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新濠環彩
MelcoLot

MelcoLot Limited

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 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**"). We are a distributor of high quality, versatile lottery terminals and hardware for the China Sports Lottery Administration Centre, which is the exclusive sports lottery operator in the PRC. The distribution business is our major revenue generator and contributed to approximately 93% of the Group's revenue for the six months ended 30 June 2014 (six months ended 30 June 2013: 91%).

As the license holder for Intralot S.A. Integrated Lottery Systems and Services' world leading lottery technologies, the Group provides game upgrading technology and system maintenance service for the rapid draw game, "Shi Shi Cai" in the Chongqing Municipality. The Group has also developed a wide presence by managing a network of retail outlets in the PRC.

On 29 May 2014, the Company completed an open offer (the "**Open Offer**") on the basis of three offer shares for every ten existing shares at a subscription price of HK$0.90 per offer share to raise net proceeds of approximately HK$635.9 million from qualifying shareholders of the Company. As a result of the Open Offer, a total of 725,224,723 new shares were issued by the Company. Out of the net proceeds, approximately HK$251.6 million has been used to repay the shareholder's loan due to the immediate holding company, and the remaining balance was intended to be applied for development of the Group's existing lottery projects and financing new investment opportunities.

We believe that China is poised to become the world's largest lottery market in the near future and is currently second only to the United States in terms of sales volume. As the popularity of both internet and mobile platforms continue to grow, the paperless approach to the distribution of lottery tickets is undoubtedly an attractive area for expansion. We are closely monitoring the development of this rapidly growing market in the PRC. At the same time, we continue to explore other business opportunities for development that could support our goal of maximizing long-term shareholders' value.

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 2014, total revenue of the Group amounted to HK$22.5 million (six months ended 30 June 2013: HK$31.5 million), a decrease of approximately 28%, which was comprised of the following:

(1) *Sales of lottery terminals and hardware*

Revenues generated from the sales of lottery terminals and hardware for the Sports Lottery amounted to HK$20.9 million (six months ended 30 June 2013: HK$28.7 million), representing a decrease of approximately 27%. The Group adopted a low pricing strategy in order to maintain market share as the demand of terminals and hardware was slower than expected.

(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 2014 amounted to HK$1.7 million (six months ended 30 June 2013: HK$2.8 million), representing a decrease of approximately 41%. The decrease was mainly due to a decline in sales of lottery products which had strong growth in the corresponding period in 2013.

The Group's loss for the six months ended 30 June 2014 amounted to HK$20.8 million (six months ended 30 June 2013: HK$6.7 million). Such increase in loss was mainly attributable to the following items:

(i) the overall decrease in revenue, especially for sales of lottery terminals and hardware;

(ii) net foreign exchange loss amounted to HK$7.0 million for the six months ended 30 June 2014 (six months ended 30 June 2013: gain of HK$3.8 million);

(iii) employee benefits costs were increased to HK$8.7 million for the six months ended 30 June 2014, or an increase of approximately 29% compared to HK$6.7 million for the corresponding period in 2013. The increase was primarily due to the non-cash expenses from the share option scheme granted in July 2013; and

(iv) finance costs of the Group decreased by approximately 14% from HK$3.6 million for the six months ended 30 June 2013 to HK$3.1 million for the corresponding period in 2014. The decrease was primarily due to the Group fully settled the amount due to immediate holding company in June 2014.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014, the Group's short term bank deposit and bank balances and cash amounted to HK$453.8 million (31 December 2013: HK$56.2 million) and 97% (31 December 2013: 87%) was denominated in Hong Kong Dollars ("**HK$**"), with the remaining balance in Renminbi ("**RMB**"). The increase was mainly due to proceeds received from the Open Offer during the period.

Capital Structure

As at 30 June 2014, the net current assets of the Group were HK$421.8 million (31 December 2013: net current liabilities HK$204.5 million). The improvement was due to completion of the Open Offer and repayment of the amount due to immediate holding company during the period. This had the effect of turning around the Company's equity attributable to shareholders of the Company to HK$418.3 million by the six months ended 30 June 2014 (31 December 2013: deficiency of HK$210.7 million).

The Group did not have any bank borrowings for the six months ended 30 June 2014 and generally financed its operations with internal resources.

Outlook

The PRC lottery market has experienced strong growth in recent years as a result of positive macro trends in China. It is expected to continue to grow at a comparable rate in the near future due to the increasingly more transparent regulatory environment for the development of the lottery market and individual disposable income. Our goal is to maintain and enhance our position as a lottery terminal and hardware provider in the PRC and also focus on the development on the paperless tickets, such as sales via mobile phone application. To achieve our goal, we intend to leverage our existing strengths by maintaining cooperation and strategic partnerships with provincial lottery administration centers.

Further efforts are ongoing to enhance the operating structure and strengthen the financial position of the Group. Subsequent to these strategic changes, the Company will be better positioned to exploit opportunities in the dynamic China lottery market, with a particular focus on paperless channels. The Company will seek to leverage its access to advanced lottery industry knowhow and global best practices to capitalize on these opportunities.

Capital Commitment and Contingent Liabilities

As at 30 June 2014 and 31 December 2013, the Group had no significant capital commitments contracted but not provided for in the condensed 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 2014 or 31 December 2013.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2014, all assets and liabilities of the Group were denominated in HK$, RMB and United States dollar. During the six months ended 30 June 2014, the business activities of the Group were mainly denominated in HK$ 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 2014, the Group had a total of 28 full-time employees (31 December 2013: 35). For the six months ended 30 June 2014, the employee benefits costs amounted to HK$8.7 million (six months ended 30 June 2013: HK$6.7 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 2013

Other than the aforementioned, 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 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**11,432**	20,761	**22,542**	31,488
Cost of sales		**(10,030)**	(17,576)	**(19,767)**	(26,788)
Other income and gains		**665**	4,781	**935**	4,935
Employee benefit costs		**(4,585)**	(3,521)	**(8,655)**	(6,694)
Depreciation		**(307)**	(360)	**(592)**	(843)
Share of results of associates		**–**	–	**–**	(307)
Other expenses		**(4,409)**	(3,474)	**(12,079)**	(4,834)
Finance costs	5	**(1,305)**	(1,799)	**(3,084)**	(3,578)
Loss before taxation		**(8,539)**	(1,188)	**(20,700)**	(6,621)
Taxation	6	**–**	(59)	**(121)**	(88)
Loss for the period	8	**(8,539)**	(1,247)	**(20,821)**	(6,709)
Other comprehensive income (expense)					
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising on translation		**2,114**	(2,446)	**6,835**	(3,307)
Total comprehensive expense for the period		**(6,425)**	(3,693)	**(13,986)**	(10,016)
(Loss) profit for the period attributable to:					
Owner of the Company		**(8,466)**	(1,526)	**(20,356)**	(6,039)
Non-controlling interests		**(73)**	279	**(465)**	(670)
		(8,539)	(1,247)	**(20,821)**	(6,709)
Total comprehensive (expense) income attributable to:					
Owner of the Company		**(6,559)**	(4,017)	**(13,649)**	(9,405)
Non-controlling interests		**134**	324	**(337)**	(611)
		(6,425)	(3,693)	**(13,986)**	(10,016)
			(Restated)		(Restated)
Loss per share					
– Basic and diluted (HK cents)	9	**(0.30)**	(0.06)	**(0.76)**	(0.24)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**As at 30 June 2014 (Unaudited) *HK$'000***	As at 31 December 2013 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment	10	**2,463**	3,038
Current Assets			
Trade and other receivables	11	**26,167**	44,167
Amount due from an associate		**686**	645
Bank deposits with original maturity over three months		**199,044**	–
Bank balances and cash		**254,774**	56,199
		480,671	101,011
Current Liabilities			
Trade and other payables	12	**34,408**	26,536
Amount due to immediate holding company	13	**–**	248,492
Amounts due to related companies		**996**	889
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**144**	90
Amount due to non-controlling interests		**–**	6,282
Tax payable		**20,976**	20,858
		58,858	305,481
Net Current Assets (Liabilities)		**421,813**	(204,470)
		424,276	(201,432)
Capital and Reserves			
Share Capital	14	**31,454**	24,081
Reserves		**386,893**	(234,819)
Equity (deficiency of equity) attributable to owners of the Company		**418,347**	(210,738)
Non-controlling interests		**5,929**	9,306
		424,276	(201,432)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Share capital	Share premium	Share-based payment reserve	Other 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*
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)
As at 1 January 2014 (audited)	24,081	906,442	18,557	(4,922)	(2,332)	(1,152,564)	(210,738)	9,306	(201,432)
Exchange differences arising on translation	–	–	–	–	6,707	–	6,707	128	6,835
Loss for the period	–	–	–	–	–	(20,356)	(20,356)	(465)	(20,821)
Total comprehensive income (expense) for the period	–	–	–	–	6,707	(20,356)	(13,649)	(337)	(13,986)
Issue of ordinary shares upon exercise of share options	121	5,627	(2,185)	–	–	–	3,563	–	3,563
Issue of new shares upon open offer	7,252	645,450	–	–	–	–	652,702	–	652,702
Recognition of the share-based payment reserve	–	–	3,224	–	–	–	3,224	–	3,224
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(3,040)	(3,040)
Expenses in relation to new shares issued	–	(16,755)	–	–	–	–	(16,755)	–	(16,755)
As at 30 June 2014 (unaudited)	31,454	1,540,764	19,596	(4,922)	4,375	(1,172,920)	418,347	5,929	424,276

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended June 30	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**17,374**	(11,914)
INVESTING ACTIVITIES		
Placement of bank deposit with original maturity over three months	**(199,044)**	–
Purchase of property, plant and equipment	**(34)**	–
Investment in an associate	**–**	(190)
Interest received	**722**	9
Proceeds from disposal of property, plant and equipment	**–**	2,178
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(198,356)**	1,997
FINANCING ACTIVITIES		
Proceeds from Open Offer	**652,702**	–
Proceeds from exercise of share options	**3,563**	7,385
Repayment to immediate holding company	**(251,576)**	–
Share issue expenses	**(15,157)**	–
Dividend paid	**(9,835)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**379,697**	7,385
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**198,715**	(2,532)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**56,199**	29,121
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(140)**	29
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**254,774**	26,618

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*.

(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 2013, 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 2014. 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 condensed consolidated financial statements.

(3) REVENUE

An analysis of the Group's revenue for the three months and the six months ended 30 June 2014 is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lottery business:				
Sales of lottery terminals and hardware	**10,584**	18,759	**20,891**	28,676
Provision of services and solutions for distribution of lottery products	**848**	2,002	**1,651**	2,812
	11,432	20,761	**22,542**	31,488

(4) SEGMENT INFORMATION

The Group's revenue and contribution to loss were solely derived from lottery business which comprises sales of lottery terminals and hardware 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**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Amount due to immediate holding company	**1,305**	1,799	**3,084**	3,578

(6) TAXATION

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Enterprise Income Tax of the PRC – current period	**–**	59	**121**	88

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 2014 (2013: Nil).

(8) LOSS FOR THE PERIOD

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	**307**	360	**592**	843
Management fee paid to lottery operator	**351**	272	**643**	589
Net foreign exchange loss	**1,860**	–	**6,958**	–
and after crediting:				
Net foreign exchange gain	**–**	2,858	**–**	3,813
Gain on disposal of property, plant and equipment	**–**	606	**–**	606
Bank interest income	**663**	5	**722**	9

(9) LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2014 is based on the loss attributable to owners of the Company of approximately HK$8,466,000 and HK$20,356,000 (three months and six months ended 30 June 2013: HK$1,526,000 and HK$6,039,000) and on the weighted average number of approximately 2,780,782,709 and 2,674,564,534 (three months and six months ended 30 June 2013: 2,483,871,155 and 2,470,748,651) 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 2013 had been adjusted for the bonus element of the Open Offer as completed and disclosed by the Company on 28 May 2014.

The computation of diluted loss per share in 2014 and 2013 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

(10) PROPERTY, PLANT AND EQUIPMENT

During the period, no disposal was made by the Group. During the six months ended 30 June 2013, 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.

(11) TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 to 180 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 2014	As at 31 December 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables:		
Within 30 days	**12,350**	13,566
91-180 days	**10,480**	11,907
181-365 days	**–**	2,273
Over 365 days	**–**	12,692
	22,830	40,438
Other receivables	**3,337**	3,729
	26,167	44,167

Included in the Group's trade receivable balance, nil (31 December 2013: HK$26,872,000) which was 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, nil (31 December 2013: HK$27,409,000) was due from an associate of a 37.5% non-controlling shareholder of a group company. 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 2014	As at 31 December 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within 30 days	**11,073**	–
91-180 days	**11,052**	11,128
181-365 days	**1,003**	–
Over 365 days	**–**	4,507
	23,128	15,635
Other payables and accruals	**11,280**	10,901
	34,408	26,536

(13) AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 31 December 2013, the amount due to immediate holding company represented the outstanding principal of HK$240,506,000 payable to Melco LottVentures Holdings Limited ("**Melco LV**"). The amount was unsecured, interest bearing at 3% per annum, and subject to Melco LV's overriding right to demand immediate repayment, otherwise repayable on 30 March 2015.

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

During the six months ended 30 June 2014, the Company settled the amount due to immediate holding company after receipt of proceeds from the Open Offer.

(14) SHARE CAPITAL

	Authorised	Issued and fully paid	Amount
	(number of shares)		*HK$'000*
Ordinary shares of HK$0.01 each:			
At 1 January 2013 (Audited)	5,500,000,000	2,288,565,269	22,886
Exercise of share options	–	47,440,013	474
30 June 2013 (Unaudited)	5,500,000,000	2,336,005,282	23,360
At 1 January 2014 (Audited)	5,500,000,000	2,408,041,487	24,081
Exercise of share options	–	12,167,542	121
Share issued from the Open Offer	–	725,224,723	7,252
30 June 2014 (Unaudited)	5,500,000,000	3,145,433,752	31,454

During the six months ended 30 June 2014, the Company issued 12,167,542 shares for exercise of share options, which increased the issued capital by approximately HK$121,000.

The Company completed the Open Offer to raise gross proceeds of approximately HK$652.7 million by way of an Open Offer on the basis of three offer shares for every ten existing shares at a subscription price of HK$0.90 per offer share on 29 May 2014. The Company has issued 725,224,723 new shares from the Open Offer. The closing price of the Company's shares was HK$1.18 per share on 11 April 2014, being the date on which the terms of the Open Offer were fixed. The net price per offer share was approximately HK$0.88.

The net proceeds of the Open Offer, after deduction of related expenses, was approximately HK$635.9 million. Out of the net proceeds, approximately HK$251.6 million has been used to repay the shareholder's loan due to immediate holding company, and the remaining balance was intended to be applied for development of the Group's existing lottery projects and financing new investment opportunities.

(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	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	*HK\$'000*
Subsidiary of a 37.5% non-controlling shareholder of a group company *(note 1)*	Sales of lottery terminals *(note 2)*	**–**	17,119
Associate of a 37.5% non-controlling shareholder of a group company *(note 1)*	Sales of lottery terminals *(note 2)*	**574**	11,557
Non-controlling shareholder of a group company	Sales of property, plant and equipment	**–**	2,178
Associate	Consultancy fee income	**–**	300
Non-controlling shareholders of a group company	Expenses recharge income *(note 2)*	**212**	–
Non-controlling shareholders of a group company	Dividend paid	**9,562**	–
Fellow subsidiary	Service fee expense *(note 2)*	**863**	40
Immediate holding company	Interest expense *(note 3)*	**3,084**	3,578

Note 1: 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.

Note 2: For the six months ended 30 June 2014, the above transactions fall under the definition of "continuing connected transaction" under the GEM Listing Rules. As the above transactions are on normal commercial terms and was less than HK$1 million, the above transactions constitutes de minimis continuing connected transaction exempt pursuant to Rule 20.74(1) of the GEM Listing Rules and is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

Note 3: The transaction falls under the definition of "continuing connected transaction" under the GEM Listing Rules. As the above transaction is on normal commercial terms and no security is granted in respect of the financial assistance provided by the Immediate holding company. The transaction constitutes continuing connected transaction exempt pursuant to Rule 20.88 of the GEM Listing Rules and is fully exempt from shareholder's approval, annual review and all disclosure requirements.

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**2,256**	2,600
Post-employment benefits	**8**	23
Share-based payments	**3,062**	–
	5,326	2,623

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 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2014, none of the Directors or their respective associates had any interest in any business, which competes or may compete, either directly or indirectly, 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 2014 with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Tsoi, David (Chairman of the audit committee), Mr. Pang Hing Chung, Alfred and Ms. Chan Po Yi, Patsy and a non-executive Director, namely Mr. Tsui Che Yin, Frank. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014.

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

Hong Kong, 8 August 2014

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

[#] Executive Director

* Non-executive Director

[+] Independent Non-executive Director

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