新濠環彩
MelcoLot

MelcoLot Limited

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 (the "Directors") of MelcoLot Limited (the "Company") 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 the Company. The Directors, 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.

The board of Directors (the "Board") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	3	**57,163**	45,284
Purchases and service costs		**(52,540)**	(39,609)
Other income		**4,932**	6,433
Employee benefits costs		**(32,054)**	(56,729)
Depreciation of property, plant and equipment		**(266)**	(1,176)
Impairment losses on:			
– property, plant and equipment		**–**	(1,348)
– amount due from an associate		**–**	(701)
– trade and other receivables		**–**	(99)
Gain on disposal of a subsidiary	4	**3,731**	–
Share of losses of joint ventures		**(6)**	(3)
Other expenses		**(15,015)**	(15,168)
Finance costs	6	**–**	(3,084)
Loss before taxation		**(34,055)**	(66,200)
Taxation	7	**(449)**	(349)
Loss for the year	8	**(34,504)**	(66,549)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(1,436)**	6,152
Item that may be reclassified subsequently to profit or loss:			
Share of exchange difference of a joint venture		**(29)**	(28)
Total comprehensive expense for the year		**(35,969)**	(60,425)
(Loss) profit for the year attributable to:			
Owners of the Company		**(35,934)**	(65,403)
Non-controlling interests		**1,430**	(1,146)
		(34,504)	(66,549)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(38,121)**	(59,260)
Non-controlling interests		**2,152**	(1,165)
		(35,969)	(60,425)
Loss per share	10		
– Basic		**HK(1.14) cents**	HK(2.25) cents
– Diluted		**HK(1.14) cents**	HK(2.25) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**343**	578
Intangible assets		**–**	–
Interest in an associate		**–**	–
Interests in joint ventures		**245**	280
Structured notes		**50,025**	–
		50,613	858
CURRENT ASSETS			
Trade and other receivables	11	**37,783**	25,164
Bank deposits with original maturity over three months		**322,698**	200,557
Bank balances and cash		**115,689**	299,190
		476,170	524,911
CURRENT LIABILITIES			
Trade and other payables	12	**90,678**	79,875
Amounts due to related companies		**1,310**	1,178
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**2,746**	151
Tax payable		**21,168**	21,240
		118,236	104,778
NET CURRENT ASSETS		**357,934**	420,133
		408,547	420,991
CAPITAL AND RESERVES			
Share capital	13	**31,456**	31,455
Reserves		**368,295**	384,435
Equity attributable to owners of the Company		**399,751**	415,890
Non-controlling interests		**8,796**	5,101
		408,547	420,991

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Share-based payment reserve *HK$'000*	Other reserve *HK$'000* *(Note i)*	Exchange reserve *HK$'000*	Accumu-lated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014	24,081	906,442	18,557	(4,922)	(2,332)	(1,152,564)	(210,738)	9,306	(201,432)
Other comprehensive income (expense) for the year	–	–	–	–	6,143	–	6,143	(19)	6,124
Loss for the year	–	–	–	–	–	(65,403)	(65,403)	(1,146)	(66,549)
Total comprehensive income (expense) for the year	–	–	–	–	6,143	(65,403)	(59,260)	(1,165)	(60,425)
Dividend to non-controlling interests	–	–	–	–	–	–	–	(3,040)	(3,040)
Recognition of equity-settled share-based payments	–	–	46,383	–	–	–	46,383	–	46,383
Transfer of share-based payment reserve upon forfeiture of share options	–	–	(69)	–	–	69	–	–	–
Issue of new shares upon open offer	7,252	645,450	–	–	–	–	652,702	–	652,702
Issue of ordinary shares upon exercise of share options	122	5,321	(1,864)	–	–	–	3,579	–	3,579
Transaction costs attributable to issue of new shares	–	(16,776)	–	–	–	–	(16,776)	–	(16,776)
At 31 December 2014	31,455	1,540,437	63,007	(4,922)	3,811	(1,217,898)	415,890	5,101	420,991
Other comprehensive (expense) income for the year	–	–	–	–	(2,187)	–	(2,187)	722	(1,465)
(Loss) profit for the year	–	–	–	–	–	(35,934)	(35,934)	1,430	(34,504)
Total comprehensive (expense) income for the year	–	–	–	–	(2,187)	(35,934)	(38,121)	2,152	(35,969)
Elimination of accumulated losses with share premium *(Note ii)*	–	(1,212,603)	–	–	–	1,212,603	–	–	–
Recognition of equity-settled share-based payments	–	–	22,439	–	–	–	22,439	–	22,439
Transfer of share-based payment reserve upon cancellation of share options	–	–	(274)	–	–	274	–	–	–
Acquisition of additional interest in subsidiaries *(Note iii)*	–	–	–	(487)	–	–	(487)	487	–
Issue of ordinary shares upon exercise of share options	1	44	(15)	–	–	–	30	–	30
Disposal of a subsidiary	–	–	–	154	1,164	(1,318)	–	1,056	1,056
At 31 December 2015	31,456	327,878	85,157	(5,255)	2,788	(42,273)	399,751	8,796	408,547

Notes:

(i) Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions.

(ii) Pursuant to the Companies Law (Cap. 22) of the Cayman Islands and the Articles of Association of the Company, the Board of Directors of the Company passed a resolution on 19 March 2015 to set off the accumulated losses of the Company amounting to HK$1,212,603,000 as at 31 December 2014 against the amount standing to the credit of the share premium account of the Company.

(iii) In June 2015, the Group completed the acquisition of an additional 20% equity interest in Trade Express Services Inc. ("Trade Express"). Before the acquisition, the Group through Trade Express and another subsidiary indirectly held a 51% equity interest in 北京電信達信息技術有限公司 ("Beijing Telenet"). The Group's shareholding in Trade Express increased from 80% in 2014 to 100% in 2015. The acquisition resulted in an increase in the Group's shareholding in Beijing Telenet from 51% in 2014 to 52.5% in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

The Company's immediate holding company is Melco LottVentures Holdings Limited, a private company incorporated in the British Virgin Islands, and its ultimate holding company is Melco International Development Limited ("Melco"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The directors of the Company are of the opinion that the functional currency of the Company is the Renminbi ("RMB"), after taking into consideration that the primary economic environment in which the Company's subsidiaries operate is the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the lottery business in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

The directors anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets.

HKFRS 15 Revenue from Contracts with Customers

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Trading of lottery terminals and parts	**51,572**	40,814
Provision of services and solutions for distribution of lottery products	**5,591**	4,470
	57,163	45,284

4. DISPOSAL OF A SUBSIDIARY

On 2 December 2015, the Group entered into an agreement to dispose of its 65% equity interest in an indirect non-wholly owned subsidiary, 山東省開創紀元電子商務信息有限公司 ("Shandong KCJY"), which is engaged in value added telecommunication service to Shandong Welfare Lottery Center, at a consideration of RMB1,500,000 resulting in gain of approximately HK$3,731,000. The disposal was completed on 18 December 2015.

5. SEGMENT INFORMATION

The Group's revenue and results were solely derived from its lottery business which comprises the provision of services and solutions for distribution of lottery products and the trading of lottery terminals and parts. The chief operating decision maker, being the Chief Executive Officer, reviews the internally reported consolidated financial information of the Group for the lottery business as a whole 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 for products and services is set out in note 3.

Geographical information

The Group's operations are carried out in the PRC and revenue from external customers based on the location of goods and services delivered is derived in the PRC.

The following is an analysis of the non-current assets, analyzed by the geographical area in which the assets are located:

	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**305**	542
Hong Kong *(Note)*	**50,308**	316
	50,613	858

Note: The Group's non-current assets located in Hong Kong as at 31 December 2015 include the structured notes and certain property, plant and equipment.

Information about major customers

Revenue from a customer individually contributing over 10% of the total sales of the Group is as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**51,572**	40,240

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on amount due to immediate holding company	**–**	3,084

7. TAXATION

	2015	2014
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**627**	349
– Overprovision in respect of prior year	**(178)**	–
	449	349

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

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%.

The taxation for the year can be reconciled to the loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	**(34,055)**	(66,200)
Tax at the domestic income tax rate of 25% *(Note)*	**(8,514)**	(16,550)
Tax effect of income not taxable for tax purposes	**(2,184)**	(1,627)
Overprovision in respect of prior year	**(178)**	–
Tax effect of expenses not deductible for tax purposes	**6,444**	15,532
Tax effect of tax losses not recognized	**4,898**	2,993
Utilization of tax loss previously not recognized	**(19)**	–
Tax effect of share of results of joint ventures and an associate	**2**	1
Taxation for the year	**449**	349

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

8. LOSS FOR THE YEAR

The loss for the year has been arrived at after charging (crediting):

	2015	2014
	HK$'000	*HK$'000*
Directors' emoluments	**21,027**	42,489
Other staff costs:		
Salaries and other benefits	**4,423**	4,424
Bonus	**526**	653
Retirement benefit scheme contributions	**767**	680
Share-based payments	**5,311**	8,483
Total employee benefit costs	**32,054**	56,729
Auditor's remuneration	**1,190**	1,022
Bank interest income	**(3,982)**	(3,579)
Cost of purchases recognized as an expense	**48,272**	38,372
Loss on disposal and write off of property, plant and equipment	**–**	67
Management fee paid to lottery operator (included in other expenses)	**1,323**	1,287
Net foreign exchange (gain) loss	**(910)**	7,038
Operating lease rentals in respect of land and buildings	**1,369**	1,220

9. DIVIDEND

No dividend was declared or proposed for both reporting periods.

10. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(35,934)**	(65,403)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,145,612**	2,911,965

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 diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**26,455**	12,722
Less: allowance for doubtful debts	**–**	(207)
	26,455	12,515
Other receivables	**26,150**	26,384
Less: allowance for doubtful debts	**(15,549)**	(16,429)
	10,601	9,955
Prepayments and deposits	**727**	2,694
	37,783	25,164

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:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**13,514**	12,515
31 – 90 days	**12,941**	–
	26,455	12,515

Before accepting any new customers, the Group reviews the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimize any credit risk associated with these trade debtors.

The Group did not have trade receivable balances 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.

12. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**24,600**	10,157
Advance of earnest money from a project partner *(Note)*	**56,496**	58,350
Other payables	**5,372**	9,387
Accruals	**4,210**	1,981
	90,678	79,875

The average credit period on purchases of goods is 30 days.

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") (the "Subscription") pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014 (the "Subscription Agreement"). Express Wealth was formed for the purpose of obtaining the gaming license and undertaking the proposed casino project situated in a project site wholly owned by Dhabi Group Georgia, LLC located in Tbilisi, Georgia (the "Casino Project").

As announced by the Company on 10 February 2016, the conditions precedent to the completion of this transaction, including those related to the Subscription and the Casino Project, cannot be satisfied and hence the transaction will not proceed further. Pursuant to the Subscription Agreement, the entire balance of the advance of earnest money from the project partner after deduction of the relevant part of the preliminary costs and expenses incurred for the Casino Project, will be returned to the project partner.

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**24,492**	10,042
91 – 180 days	**–**	–
181 – 365 days	**–**	–
Over 365 days	**108**	115
	24,600	10,157

13. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorized:		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2014	2,408,041,487	24,081
Exercise of share options	12,279,116	122
Issue of new shares upon open offer *(Note)*	725,224,723	7,252
At 31 December 2014 and 1 January 2015	3,145,545,326	31,455
Exercise of share options	111,574	1
At 31 December 2015	3,145,656,900	31,456

Note: On 29 May 2014, the Company raised gross proceeds of approximately HK$652,702,000 by issuing 725,224,723 new shares in the Company of HK$0.01 each in an open offer on the basis of three offer shares for every ten then existing shares at a subscription price of HK$0.90 per offer share (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. After deduction of related expenses, out of the net proceeds of HK$635,926,000, approximately HK$251,576,000 has been used to repay the loan from the immediate holding company, and the remaining balance is intended to be applied to the development of the Group's existing lottery projects and financing of new investment opportunities.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board, I hereby present the results of the Group for the year ended 31 December 2015.

In 2015, the Group worked through a challenging year against the backdrop of change in regulatory regime and a soft lottery market. Despite the increasingly competitive market environment, the Group was able to make solid progress on various strategic and operational fronts to embrace the shifting trends which are going to benefit our core lottery operations and open up significant growth potential for the Group.

During the financial year under review, the Group's revenue rose 26.3% to HK$57.2 million (2014: HK$45.3 million). Loss attributable to owners of the Company reduced to approximately HK$35.9 million, representing a decrease of 45.1% compared to last year. Our balance sheet remains strong. At the end of 2015, we had no debt and had cash and bank balances of HK$438.4 million.

We believe the China lottery market will remain challenging due to the evolving regulatory environment but with our competitive strength, this will undoubtedly bring new opportunities for the Group to capitalize on.

In line with the leisure and entertainment corporate philosophy of our parent company, the Group continues pursuing investment opportunities outside of lottery and the PRC market. We are continuing to pursue the opportunity to develop a premium integrated resort next to Barcelona in Spain. The ongoing international and existing PRC business opportunities leverage on our corporate expertise in the gaming and entertainment industry and diversify our business with a view to achieve our goal in maximizing long-term shareholders' value.

IN APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our stakeholders. I would also like to give our genuine thanks to our shareholders for their continued support and confidence. To my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for your hard work and dedicated commitment. To our business partners, we are grateful for your trust and confidence in us and look forward to many more years of support.

Tsui Che Yin, Frank
Chairman and Non-executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the PRC, namely the China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre ("CSLA"). We are a distributor of high quality, versatile lottery terminals and parts for CSLA, which is the exclusive sports lottery operator in the PRC. The Group provides game upgrading technology and system maintenance service for the rapid-draw game, "Shi Shi Cai" in Chongqing Municipality. The Group has also established a wide presence by managing a network of retail outlets in the PRC.

China Lottery Market

According to the figures published by the Ministry of Finance, the China lottery market registered total lottery sales of RMB367.9 billion in 2015, representing a year-on-year decrease of 3.8%. During 2015, the month-on-month growth rate of total lottery sales fell from an average of 34.2% for the first two months to an average of negative 8.9% for the remaining 10 months. The decline in sales is widely believed to be mainly attributable to the severe action taken by the government to prohibit all internet lottery ticket sales activity since March 2015.

It is expected that the regulatory reform will further improve the transparency on the control and management of lottery funds and ensure a healthier and more reliable market in the long run. The Group is expected to benefit from the positive long-term effects of a more robust regulatory regime and will be well positioned in the new environment.

FINANCIAL REVIEW

The Group continues to be engaged in a single operating segment which is the lottery business. During the year, the Group recorded revenue of HK$57.2 million, representing a year-on-year growth of 26.3% (2014: HK$45.3 million) and comprised:

(1) Sales of lottery terminals and parts

Revenues generated from the sales of lottery terminals and parts for the sports lottery increased by 26.5% to HK$51.6 million (2014: HK$40.8 million).

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

Revenue derived from the provision of services and solutions for the distribution of lottery products in 2015 amounted to HK$5.6 million, an increase of 24.4% compared with HK$4.5 million in 2014.

Operating results

A loss attributable to owners of the Company of approximately HK$35.9 million was recorded for the year of 2015, representing a decrease of 45.1% as compared with HK$65.4 million in 2014, which was mainly attributable to the combined effect of:

(i) the decrease in employee benefits costs from HK$56.7 million in 2014 to HK$32.1 million in 2015. The decrease was primarily due to share-based payments of HK$32.1 million recorded in the profit or loss in 2014 in connection with certain 2014 share options that vested in 2014 and no further share-based payments in relation to these share options were recorded in 2015;

(ii) the gain of approximately HK$3.7 million arising from the disposal of Shandong KCJY, an indirect non-wholly owned subsidiary of the Company, in December 2015; and

(iii) the decrease in finance costs from HK$3.1 million in 2014 to nil in 2015 as the Group had fully settled the amount due to its immediate holding company in 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2015, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK$438.4 million (2014: HK$499.7 million), representing a decrease of HK$61.3 million from last year. Of the cash and cash equivalents as at 31 December 2015, 77% (2014: 81%) was denominated in Hong Kong dollars, with the remaining balance in Renminbi and United States dollars.

The decrease in cash and bank balances was mainly due to the cash used in the subscription of 24-month puttable step-up coupon notes (the "Notes") issued by BOCI Financial Products Limited in a principal amount of HK$50 million. Since the returns available on surplus liquidity remain low, pending deployment of funds for any investment project that may arise, the Group believes that subscription of the Notes with part of the Group's available cash balance could offer a better return on cash while keeping increased risks within prudent limits. Further details of the subscription of the Notes were set out in the announcement of the Company dated 25 June 2015.

In respect of share options exercised during 2015, the Company issued 111,574 new shares and the share capital of the Company has increased by HK$1,116 to HK$31.5 million (2014: HK$31.5 million).

The Group had no bank borrowings in 2015 (2014: Nil) and generally financed its operations with internal resources.

As at 31 December 2015, the Group's current assets exceeded its current liabilities by HK$357.9 million (2014: HK$420.1 million). The Group had a capital surplus of HK$408.5 million as at 31 December 2015 (2014: HK$421.0 million).

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was nil as at 31 December 2015 (2014: Nil).

OUTLOOK

The China lottery market witnessed some fundamental changes in 2015. The recent regulatory reform demonstrates the Chinese government's determination to better regulate the lottery industry by eliminating malpractices and improving transparency. The Group believes that by building a more transparent and reliable regulatory environment, the China lottery market will have a more sustainable growth in the long run.

Whilst the Company has announced on 10 February 2016 that it has decided not to proceed further with the casino project in Tbilisi, Georgia, the Group continues to pursue the opportunity to develop a premium integrated resort next to Barcelona in Spain. The Group will also continue to explore other potential investment opportunities where the Group can leverage on its and Melco's strengths in the gaming, leisure and entertainment industries, including integrated resorts, casinos, hotels and lotteries located in emerging or frontier gaming markets.

With a solid financial foundation, a focused line of principal business, together with continuing effort to pursue investment opportunities outside of lottery and the PRC market, the Group remains confident in delivering attractive returns to the Company's shareholders in the long run.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2015 and 2014.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2015, all assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. For the year ended 31 December 2015, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2015, the Group had a total of 15 full-time employees (2014: 23). For the year ended 31 December 2015, the Directors received total emoluments of approximately HK$21.0 million (2014: HK$42.5 million), including non-cash share-based payments to Directors of HK$17.1 million in 2015 (2014: HK$37.9 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and also did not have any significant contingent liabilities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 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.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group'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 Group's annual results for the year ended 31 December 2015 have been reviewed by the audit committee and audited by the independent auditor of the Group, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.melcolot.com and the HKExnews website at www.hkexnews.hk. The 2015 Annual Report will be available on both websites and despatched to shareholders of the Company on or about Thursday, 31 March 2016.

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

Hong Kong, 11 March 2016

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.