新濠環彩
MelcoLot

MelcoLot Limited

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

INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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 announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six-month period ended 30 June 2015 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 parts 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 approximately 79% of the Group's revenue for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: 93%).

The Group also provides game upgrading technology and system maintenance service for the rapid draw game, "Shi Shi Cai" in the Chongqing Municipality, and has developed a presence in the PRC by managing a network of retail outlets.

We believe the Chinese lottery market will remain challenging due to continued changing of the regulatory framework by Chinese authorities, but these changes will undoubtedly bring new opportunities for the Group and require us to leverage our competitive strength to capitalize on any opportunities which may arise.

The Group's plan to launch a high end casino project in the Republic of Georgia continued to make headway. Although it has taken longer than originally anticipated to settle the terms of the casino premises lease, that process is now in its final stage. The conclusion of the casino premises lease is one of the conditions precedents to the closing of the deemed disposal of the Group's interest in the special purpose vehicle for this project (as announced by the Company on 20 November 2014) and so the deemed disposal has yet to be completed. Regarding the development of a premium integrated resort near Barcelona, Spain, it is expected that the second phase public tender will commence shortly. Our planning process has been continuing.

These ongoing international projects and existing PRC opportunities leverage on our corporate expertise in the gaming and entertainment industry, and diversify our business to support our goal in 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-month period ended 30 June 2015, total revenue of the Group amounted to HK$24.1 million (six-month period ended 30 June 2014: HK$22.5 million), an increase of approximately 7% which comprised the following:

(1) Sales of lottery terminals and parts

Revenues generated from the sales of lottery terminals and parts for the Sports Lottery amounted to HK$19.1 million (six-month period ended 30 June 2014: HK$20.9 million), representing a decrease of approximately 8%. The Group has been adopting a low pricing strategy in order to maintain market share as the demand of terminals and parts 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-month period ended 30 June 2015 amounted to HK$5.0 million (six-month period ended 30 June 2014: HK$1.7 million), representing an increase of approximately 200%.

The Group's loss for the six-month period ended 30 June 2015 amounted to HK$19.3 million (six-month period ended 30 June 2014: HK$20.8 million). It was mainly attributable to the following reasons:

(i) Slight increase in revenue, specifically for provision of services and solutions for the distribution of lottery products;

(ii) Net foreign exchange loss was minimal for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: loss of HK$7.0 million);

(iii) Finance costs of the Group decreased by 100% from HK$3.1 million for the six-month period ended 30 June 2014 to nil for the corresponding period in 2015. The decrease was due to the Group fully settling the amount due to its immediate holding company in June 2014; and

(iv) Employee benefits costs were increased to HK$18.9 million for the six-month period ended 30 June 2015, compared to HK$8.7 million for the corresponding period in 2014. The increase was primarily due to non-cash expenses arising from share options granted in August 2014.

Dividend

The Directors do not recommend the payment of an interim dividend for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: 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 2015, the Group's short term bank deposit, bank balances and cash amounted to HK$444.2 million (31 December 2014: HK$499.7 million). 79% (31 December 2014: 81%) of this amount was denominated in Hong Kong Dollars ("**HK$**"), with the remaining balance in Renminbi ("**RMB**"), and United States Dollar ("**USD**"). The decrease was mainly due to the purchase of 24-month puttable step-up coupon notes issued by BOCI Financial Products Limited in the principal amount of HK$50.0 million on 25 June 2015.

Capital Structure

As at 30 June 2015, net current assets of the Group were HK$364.4 million (31 December 2014: net current assets of HK$420.1 million). The decrease was due to the purchase of 24-month puttable step-up coupon notes, classified as non-current assets, during the period. The Company's equity attributable to shareholders decreased to HK$415.2 million as at the six-month period ended 30 June 2015 (31 December 2014: HK$421.0 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2015 and generally financed its operations with internal resources.

Outlook

Pursuant to the recent policy changes in the PRC lottery market, a regulatory system is now in place mainly for the authorization and compliance of the methods of distribution of lottery products and payout ratio. The implementation of formal approval and operating requirements should aid the planned development of the industry as a whole, and for online channels in particular. This presents an opportunity to the Group, as the environment is now more supportive of participants determined to comply with government policies and frameworks. The overall China lottery market continues to expand and paperless distribution channels are envisaged to be a key growth engine, given their ability to effectively penetrate wide geographic areas and reach untapped market segments. Our goal is to maintain and enhance our position as a lottery terminal and parts provider in the PRC, and also focus on the development of paperless tickets, such as sales via online and mobile phone applications. To achieve our goal, we intend to leverage our existing strengths, and build on our cooperative and strategic partnerships with provincial lottery administration centers.

Going forward, the Group will continue to focus on participating in the PRC's lottery market by continuously seeking new service contracts with lottery authorities to further expand our geographic coverage and achieve greater network influence, while leveraging the parent company's strengths in the gaming, leisure and entertainment industries to deliver attractive returns to the Company's shareholders in the long run.

Capital Commitment and Contingent Liabilities

As at 30 June 2015 and 31 December 2014, 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 authorized 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 at 30 June 2015 and 31 December 2014.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2015, all assets and liabilities of the Group were denominated in HK$, RMB and USD. During the six-month period ended 30 June 2015, the business activities of the Group were mainly denominated in HK$ 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 2015, the Group had a total of 21 full-time employees (31 December 2014: 23). For the six-month period ended 30 June 2015, the employee benefits costs amounted to HK$18.9 million (six-month period ended 30 June 2014: HK$8.7 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 2014

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 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

		Three-month period ended 30 June		Six-month period ended 30 June	
		2015	2014	**2015**	2014
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**12,535**	11,432	**24,076**	22,542
Purchase of inventories and service costs		**(11,481)**	(10,030)	**(21,927)**	(19,767)
Other income		**861**	665	**1,879**	935
Employee benefits costs		**(9,684)**	(4,585)	**(18,853)**	(8,655)
Depreciation of property, plant and equipment		**(70)**	(307)	**(142)**	(592)
Share of losses of joint ventures		**(3)**	–	**(3)**	–
Other expenses		**(2,377)**	(4,409)	**(4,201)**	(12,079)
Finance costs	*5*	**–**	(1,305)	**–**	(3,084)
Loss before taxation		**(10,219)**	(8,539)	**(19,171)**	(20,700)
Taxation	*6*	**(94)**	–	**(168)**	(121)
Loss for the period	*8*	**(10,313)**	(8,539)	**(19,339)**	(20,821)
Other comprehensive (expense) income					
Item that will not be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency		**(62)**	2,114	**(19)**	6,835
Total comprehensive expense for the period		**(10,375)**	(6,425)	**(19,358)**	(13,986)
Loss for the period attributable to:					
Owner of the Company		**(10,010)**	(8,466)	**(18,826)**	(20,356)
Non-controlling interests		**(303)**	(73)	**(513)**	(465)
		(10,313)	(8,539)	**(19,339)**	(20,821)
Total comprehensive (expense) income attributable to:					
Owner of the Company		**(10,058)**	(6,559)	**(18,833)**	(13,649)
Non-controlling interests		**(317)**	134	**(525)**	(337)
		(10,375)	(6,425)	**(19,358)**	(13,986)
Loss per share					
– Basic and diluted	*9*	**HK(0.32) cents**	HK(0.30) cents	**HK(0.60) cents**	HK(0.76) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment		**487**	578
Interest in joint ventures		**254**	280
Structured notes	10	**50,000**	–
		50,741	858
Current Assets			
Trade and other receivables	11	**25,036**	25,164
Bank deposits with original maturity over three months		**305,506**	200,557
Bank balances and cash		**138,676**	299,190
		469,218	524,911
Current Liabilities			
Trade and other payables	12	**80,034**	79,875
Amounts due to related companies		**1,255**	1,178
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**146**	151
Tax payable		**21,030**	21,240
		104,799	104,778
Net Current Assets		**364,419**	420,133
		415,160	420,991
Capital and Reserves			
Share capital	13	**31,456**	31,455
Reserves		**378,994**	384,435
Equity attributable to owners of the Company		**410,450**	415,890
Non-controlling interests		**4,710**	5,101
		415,160	420,991

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2015

	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payment reserve	Special reserve	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 to presentation currency	–	–	–	–	–	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 equity-settled share-based payments	–	–	3,224	–	–	–	–	3,224	–	3,224
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	(3,040)	(3,040)
Transaction costs attributable to issue of new shares	–	(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
As at 1 January 2015 (audited)	31,455	1,540,437	63,007	–	(4,922)	3,811	(1,217,898)	415,890	5,101	420,991
Exchange differences arising on translation to presentation currency	–	–	–	–	–	(7)	–	(7)	(12)	(19)
Loss for the period	–	–	–	–	–	–	(18,826)	(18,826)	(513)	(19,339)
Total comprehensive expense for the period	–	–	–	–	–	(7)	(18,826)	(18,833)	(525)	(19,358)
Issue of ordinary shares upon exercise of share options	1	44	(15)	–	–	–	–	30	–	30
Recognition of equity-settled share-based payments	–	–	13,497	–	–	–	–	13,497	–	13,497
Transfer among reserves *(Note)*	–	(1,212,603)	–	–	–	–	1,212,603	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(134)	–	–	–	(134)	134	–
As at 30 June 2015 (unaudited)	31,456	327,878	76,489	(134)	(4,922)	3,804	(24,121)	410,450	4,710	415,160

Note:

The reduction of the amount of HK$1,212,603,000 standing to the credit of the share premium account of the Company to eliminate its accumulated losses of the Company of HK$1,212,603,000 as at 31 December 2014 (the "**Accumulated Losses Elimination**") was approved by the Board in March 2015. The Accumulated Losses Elimination complied with the Cayman Islands' Companies Law (Cap. 22) and the Articles of Association of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

	Six-month period ended June 30	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(7,507)**	17,374
INVESTING ACTIVITIES		
Placement of bank deposit with original maturity over three months	**(305,506)**	(199,044)
Purchase of structured notes	**(50,000)**	–
Purchase of property, plant and equipment	**(52)**	(34)
Redemption of bank deposits with original maturity over three months upon maturity	**200,557**	–
Interest received	**1,878**	722
NET CASH USED IN INVESTING ACTIVITIES	**(153,123)**	(198,356)
FINANCING ACTIVITIES		
Advance from related companies	**76**	–
Proceeds from exercise of share options	**30**	3,563
Proceeds from issue of new shares	**–**	652,702
Repayment to immediate holding company	**–**	(251,576)
Transaction costs attributable to issue of new shares	**–**	(15,157)
Dividend paid to non-controlling shareholders	**–**	(9,835)
NET CASH FROM FINANCING ACTIVITIES	**106**	379,697
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(160,524)**	198,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**299,190**	56,199
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**10**	(140)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	**138,676**	254,774

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 2014, 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 2015. 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-month period and the six-month period ended 30 June 2015 is as follows:

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lottery business:				
Trading of lottery terminals and parts	**10,099**	10,584	**19,126**	20,891
Provision of services and solutions for distribution of lottery products	**2,436**	848	**4,950**	1,651
	12,535	11,432	**24,076**	22,542

(4) SEGMENT INFORMATION

The Group's revenue and contribution to loss were solely derived from lottery business which comprises of the provision of services and solutions for distribution of lottery products, and the trading of lottery terminals and parts. 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 products and services is set out in note 3.

(5) FINANCE COSTS

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Amount due to immediate holding company	**–**	1,305	**–**	3,084

(6) TAXATION

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC Enterprise Income Tax				
– Current period	**94**	–	**168**	121

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-month period ended 30 June 2015 (2014: Nil).

(8) LOSS FOR THE PERIOD

	Three-month period ended 30 June		Six-month period ended 30 June	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	**70**	307	**142**	592
Management fee paid to lottery operator (included in other expenses)	**362**	351	**637**	643
Net foreign exchange (gain) loss	**(28)**	1,860	**3**	6,958
Bank interest income	**(860)**	(663)	**(1,878)**	(722)

(9) LOSS PER SHARE

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2015 is based on the loss attributable to owners of the Company of approximately HK$10,010,000 and HK$18,826,000 (three-month period and six-month period ended 30 June 2014: HK$8,466,000 and HK$20,356,000) and on the weighted average number of approximately 3,145,588,239 and 3,145,566,901 (three-month period and six-month period ended 30 June 2014: 2,780,782,709 and 2,674,564,534) ordinary shares in issue during the period.

The computation of diluted loss per share in 2015 and 2014 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

(10) STRUCTURED NOTES

On 25 June 2015, the Company has subscribed, at par, for 24-month puttable step-up coupon notes issued by BOCI Financial Products Limited in principal amount of HK$50,000,000. The notes are interest-bearing at rates ranging from 0.97% – 1.45% payable quarterly in arrears, with maturity date of 30 June 2017. Since returns available on surplus liquidity remain low, subscription of the notes offers better return on cash while keeping increased risks within prudent limits. For further details, please refer to the announcement of the Company dated 25 June 2015.

(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 2015	As at 31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables:		
Within 30 days	**6,287**	12,515
31-90 days	**5,779**	–
	12,066	12,515
Other receivables	**9,681**	9,955
Prepayments and deposits	**3,289**	2,694
	25,036	25,164

(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 2015	As at 31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within 30 days	**11,033**	10,042
Over 365 days	**114**	115
	11,147	10,157
Advance of earnest money from a project partner *(Note)*	**58,350**	58,350
Other payables	**7,889**	9,387
Accruals	**2,648**	1,981
	80,034	79,875

Note: The amount represents the first advance payment received from a project partner, Firich Enterprises Co., Ltd. ("**Firich**") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("**Express Wealth**"), pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014, which was formed for the purpose of obtaining the gaming license and to undertake the proposed casino project situated in a project site wholly-owned by Dhabi Group Georgia, LCC and located in Tbilisi, Georgia. On the date of this announcement, the subscription has not yet completed as the conditions precedent to completion of the subscription have yet to be satisfied.

(13) SHARE CAPITAL

	Authorized	Issued and fully paid	Amount
	(number of shares)		*HK$'000*
Ordinary shares of HK$0.01 each:			
At 1 January 2014 (Audited)	5,500,000,000	2,408,041,487	24,081
Exercise of share options	–	12,167,542	121
Issue of new shares upon open offer	–	725,224,723	7,252
30 June 2014 (Unaudited)	5,500,000,000	3,145,433,752	31,454
At 1 January 2015 (Audited)	–	3,145,545,326	31,455
Exercise of share options	–	111,574	1
30 June 2015 (Unaudited)	5,500,000,000	3,145,656,900	31,456

During the six-month period ended 30 June 2015, the Company issued 111,574 shares for exercise of share options, which increased the issued capital by HK$1,000.

(14) RELATED PARTY TRANSACTIONS

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

Class of related parties	Nature of transactions	Six-month period ended 30 June	
		2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*
Associate of a 37.5% non-controlling shareholder of a group company	Sales of lottery terminals *(Note 1)*	**–**	574
Non-controlling shareholders of a group company	Expenses recharge income *(Note 1)*	**–**	212
Non-controlling shareholders of a group company	Dividend paid	**–**	9,835
Subsidiary of substantial shareholder of the Company	Service fee expense *(Note 2)*	**1,041**	863
Immediate holding company	Interest expense *(Note 3)*	**–**	3,084
Subsidiary of a 49% non-controlling shareholder of a group company	Purchase of lottery terminals and parts *(Note 4)*	**20,918**	–

Note 1: For the six-month period ended 30 June 2014, the transactions fall under the definition of "continuing connected transactions" under the GEM Listing Rules. As the transactions are on normal commercial terms and were less than HK$1 million, the transactions are exempted from shareholders' approval, annual review and all disclosure requirements under Rule 20.74(1) of the GEM Listing Rules.

Note 2: The transactions fall under the definition of "continuing connected transactions" under the GEM Listing Rules. As the transactions are sharing of administrative services, the transactions are exempted from shareholders' approval, annual review and all disclosure requirements under Rule 20.96 of the GEM Listing Rules.

Note 3: For the six-month period ended 30 June 2014, the transactions fall under the definition of "continuing connected transactions" under the GEM Listing Rules. As the transactions are on normal commercial terms and no security is granted in respect of the financial assistance provided by the immediate holding company, the transactions are exempted from shareholders' approval, annual review and all disclosure requirements under Rule 20.88 of the GEM Listing Rules.

Note 4: The purchases of lottery terminals and parts from the subsidiary of a 49% non-controlling shareholder of a group company constitute continuing connected transactions, as defined in Chapter 20 of the GEM Listing Rules. Further details of the transactions were set out in the announcement of the Company dated 22 October 2014.

b. Compensation of key management personnel

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

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**2,360**	2,256
Post-employment benefits	**9**	8
Share-based payments	**11,005**	3,062
	13,374	5,326

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

During the six-month period ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING BUSINESS

During the six-month period ended 30 June 2015, none of the Directors, the controlling shareholder of the Company and their respective close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. The Company has complied with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules during the period from 1 January 2015 to 30 June 2015.

The Company has established an executive committee, an audit committee, a remuneration committee and a nomination committee to ensure maintenance of a high corporate governance standard. Terms of reference of the aforesaid committees have been posted on the Company's website at www.melcolot.com under the "Corporate Governance" section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors (the "**Code**"). Having made specific enquiry of the Directors, except for Mr. Pang Hing Chung, Alfred ("**Mr. Pang**"), all Directors confirmed that they have complied with the required standard of dealings as set out in the Code throughout the six-month period ended 30 June 2015.

On 8 April 2015, 4,000 shares of the Company held by Mr. Pang were sold during the black-out period specified under Rule 5.56(a)(ii) of the GEM Listing Rules (the "**Transaction**"). The non-compliance did not arise from Mr. Pang's own action but arose from a sale initiated by his broker for settlement of the broker's service charge. Upon Mr. Pang becoming aware of the Transaction on 22 June 2015, the Transaction was disclosed to the Stock Exchange and the public on 25 June 2015. At his own initiation, Mr. Pang agreed with the Stock Exchange to put into place necessary measures to ensure similar incident will not happen again in future.

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 interim report of the Company for the six-month period ended 30 June 2015.

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

Hong Kong, 10 August 2015

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.