the weighted average number of approximately 502,621,933 and 502,162,357 (2009: 500,515,000 and 500,226,000) ordinary shares in issue during the period respectively.

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 basic and diluted loss per share from continuing operations for the three months and the six months ended June 30, 2010 is based on the unaudited loss from continuing operations attributable to owners of the Company of approximately HK\$30,417,000 and HK\$63,548,000 (2009: HK\$28,732,000 and HK\$58,143,000) respectively and the dominators used are the same as those detailed above for basic and diluted loss per share.

(11) PROPERTY, PLANT AND EQUIPMENT

The total cost of additions to property, plant and equipment of the Group during the six months ended June 30, 2010 was HK\$567,000 (2009: HK\$1,787,000). The total carrying amount of write-off of property, plant and equipment during the six months ended June 30, 2010 were approximately HK\$48,000 (2009: HK\$16,000).

(12) INTEREST IN AN ASSOCIATE

On March 5, 2010, the Group completed the acquisition of a 35% equity interest in China Excellent, a company incorporated in Hong Kong and engaged in provision of lottery related technology solutions and management services for mobile lottery business in China, at a consideration of HK\$7.0 million. Of this amount, HK\$3.0 million has been paid as at June 30, 2010 in accordance with the terms of the acquisition.

(13) TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	As at June 30, 2010 <i>HK\$'000</i>	As at December 31, 2009 <i>HK\$'000</i>
Trade receivables		
Within 30 days	8,360	8,847
31 – 90 days	1,881	3
91 – 180 days	1,031	5
181 – 365 days	133	51
Over 365 days	–	4,674
	11,405	13,580
Other receivables	25,174	26,182
	36,579	39,762

(14) TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	As at June 30, 2010 <i>HK\$'000</i>	As at December 31, 2009 <i>HK\$'000</i>
Trade payables within 30 days	50,765	31,311
Other payables	12,443	10,693
	<u>63,208</u>	<u>42,004</u>

(15) SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each: Authorized:		
At January 1, 2010 and June 30, 2010	2,000,000,000	20,000
Issued and fully paid:		
At January 1, 2010	500,813,433	5,008
Exercise of share options	1,808,500	18
At June 30, 2010	<u>502,621,933</u>	<u>5,026</u>

(16) OPERATING LEASE COMMITMENTS

As at June 30, 2010, the Group had operating lease commitments of approximately HK\$12,165,000 (December 31, 2009: HK\$11,444,000), out of which approximately HK\$4,123,000 was repayable within 1 year (December 31, 2009: HK\$4,219,000).

(17) EVENTS AFTER THE END OF THE REPORTING PERIOD

- a. On July 2, 2010, the Group acquired a 40% interest in ChariLot, a company incorporated in Hong Kong pursuant to a joint venture agreement entered into between the Group and Calo, which is primarily to be a vehicle for the investment in the operation of the lottery business in the PRC. The cash consideration paid by the Group for the acquisition was HK\$10,000,000.
- b. As announced by the Company on July 15, 2010, the Company and Intralot, a public listed company on the Athens Exchange S.A., and a substantial shareholder of the Company, entered into a supply agreement, pursuant to which Intralot has agreed to advise on the supply, delivery and installation of the computerized lottery systems for the creation, delivery, display and management of rich multimedia content at multiple, geographically dispersed lottery venues at the total consideration not exceeding approximately HK\$7,928,000. This installation will be made under the five-year upgrade agreement for the Shi Shi Cai game in the municipality of Chongqing in China, which was entered into between the Group and Chongqing Welfare Lottery Issuing Center, and can be renewed for a further five years.

(18) RELATED PARTY TRANSACTIONS

- a. During the period, the Group had the following transactions with related parties:

	Six months ended June 30,	
	2010	2009
	HK\$'000	HK\$'000
Sales of goods to jointly controlled entity	29,412	5,132
Sales of goods to minority shareholders of subsidiaries	985	21,082
Purchases of materials and unfinished parts from related company	36,896	17,764
Service fee expenses paid to substantial shareholders	410	242
Interest income from a related company	372	–
Interest expenses paid to a related company	1,984	1,984

- b. Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended June 30,	
	2010	2009
	HK\$'000	HK\$'000
Short-term benefits	3,079	4,115
Post-employment benefits	33	49
Share-based payments	1,047	763
	4,159	4,927

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

During the six months ended June 30, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the GEM Listing Rules to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors of the Company. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended June 30, 2010.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended June 30, 2010, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors confirmed that they had complied with the required standard of dealings and the code of conducts for directors' securities transactions during the six months ended June 30, 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at June 30, 2010, none of the Directors or their respective associates had any interests in any business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, and where appropriate, adopted the recommended best practices throughout the six months ended June 30, 2010.

BOARD OF DIRECTORS

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. Chan Sek Keung, Ringo and Mr. Wang, John Peter Ben; and three independent non-executive Directors, namely Mr. Tsoi, David, Mr. Pang Hing Chung, Alfred and Mr. So Lie Mo, Raymond.

Mr. Chan Sek Keung, Ringo resigned as the Chairman of the Board on February 1, 2010. He was re-elected as the non-executive Chairman of the Board with effect from March 5, 2010.

Mr. Derempeoglou, Georgios resigned as an executive Director on February 1, 2010.

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

Hong Kong, August 5, 2010

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.