新濠環彩
MelcoLot

MelcoLot Limited

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

THIRD QUARTER RESULTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors of MelcoLot Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to MelcoLot Limited. The directors of MelcoLot Limited, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of MelcoLot Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the nine-month period ended 30 September 2014 as follows:

Business Review

The Group is principally 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**"), China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre ("**CSLA**"). We are a distributor of high quality lottery terminals and hardware for CSLA. The distribution business is our major revenue generator and contributed to approximately 92% of the Group's revenue for the nine-month period ended 30 September 2014. The Group has established a wide presence in the PRC by managing a network of retail outlets in the country, as well as providing maintenance and upgrade services for the rapid-draw game "Shi Shi Cai" in the Chongqing Municipality.

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

Financial Review

For the nine-month period ended 30 September 2014, total revenue of the Group was HK$34.4 million, representing a decrease of approximately 20% as compared to the same period in 2013. The decrease was mainly due to the decrease in sales of lottery terminals and hardware from HK$38.8 million to HK$31.5 million. The Group adopted a low pricing strategy in order to maintain market share in the face of slow demand. The revenue from the provision of management services for distribution of lottery products decreased by approximately 29%, amounting to HK$2.8 million for the nine-month period ended 30 September 2014.

The Group's loss for the nine-month period ended 30 September 2014 amounted to HK$57.6 million. It was mainly attributable to the substantial increase in employee benefits costs from the non-cash expenses of share options granted in August 2014.

The Group's other expenses increased from HK$6.9 million for the nine-month period ended 30 September 2013 to HK$14.5 million for the corresponding period in 2014. The increase was mainly attributable to an exchange loss of HK$7.1 million resulting from the depreciation of Renmenbi against Hong Kong dollars during 2014.

Finance costs of the Group decreased by approximately 43% to HK$3.1 million for the nine-month period ended 30 September 2014 from HK$5.4 million for the corresponding period in 2013.

Dividend

The Directors do not recommend the payment of interim dividend for the nine-month period ended 30 September 2014 (nine-month period ended 30 September 2013: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine-month period ended 30 September 2014

		Three-month period ended 30 September		Nine-month period ended 30 September	
		2014	2013	**2014**	2013
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**11,849**	11,290	**34,391**	42,778
Cost of sales		**(10,410)**	(9,597)	**(30,177)**	(36,385)
Other income and gains		**2,945**	621	**3,880**	5,556
Employee benefits costs		**(38,656)**	(8,236)	**(47,311)**	(14,930)
Depreciation		**(67)**	(294)	**(659)**	(1,137)
Share of results of associates		**–**	–	**–**	(307)
Other expenses		**(2,417)**	(2,016)	**(14,496)**	(6,850)
Finance costs	4	**–**	(1,819)	**(3,084)**	(5,397)
Loss before taxation		**(36,756)**	(10,051)	**(57,456)**	(16,672)
Taxation	5	**(28)**	–	**(149)**	(88)
Loss for the period		**(36,784)**	(10,051)	**(57,605)**	(16,760)
(Loss) profit for the period attributable to:					
Owners of the Company		**(37,423)**	(9,864)	**(57,779)**	(15,903)
Non-controlling interests		**639**	(187)	**174**	(857)
		(36,784)	(10,051)	**(57,605)**	(16,760)
			(Restated)		(Restated)
Loss per share	7				
Basic and diluted (HK cents)		**(1.19)**	(0.40)	**(2.04)**	(0.64)

NOTES:

(1) BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules. The amounts included in this quarterly interim financial information are computed based on the recognition and measurement requirements in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* ("**HKAS 34**"). However this quarterly interim financial information does not contain sufficient information to constitute an interim financial report as defined in HKAS 34.

(2) SIGNIFICANT ACCOUNTING POLICIES

The quarterly interim financial information has been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in this condensed consolidated financial information and/or disclosures set out in this condensed consolidated financial information.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of those new and revised HKFRSs will have no material impact on the condensed consolidated financial information.

(3) REVENUE

An analysis of the Group's revenue for the three-month and the nine-month period ended 30 September 2014 is as follows:

	Three-month period ended 30 September		**Nine-month period ended 30 September**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lottery business:				
Sales of lottery terminals and hardware	**10,656**	10,083	**31,547**	38,759
Provision of services and solutions for the distribution of lottery products	**1,193**	1,207	**2,844**	4,019
	11,849	11,290	**34,391**	42,778

(4) FINANCE COSTS

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Amount due to immediate holding company	**–**	1,819	**3,084**	5,397

(5) TAXATION

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Enterprise Income Tax of the PRC				
– current period	**28**	–	**149**	88

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the nine-month period ended 30 September 2014 and its corresponding period in 2013.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

(6) DIVIDEND

No interim dividends had been paid or declared by the Company during the nine-month period ended 30 September 2014 (2013: Nil).

(7) LOSS PER SHARE

The calculation of basic loss per share for the three-month and nine-month period ended 30 September 2014 is based on the loss attributable to owners of the Company of approximately HK$37,423,000 and HK$57,779,000 (three-month and nine-month period ended 30 September 2013: HK$9,864,000 and HK$15,903,000) and on the weighted average number of approximately 3,145,443,454 and 2,833,249,005 (three-month and nine-month period ended 30 September 2013: 2,487,517,806 and 2,476,395,615) ordinary shares in issue during the period.

The weighted average numbers of ordinary shares for the purposes of basic and diluted loss per share in 2013 had been adjusted for the bonus element of the open offer as completed and disclosed by the Company on 28 May 2014.

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

(8) SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company								
	Share capital	Share premium	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013 (Audited)	22,886	851,771	30,832	(4,922)	3,677	(1,137,108)	(232,864)	11,907	(220,957)
Exchange differences arising on translation	–	–	–	–	(3,858)	–	(3,858)	(28)	(3,886)
Loss for the period	–	–	–	–	–	(15,903)	(15,903)	(857)	(16,760)
Recognition of equity-settled share-based payments	–	–	5,153	–	–	–	5,153	–	5,153
Issue of ordinary shares upon exercise of share options	791	33,184	(11,527)	–	–	–	22,448	–	22,448
At 30 September 2013 (Unaudited)	23,677	884,955	24,458	(4,922)	(181)	(1,153,011)	(225,024)	11,022	(214,002)
At 1 January 2014 (Audited)	**24,081**	**906,442**	**18,557**	**(4,922)**	**(2,332)**	**(1,152,564)**	**(210,738)**	**9,306**	**(201,432)**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**6,939**	**–**	**6,939**	**128**	**7,067**
(Loss) profit for the period	**–**	**–**	**–**	**–**	**–**	**(57,779)**	**(57,779)**	**174**	**(57,605)**
Recognition of equity-settled share-based payments	**–**	**–**	**39,523**	**–**	**–**	**–**	**39,523**	**–**	**39,523**
Issue of ordinary shares upon exercise of share options	**122**	**5,654**	**(2,195)**	**–**	**–**	**–**	**3,581**	**–**	**3,581**
Issue of new shares upon open offer	**7,252**	**645,450**	**–**	**–**	**–**	**–**	**652,702**	**–**	**652,702**
Expenses in relation to new shares issued	**–**	**(16,777)**	**–**	**–**	**–**	**–**	**(16,777)**	**–**	**(16,777)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,040)**	**(3,040)**
At 30 September 2014 (Unaudited)	**31,455**	**1,540,769**	**55,885**	**(4,922)**	**4,607**	**(1,210,343)**	**417,451**	**6,568**	**424,019**

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

During the nine-month period ended 30 September 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the nine-month period ended 30 September 2014, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

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 Group's third quarter report for the nine-month period ended 30 September 2014.

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

Hong Kong, 6 November 2014

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

\# *Executive Director*
* *Non-executive Director*
\+ *Independent Non-executive Director*

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