MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 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 30 June 2013 as follows:

Business Review

The Group is engaged in the provision of lottery-related technologies, systems and solutions in the People's Republic of China (the "**PRC**"). It is a distributor of high quality, versatile lottery terminals for the China Sports Lottery Administration Centre, which is the exclusive sports lottery operator in the PRC. The terminal distribution business is the major revenue generator and contributed to approximately 91% of the Group's revenue for the six months ended 30 June 2013 (six months ended 30 June 2012: 84%).

The Group has also developed a wide presence by managing a network of retail outlets across the PRC, as well as a telephone betting system in Shandong Province, for the distribution of computer-generated lottery tickets and lottery scratch cards. As the license holder for the world leading lottery technologies of Intralot S.A., a company listed on the Athens Stock Exchange and a non-controlling shareholder of the Company's subsidiary, the Group provides a multimedia content distribution system for the rapid-draw lottery game, "Shi Shi Cai", in Chongqing Municipality for the Welfare Lottery Management Center, which is the exclusive welfare lottery operator in the PRC.

Financial Review

The Group continues to be engaged in a single operating segment which is the lottery business. During the six months ended 30 June 2013, total revenue of the Group amounted to HK$31.5 million (six months ended 30 June 2012: HK$19.9 million), an increase of approximately 58% which was comprised of the following:

(1) *Sales and trading of lottery terminals*

Revenues generated from the sales and trading of lottery terminals for the Sports Lottery amounted to HK$28.7 million (six months ended 30 June 2012: HK$16.7 million), representing an increase of approximately 72%. The improvement is in line with the growth in the overall China lottery market.

(2) *Provision of services and solutions for the distribution of lottery products*

Revenues derived from the provision of services and solutions for the distribution of lottery products for the six months ended 30 June 2013 amounted to HK$2.8 million (six months ended 30 June 2012: HK$3.2 million), representing a decrease of approximately 13%. It mainly resulted from the closure of some underperforming retail outlets in the second half of 2012, which formed part of the cost-cutting measures implemented by the Group.

The Group's loss for the six months ended 30 June 2013 amounted to HK$6.7 million (six months ended 30 June 2012: HK$87.4 million), representing a decrease of approximately 92%. It was mainly attributable to the following items:

(i) The overall increase in revenue and gross profit margin, especially for sales and trading of lottery terminals.

(ii) Net foreign exchange gain amounted to HK$3.8 million for the six months ended 30 June 2013 (six months ended 30 June 2012: net foreign exchange loss of HK$5.6 million included in other expenses).

(iii) No impairment losses on property, plant and equipment and trade and other receivable were recorded for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$2.6 million and HK$2.1 million respectively).

(iv) The Group rationalized retail operations in the PRC and imposed tight cost control measures on expenses during the period. Employee benefits costs were reduced to HK$6.7 million for the six months ended 30 June 2013, or a decrease of approximately 25% compared to HK$8.9 million for the corresponding period in 2012.

(v) Finance costs of the Group decreased significantly by approximately 93% from HK$50.1 million for the six months ended 30 June 2012 to HK$3.6 million for the corresponding period in 2013. The decrease was primarily due to the extinguishment of all outstanding convertible bonds issued by the Company in late 2012, which cut off the non-cash, imputed interest arising from convertible bonds.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Liquidity and Financial Resources

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 30 June 2013, the Group's bank balances and cash amounted to HK$26.6 million (31 December 2012: HK$29.1 million) and 87% (31 December 2012: 84%) was denominated in Hong Kong Dollars ("**HK$**"), with the remaining balance in Renminbi ("**RMB**").

Capital Structure

The Group did not have any bank borrowings for the six months ended 30 June 2013 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 Stock Exchange. The principal of the amount due to immediate holding company is HK$240,506,000, denominated in Hong Kong Dollars, unsecured, and interest bearing at 3% per annum. Subject to the overriding right to demand immediate repayment by Melco LV, the amount is repayable on 30 September 2013 upon which the repayment date can be automatically further extended to 30 March 2014 unless Melco LV gives notice objecting to such an extension.

Outlook

According to the data from the Ministry of Finance, lottery sales in China have increased at a Compound Annual Growth Rate (CAGR) of over 30% for the last two decades, which is higher than the CAGR of the Gross Domestic Product (GDP) for the same period in China. Lottery sales, as a source of government revenue, have played an important role in the development of public well-being. In particular, the only two state-run legal lotteries in China, namely Sports Lottery and Welfare Lottery, have provided a major source of funds for the building of public sports facilities and the financing of social welfare programs respectively.

Despite 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 due to the low lottery penetration rate in China and low sales rates compared to other more developed nations in per capita terms. The industry is also impacted by the illegal gambling market which is fragmentary and uncountable; hence leading to the reformation of the lottery sector by authorities to recapture such underground lottery revenues. The promulgation of the "Regulations on the Administration of Lotteries" and the "Implementing Rules for the Regulations on the Administration Lotteries", as well as the introduction of the new rapid-draw lottery games and single match sports betting, the increase of prize payout ratios, and the opening up of online and phone lottery distribution, are all a reflection of the Chinese government's dedication to making the lottery industry more credible, competitive and appealing in order to support its long-term growth.

Online lottery ticket sales appear to be the developing trend of the industry. Nonetheless, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sports jointly announced in early 2012 that some illegal websites selling lottery tickets would be banned. Other means of paperless tickets, such as sales via mobile phone applications, have become the new focus of the industry. 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 to capitalize on this growing market development.

Capital Commitment and Contingent Liabilities

At 30 June 2013 and 31 December 2012, 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.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Except for those disclosed in this announcement, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Charges on Assets

None of the Group's assets were pledged as of 30 June 2013 or 31 December 2012.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2013, all assets and liabilities of the Group were denominated in HK$ and RMB. During the six months ended 30 June 2013, the business activities of the Group were mainly denominated in HK$ and RMB. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

Staff and Remuneration Policy

As at 30 June 2013, the Group had a total of 67 full-time employees (31 December 2012: 79). For the six months ended 30 June 2013, the employee benefits costs amounted to HK$6.7 million (six months ended 30 June 2012: HK$8.9 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.

Changes since 31 December 2012

There were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the annual report for the year ended 31 December 2012.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**20,761**	9,927	**31,488**	19,918
Changes in inventories of finished goods and work-in-progress		**–**	6,177	**–**	7,544
Purchases of inventories and raw materials consumed		**(17,576)**	(18,325)	**(26,788)**	(28,802)
Other income and gains		**4,781**	159	**4,935**	317
Employee benefits costs		**(3,521)**	(4,404)	**(6,694)**	(8,882)
Depreciation		**(360)**	(655)	**(843)**	(1,701)
Impairment losses on:					
– property, plant and equipment		**–**	(2,740)	**–**	(2,740)
– trade and other receivables		**–**	(2,087)	**–**	(2,087)
Share of results of associates		**–**	(715)	**(307)**	(1,447)
Other expenses		**(3,474)**	(12,610)	**(4,834)**	(19,392)
Finance costs	5	**(1,799)**	(25,549)	**(3,578)**	(50,066)
Loss before taxation		**(1,188)**	(50,822)	**(6,621)**	(87,338)
Taxation	6	**(59)**	(37)	**(88)**	(37)
Loss for the period	8	**(1,247)**	(50,859)	**(6,709)**	(87,375)
Other comprehensive (expense) income					
Exchange differences arising on translation		**(2,446)**	6,932	**(3,307)**	8,667
Total comprehensive expense for the period		**(3,693)**	(43,927)	**(10,016)**	(78,708)
(Loss) profit for the period attributable to:					
Owners of the Company		**(1,526)**	(47,071)	**(6,039)**	(82,235)
Non-controlling interests		**279**	(3,788)	**(670)**	(5,140)
		(1,247)	(50,859)	**(6,709)**	(87,375)
Total comprehensive (expense) income attributable to:					
Owners of the Company		**(4,017)**	(39,971)	**(9,405)**	(73,394)
Non-controlling interests		**324**	(3,956)	**(611)**	(5,314)
		(3,693)	(43,927)	**(10,016)**	(78,708)
			(Restated)		(Restated)
Loss per share	9				
– Basic and diluted		**(HK0.07 cents)**	(HK7.14 cents)	**(HK0.26 cents)**	(HK12.48 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	As at 30 June 2013 (Unaudited) HK$'000	As at 31 December 2012 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment	10	**3,600**	5,975
Interests in associates		**–**	307
		3,600	6,282
Current Assets			
Trade and other receivables	11	**75,467**	66,741
Amount due from a related company		**66**	106
Amount due from an associate		**441**	–
Bank balances and cash		**26,618**	29,121
		102,592	95,968
Current Liabilities			
Trade and other payables	12	**61,441**	58,358
Amount due to immediate holding company	13	**244,439**	241,277
Amounts due to related companies		**708**	190
Amount due to a shareholder of a jointly controlled entity		**2,334**	2,334
Amount due to an associate		**–**	190
Tax payable		**20,858**	20,858
		329,780	323,207
Net Current Liabilities		**(227,188)**	(227,239)
		(223,588)	(220,957)
Capital and Reserves			
Share capital	14	**23,360**	22,886
Reserves		**(258,244)**	(255,750)
Deficiency of equity attributable to owners of the Company		**(234,884)**	(232,864)
Non-controlling interests		**11,296**	11,907
		(223,588)	(220,957)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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*
As at 1 January 2012 (audited)	5,030	368,963	30,783	3,543	(4,922)	645,492	6,870	(1,671,164)	(615,405)	24,900	(590,505)
Exchange differences arising on translation	–	–	–	–	–	–	8,841	–	8,841	(174)	8,667
Loss for the period	–	–	–	–	–	–	–	(82,235)	(82,235)	(5,140)	(87,375)
Total comprehensive income(expense) for the period	–	–	–	–	–	–	8,841	(82,235)	(73,394)	(5,314)	(78,708)
Recognition of equity-settled share-based payments	–	–	439	–	–	–	–	–	439	–	439
As at 30 June 2012 (unaudited)	5,030	368,963	31,222	3,543	(4,922)	645,492	15,711	(1,753,399)	(688,360)	19,586	(668,774)
As at 1 January 2013 (audited)	22,886	851,771	30,832	–	(4,922)	–	3,677	(1,137,108)	(232,864)	11,907	(220,957)
Exchange differences arising on translation	–	–	–	–	–	–	(3,366)	–	(3,366)	59	(3,307)
Loss for the period	–	–	–	–	–	–	–	(6,039)	(6,039)	(670)	(6,709)
Total comprehensive expense for the period	–	–	–	–	–	–	(3,366)	(6,039)	(9,405)	(611)	(10,016)
Issue of ordinary shares upon exercise of share options	474	11,935	(5,024)	–	–	–	–	–	7,385	–	7,385
As at 30 June 2013 (unaudited)	23,360	863,706	25,808	–	(4,922)	–	311	(1,143,147)	(234,884)	11,296	(223,588)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended June 30	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(11,914)**	(10,326)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**2,178**	–
Interest received	**9**	17
Investment in an associate	**(190)**	(2,584)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,997**	(2,567)
NET CASH FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	**7,385**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,532)**	(12,893)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**29,121**	26,676
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	**29**	(633)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**26,618**	13,150

NOTES:

(1) BASIS OF PREPARATION

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 34, *Interim Financial Reporting*.

The Group has current liabilities which exceed current assets by approximately HK$227,188,000 as at 30 June 2013. In addition, as disclosed in note 13, the Company entered into a loan agreement with Melco LV with a principal amount of HK$240,506,000 as a shareholder's loan plus accrued interest thereon with a final repayment date of 30 March 2014. The condensed consolidated financial statements have been prepared on a going concern basis because the Directors are of the opinion that Melco LV will not demand immediate repayment of the shareholder's loan before 30 March 2014 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.

(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 financial statements for the year ended 31 December 2012, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. 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 of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the unaudited consolidated financial statements.

(3) REVENUE

An analysis of the Group's revenue for the three months and the six months ended 30 June 2013 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lottery business:				
Manufacturing and sales and trading of lottery terminals	**18,759**	8,756	**28,676**	16,676
Provision of services and solutions for distribution of lottery products	**2,002**	1,171	**2,812**	3,242
	20,761	9,927	**31,488**	19,918

(4) SEGMENT INFORMATION

The Group's revenue and contribution to loss were solely derived from lottery business which comprises manufacturing and sales and trading of lottery terminals and provision of services and solutions for distribution of lottery products. 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 3.

(5) FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Amount due to immediate holding company	**1,799**	–	**3,578**	–
Effective interest expenses on convertibles bonds	**–**	25,349	**–**	49,667
Loan from a related company wholly repayable within five years	**–**	200	**–**	399
	1,799	25,549	**3,578**	50,066

(6) TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Enterprise Income Tax of the PRC – current period	**59**	37	**88**	37
Tax charge	**59**	37	**88**	37

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

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.

(7) DIVIDEND

No interim dividends had been paid or declared by the Company during the six months ended 30 June 2013 (2012: Nil).

(8) LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	**360**	655	**843**	1,701
Allowance for inventories (included in purchases of inventories and raw materials consumed)	**–**	5,262	**–**	5,262
Charity donation	**–**	–	**–**	2,467
Management fee paid to lottery operator (included in other expenses)	**272**	869	**589**	1,493
and after crediting:				
Net foreign exchange gain	**2,858**	–	**3,813**	–
Gain on disposal of property, plant and equipment	**606**	–	**606**	–
Bank interest income	**5**	9	**9**	17

(9) LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2013 is based on the loss attributable to owners of the Company of approximately HK$1,526,000 and HK$6,039,000 (three months and six months ended 30 June 2012: HK$47,071,000 and HK$82,235,000) and on the weighted average number of approximately 2,333,734,399 and 2,321,259,537 (three months and six months ended 30 June 2012: 659,037,572) ordinary shares in issue during the period.

The weighted average numbers of ordinary shares for the purposes of basic and diluted loss per share in 2012 had been adjusted for the bonus element of the open offer as completed and disclosed by the Company on 13 November 2012.

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

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

(10) PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain machinery and equipment with a carrying amount of HK$1.6 million for proceeds of about HK$2.2 million. During the six months ended 30 June 2012, the Group wrote off property, plant and equipment with a carrying amount of HK$2.7 million.

(11) TRADE AND OTHER RECEIVABLES

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:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
Trade receivable:		
Within 30 days	**15,885**	32,706
31-90 days	**5,072**	18,435
91-180 days	**10,727**	11,525
181-365 days	**41,144**	200
Over 365 days	**200**	–
	73,028	62,866
Other receivables	**2,439**	3,875
	75,467	66,741

Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$52,071,000 (31 December 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.

Included in trade receivables were amounts of HK$71,402,000 (31 December 2012: HK$61,537,000) due from an associate of a 37.5% non-controlling shareholder of a group company, which was a subsidiary of the 37.5% non-controlling shareholder in 2012. The amounts are unsecured, interest-free and repayable according to credit terms granted to the associate of the 37.5% non-controlling shareholder of a group company.

(12) TRADE AND OTHER PAYABLES

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

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
Trade payables:		
Within 30 days	**14,486**	28,419
31-90 days	**5,142**	11,084
91-180 days	**10,214**	–
181-365 days	**16,947**	5,302
Over 365 days	**5,302**	–
	52,091	44,805
Other payables	**9,350**	13,553
	61,441	58,358

(13) AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 30 June 2013 and 31 December 2012, the amount due to immediate holding company represented the outstanding principal of HK$240,506,000 payable to Melco LV. The amount is unsecured, interest bearing at 3% per annum, and subject to Melco LV's overriding right to demand immediate repayment, repayable on 30 September 2013 and such repayment date can be automatically further extended to 30 March 2014 unless Melco LV gives a notice objecting such extension.

The amount is denominated in HK$, a currency other than the functional currency of the relevant group entity.

(14) SHARE CAPITAL

During the six months ended 30 June 2013, the Company issued 47,440,013 shares for exercise of share options, which increased the issued capital by HK$474,000. There were no other movements in the issued capital of the Company in either the current or the prior interim reporting periods.

(15) RELATED PARTY TRANSACTIONS

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

Class of related parties	Nature of transactions	Six months ended 30 June	
		2013	2012
		HK$'000	*HK$'000*
Subsidiary of a 37.5% non-controlling shareholder of a group company *(note)*	Sales of lottery terminals	**17,119**	16,358
Associate of a 37.5% non-controlling shareholder of a group company *(note)*	Sales of lottery terminals	**11,557**	–
Subsidiaries of substantial shareholders of the Company	Purchases of inventories	**–**	29,724
	Sales of lottery terminals	**–**	318
	Service fee expense	**–**	115
Non-controlling shareholder of a group company	Sales of property, plant and equipment	**2,178**	–
Associate	Consultancy fee income	**300**	300
Fellow subsidiary	Service fee expense	**40**	–
Immediate holding company	Interest expense	**3,578**	443
A company beneficially owned by substantial shareholders	Interest expense	**–**	399

Note: The subsidiary of the 37.5% non-controlling shareholder of a group company became the associate of the 37.5% non-controlling shareholder during the six months ended 30 June 2013.

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 30 June	
	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**2,600**	3,008
Post-employment benefits	**23**	27
Share-based payments	**–**	208
	2,623	3,243

c. The Group's outstanding balances with related parties are set out in the condensed consolidated statement of financial position and in notes 11 and 13.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2013, none of the Directors or their respective associates had any interest in any business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has complied throughout the six months ended 30 June 2013 with the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

Required Standard of Securities Dealings by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Have made specific enquiry of all Directors, all Directors have complied with the required standard set out in the code of conduct regarding Directors' securities transactions.

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 of the Company presently comprises the three independent non-executive Directors, namely Mr. Tsoi, David (Chairman of the audit committee), Mr. Pang Hing Chung, Alfred and Mr. So Lie Mo, Raymond, and a non-executive Director, namely Mr. Tsui Che Yin, Frank (Chairman of the Board).

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim results for the period, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

CHANGES IN DIRECTORS' INFORMATION

Mr. Tsoi, David, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Universal Technologies Holdings Limited, a company whose shares are listed on the Stock Exchange, with effect from 3 June 2013.

Mr. Wang, John Peter Ben, a non-executive Director of the Company, has resigned as the chairman of the board of directors of Summit Ascent Holdings Limited ("**Summit Ascent**"), a company whose shares are listed on the Stock Exchange. Mr. Wang will remain as an executive director of Summit Ascent and be re-designated as the deputy chairman of the board of directors of Summit Ascent with effect from 10 July 2013.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

BOARD OF DIRECTORS

As announced by the Company with effect from 2 July 2013, Mr. Chan Sek Keung, Ringo has resigned from his position as the Chairman of the Board, a non-executive Director and member of the remuneration committee and:

(i) Mr. Tsui Che Yin, Frank has been appointed as the Chairman of the Board, non-executive Director and member of the audit committee;

(ii) Mr. Tsang Yuen Wai, Samuel has been appointed as an executive Director; and

(iii) Mr. Tam Chi Wai, Dennis has been appointed as an executive Director and member of the remuneration committee.

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Ko Chun Fung, Henry, Mr. Tsang Yuen Wai, Samuel and Mr. Tam Chi Wai, Dennis, two non-executive Directors, namely Mr. Tsui Che Yin, Frank (Chairman) 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.

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

Hong Kong, 8 August 2013

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.