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 2016

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 the 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-month period ended 30 June 2016 as follows:

Business Review

The Group is engaged in the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the People's Republic of China (the "**PRC**"), namely 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 distribution business is our major revenue generator and contributed approximately 99% of the Group's revenue for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: 79%).

The Group has been providing game upgrading technology and system maintenance service for the rapid-draw game, "Shi Shi Cai" in Chongqing Municipality, as well as establishing a presence by managing a network of retail outlets in the PRC.

According to the figures published by the Ministry of Finance, China lottery sales achieved a year-on-year growth of 7.8% to RMB34.6 billion in May 2016. It is the third consecutive month in which overall lottery sales recorded growth, turning from the continued decline in sales over the past nine months. Total lottery sales saw slight growth by 0.5% year-on-year with accumulative sales of about RMB160 billion up to May 2016. We believe the China lottery market will continue to be challenging as a result of the constantly changing regulatory environment. We remain prudent but optimistic about the development of the China lottery market.

In addition, in line with the leisure and entertainment corporate philosophy of Melco International Development Limited, the parent company of the Group (the "**Parent Company**"), the Group has been diligently pursuing investment opportunities outside of lottery and the PRC market. We are continuing to pursue the opportunity to develop international projects and PRC business opportunities which will 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.

As disclosed in the announcement of the Company dated 14 June 2016, since the timetable of the tender process for a casino authorization to be awarded by the Catalan Government (under which the owner of such casino authorization has the right to install and operate casino(s) to conduct gaming activities in the recreation and tourism centre development of Vila-Seca and Salou, near Barcelona, Spain) (the "**Project**") remains relatively uncertain in the current political situation in Catalonia, the Company entered into a termination agreement with the Parent Company, pursuant to which the share purchase agreement dated 9 October 2015 in relation to the sale and purchase of shares of Melco Property Development Limited, a wholly-owned subsidiary of the Parent Company, was terminated. The exercise was to unlock the Company's potential to explore new business opportunities elsewhere as opposed to committing on an uncertain project for an indefinite time. That given, if the development plan of the Project becomes more concrete, the Company may reassess the position and revisit the opportunity in future.

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 2016, total revenue of the Group amounted to HK$34.0 million (six-month period ended 30 June 2015: HK$24.1 million), an increase of approximately 41% 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$33.6 million (six-month period ended 30 June 2015: HK$19.1 million), representing an increase of approximately 76%.

(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 2016 amounted to HK$0.4 million (six-month period ended 30 June 2015: HK$5.0 million), representing a decrease of approximately 92%.

Operating Results

The Group's loss for the six-month period ended 30 June 2016 amounted to HK$12.4 million (six-month period ended 30 June 2015: HK$19.3 million), representing a decrease of 36%, which was mainly attributable to the following reasons:

(i) employee benefits costs decreased to HK$9.8 million for the six-month period ended 30 June 2016, compared to HK$18.9 million for the corresponding period in 2015. The decrease was primarily due to share-based payments of HK$8.0 million recorded in the profit or loss in 2015 in connection with certain 2014 share options that vested in 2015 and no further share-based payments in relation to these share options were recorded in 2016;

(ii) the increase in other expenses from HK$4.2 million for the six-month period ended 30 June 2015 to HK$7.3 million for the corresponding period in 2016 was due to the increase in project-related travelling expenses and professional fees; and

(iii) the increase in interest income by HK$0.8 million was mainly due to the improved interest rate for fixed deposit with a longer term of maturity.

Dividend

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: 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 2016, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK$332.2 million (31 December 2015: HK$438.4 million). Of the cash and cash equivalents as at 30 June 2016, 84% (31 December 2015: 77%) of this amount was denominated in Hong Kong Dollars ("**HK$**"), with the remaining balance in Renminbi ("**RMB**"), and United States Dollar ("**USD**"). The decrease in bank balance and cash 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 27 June 2016 and the settlement of advance of earnest money from a project partner.

The Group anticipates that the substantial amount of "bank deposits with original maturity over three months" and "bank balances and cash" shown in the condensed consolidated statement of financial position as at 30 June 2016 (in aggregate amounting to HK$332.2 million) will be deployed in new investment opportunities.

Capital Structure

As at 30 June 2016, net current assets of the Group were HK$352.2 million (31 December 2015: net current assets of HK$357.9 million). The Company's equity attributable to shareholders decreased to HK$402.7 million as at the six-month period ended 30 June 2016 (31 December 2015: HK$408.5 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2016 (31 December 2015: Nil) and generally financed its operations with internal resources.

Outlook

The Group will continue to explore potential investment opportunities where the Group can leverage on its and Parent Company's strengths in gaming, leisure and entertainment industries, including integrated resorts, casinos, hotels and lotteries located in emerging or frontier gaming markets.

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 geographical 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 2016 and 31 December 2015, 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 Group Assets

None of the Group's assets were pledged as at 30 June 2016 and 31 December 2015.

Exposure of Fluctuations in Exchange Rates

As at 30 June 2016, all assets and liabilities of the Group were denominated in HK$, RMB and USD. During the six-month period ended 30 June 2016, the business activities of the Group were mainly denominated in HK$ 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 2016, the Group had a total of 15 full-time employees (31 December 2015: 15). For the six-month period ended 30 June 2016, the employee benefits costs amounted to HK$9.8 million (six-month period ended 30 June 2015: HK$18.9 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training programs.

Changes since 31 December 2015

Other than the aforementioned, there were no other significant changes in the Group's financial position or from the information disclosed under section headed "Management Discussion and Analysis" in the annual report for the year ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

		Three-month period ended 30 June		Six-month period ended 30 June	
		2016	2015	**2016**	2015
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**22,521**	12,535	**34,038**	24,076
Purchases and service costs		**(21,221)**	(11,481)	**(31,839)**	(21,927)
Other income		**1,478**	861	**2,941**	1,879
Employee benefits costs		**(5,120)**	(9,684)	**(9,772)**	(18,853)
Depreciation of property, plant and equipment		**(33)**	(70)	**(65)**	(142)
Share of losses of joint ventures		**(3)**	(3)	**(3)**	(3)
Other expenses		**(4,507)**	(2,377)	**(7,258)**	(4,201)
Loss before taxation		**(6,885)**	(10,219)	**(11,958)**	(19,171)
Taxation	*5*	**(349)**	(94)	**(458)**	(168)
Loss for the period	*7*	**(7,234)**	(10,313)	**(12,416)**	(19,339)
Other comprehensive income (expense)					
Item that will not be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency		**303**	(62)	**1,230**	(19)
Total comprehensive expense for the period		**(6,931)**	(10,375)	**(11,186)**	(19,358)
(Loss) profit for the period attributable to:					
Owners of the Company		**(7,236)**	(10,010)	**(12,204)**	(18,826)
Non-controlling interests		**2**	(303)	**(212)**	(513)
		(7,234)	(10,313)	**(12,416)**	(19,339)
Total comprehensive (expense) income attributable to:					
Owners of the Company		**(6,961)**	(10,058)	**(11,004)**	(18,833)
Non-controlling interests		**30**	(317)	**(182)**	(525)
		(6,931)	(10,375)	**(11,186)**	(19,358)
Loss per share					
– Basic and diluted	*8*	**HK(0.23) cents**	HK(0.32) cents	**HK(0.39) cents**	HK(0.60) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**As at 30 June 2016 (Unaudited) *HK$'000***	As at 31 December 2015 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment		**275**	343
Interest in joint ventures		**246**	245
Structured notes	*9*	**50,000**	50,025
		50,521	50,613
Current Assets			
Trade and other receivables	*10*	**23,214**	37,783
Structured notes	*9*	**50,050**	–
Bank deposits with original maturity over three months		**244,272**	322,698
Bank balances and cash		**87,955**	115,689
		405,491	476,170
Current Liabilities			
Trade and other payables	*11*	**25,489**	90,678
Amounts due to related companies		**1,361**	1,310
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**4,181**	2,746
Tax payable		**19,897**	21,168
		53,262	118,236
Net Current Assets		**352,229**	357,934
		402,750	408,547
Capital and Reserves			
Share capital	*12*	**31,456**	31,456
Reserves		**362,680**	368,295
Equity attributable to owners of the Company		**394,136**	399,751
Non-controlling interests		**8,614**	8,796
		402,750	408,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Share-based payment 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*
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	(5,056)	3,804	(24,121)	410,450	4,710	415,160
As at 1 January 2016 (audited)	31,456	327,878	85,157	(5,255)	2,788	(42,273)	399,751	8,796	408,547
Exchange differences arising on translation to presentation currency	–	–	–	–	1,200	–	1,200	30	1,230
Loss for the period	–	–	–	–	–	(12,204)	(12,204)	(212)	(12,416)
Total comprehensive income (expense) for the period	–	–	–	–	1,200	(12,204)	(11,004)	(182)	(11,186)
Recognition of equity-settled share-based payments	–	–	5,389	–	–	–	5,389	–	5,389
As at 30 June 2016 (unaudited)	31,456	327,878	90,546	(5,255)	3,988	(54,477)	394,136	8,614	402,750

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 2016

	Six-month period ended June 30	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(2,364)**	(7,507)
INVESTING ACTIVITIES		
Placement of bank deposits with original maturity over three months	**(170,794)**	(305,506)
Purchase of structured notes	**(50,000)**	(50,000)
Purchase of property, plant and equipment	**–**	(52)
Redemption of bank deposits with original maturity over three months upon maturity	**249,220**	200,557
Interest received	**2,693**	1,878
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**31,119**	(153,123)
FINANCING ACTIVITIES		
Advance from related companies	**51**	76
Proceeds from exercise of share options	**–**	30
Return of earnest money from a project partner	**(56,496)**	–
NET CASH FROM FINANCING ACTIVITIES	**(56,445)**	106
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,690)**	(160,524)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**115,689**	299,190
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(44)**	10
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	**87,955**	138,676

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 2015, 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 2016. 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 2016 is as follows:

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of lottery terminals and parts	**22,303**	10,099	**33,644**	19,126
Provision of services and solutions for distribution of lottery products	**218**	2,436	**394**	4,950
	22,521	12,535	**34,038**	24,076

(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, 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 of products and services is set out in note 3.

(5) TAXATION

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC Enterprise Income Tax				
– Current period	**349**	94	**458**	168

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.

(6) DIVIDEND

No interim dividends had been paid or declared by the Company during the six-month period ended 30 June 2016 (2015: Nil).

(7) LOSS FOR THE PERIOD

	Three-month period ended 30 June		Six-month period ended 30 June	
	2016	2015	**2016**	2015
	(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	**33**	70	**65**	142
Management fee paid to lottery operator (included in other expenses)	**351**	362	**682**	637
Net foreign exchange loss (gain)	**37**	(28)	**37**	3
Bank interest income	**(1,300)**	(860)	**(2,717)**	(1,878)

(8) LOSS PER SHARE

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2016 is based on the loss attributable to owners of the Company of approximately HK$7,236,000 and HK$12,204,000 (three-month period and six-month period ended 30 June 2015: HK$10,010,000 and HK$18,826,000) and on the weighted average number of approximately 3,145,566,900 and 3,145,566,900 (three-month period and six-month period ended 30 June 2015: 3,145,588,239 and 3,145,566,901) ordinary shares in issue during the period.

The computation of diluted loss per share in 2016 and 2015 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

(9) STRUCTURED NOTES

On 27 June 2016, the Company subscribed, at par, for 24-month quarterly puttable step-up coupon notes issued by BOCI Financial Products Limited (the "**Issuer**") in principal amount of HK$50,000,000 (the "**2016 Notes**"). The 2016 Notes are interest-bearing at progressive rates ranging from 0.87% to 1.73% payable at the end of each quarter ("**Interest Payment Date**"), with maturity date on 29 June 2018. For further details, please refer to the announcement of the Company dated 27 June 2016.

The Company has previously subscribed, at par, for 24-month quarterly puttable step-up coupon notes issued by the Issuer in principal amount of HK$50,000,000 (the "**2015 Notes**") on 25 June 2015. The 2015 Notes are interest-bearing at progressive rates ranging from 0.97% to 1.45% payable at Interest Payment Date, with maturity date on 30 June 2017. For further details, please refer to the announcement of the Company dated 25 June 2015.

The Company has the right to put the 2015 Notes and/or the 2016 Notes, in whole but not in part, to the Issuer at par on each coupon Interest Payment Date from and including the fifth Interest Payment Date to and including the Interest Payment Date immediately preceding the maturity date. If the Company exercises its right to put the 2015 Notes or the 2016 Notes, the Issuer would have a corresponding obligation to redeem such notes in respect of which the right to put has been exercised. As at the date hereof, the management of the Company has no intention to exercise the right to early redeem either the 2015 Notes or the 2016 Notes.

(10) 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 2016	As at 31 December 2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables:		
Within 30 days	**11,113**	13,514
31-90 days	**7,456**	12,941
	18,569	26,455
Other receivables	**4,014**	10,601
Prepayments and deposits	**631**	727
	23,214	37,783

(11) 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 2016	As at 31 December 2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within 30 days	**10,544**	24,492
31-90 days	**6,909**	–
Over 365 days	**–**	108
	17,453	24,600
Advance of earnest money from a project partner *(Note)*	**–**	56,496
Other payables	**5,211**	5,372
Accruals	**2,825**	4,210
	25,489	90,678

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 entered into 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 disclosed in the announcement of the Company dated 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 Firich after deduction of the relevant part of the preliminary costs and expenses incurred for the Casino Project, was returned to Firich during the six-month period ended 30 June 2016.

(12) SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each:		
Authorized:		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2015	3,145,545,326	31,455
Exercise of share options	111,574	1
At 30 June 2015, 1 January 2016 and 30 June 2016	3,145,656,900	31,456

During the six-month period ended 30 June 2016, the Company issued nil shares for exercise of share options (2015: 111,574), which increased the issued capital by nil (2015: HK$1,000).

(13) RELATED PARTY TRANSACTIONS

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

Class of related parties	Nature of transactions	Six-month period ended 30 June	
		2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Fellow subsidiary of the Company	Expenses recharge	**4,440**	1,041
Subsidiary of a 49% non-controlling shareholder of a group company	Purchase of lottery terminals and parts	**31,839**	20,918

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**1,950**	2,360
Post-employment benefits	**9**	9
Share-based payments	**4,031**	11,005
	5,990	13,374

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

During the six-month period ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTEREST

During the six-month period ended 30 June 2016, 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 a high standard 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 2016 to 30 June 2016.

The Board reviews the Company's corporate governance practices from time to time to cope with the evolving needs of the Company. To comply with the amendments of the Corporate Governance Code on "Risk Management and Internal Control", the risk management framework and processes of the Company have been reviewed and enhanced.

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 DEALINGS BY DIRECTORS

The Company has adopted its own code for dealing in the Company's securities by Directors ("**Code of Securities Dealings**") on terms no less exacting than the required standards 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 set out in the Code of Securities Dealings throughout the six-month period ended 30 June 2016.

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 financial information contained in the interim results for the six-month period ended 30 June 2016 has not been audited by the auditor of the Company, but has been reviewed by the audit committee.

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

Hong Kong, 8 August 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.