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新濠環彩
MelcoLot

MelcoLot Limited

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 (the "Company" and together with its subsidiaries collectively the "Group") 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 of the Company, 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	3	**45,284**	54,561
Purchase of inventories and service costs		**(39,609)**	(46,084)
Other income		**6,433**	15,324
Employee benefits costs		**(56,729)**	(18,873)
Depreciation of property, plant and equipment		**(1,176)**	(1,455)
Impairment losses on:			
– property, plant and equipment		**(1,348)**	–
– amount due from an associate		**(701)**	–
– trade and other receivables		**(99)**	(749)
Share of loss of an associate		**–**	(307)
Share of losses of joint ventures		**(3)**	–
Other expenses		**(15,168)**	(7,894)
Finance costs	5	**(3,084)**	(7,215)
Loss before taxation		**(66,200)**	(12,692)
Taxation	6	**(349)**	(278)
Loss for the year	7	**(66,549)**	(12,970)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation from deregistration of a subsidiary/disposal of subsidiaries/translation to presentation currency		**6,152**	(5,552)
Item that may be reclassified subsequently to profit or loss:			
Share of exchange difference of a joint venture		**(28)**	–
Total comprehensive expense for the year		**(60,425)**	(18,522)
(Loss) profit for the year attributable to:			
Owners of the Company		**(65,403)**	(17,117)
Non-controlling interests		**(1,146)**	4,147
		(66,549)	(12,970)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(59,260)**	(22,755)
Non-controlling interests		**(1,165)**	4,233
		(60,425)	(18,522)
			(Restated)
Loss per share	9		
– Basic		**HK(2.25) cents**	HK(0.69) cents
– Diluted		**HK(2.25) cents**	HK(0.69) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**578**	3,038
Intangible assets		**–**	–
Interest in an associate		**–**	–
Interests in joint ventures		**280**	–
		858	3,038
CURRENT ASSETS			
Trade and other receivables	10	**25,164**	44,167
Amount due from an associate		**–**	645
Bank deposits with original maturity over three months		**200,557**	–
Bank balances and cash		**299,190**	56,199
		524,911	101,011
CURRENT LIABILITIES			
Trade and other payables	11	**79,875**	26,536
Amount due to immediate holding company	12	**–**	248,492
Amounts due to related companies		**1,178**	889
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**151**	90
Amount due to non-controlling interests		**–**	6,282
Tax payable		**21,240**	20,858
		104,778	305,481
NET CURRENT ASSETS (LIABILITIES)		**420,133**	(204,470)
		420,991	(201,432)
CAPITAL AND RESERVES			
Share capital	13	**31,455**	24,081
Reserves		**384,435**	(234,819)
Equity (deficiency of equity) attributable to owners of the Company		**415,890**	(210,738)
Non-controlling interests		**5,101**	9,306
		420,991	(201,432)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Share-based payment reserve**	**Other reserve**	**Exchange reserve**	**Accumu-lated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	22,886	851,771	30,832	(4,922)	3,677	(1,137,108)	(232,864)	11,907	(220,957)
Other comprehensive (expense) income for the year	–	–	–	–	(5,638)	–	(5,638)	86	(5,552)
(Loss) profit for the year	–	–	–	–	–	(17,117)	(17,117)	4,147	(12,970)
Total comprehensive (expense) income for the year	–	–	–	–	(5,638)	(17,117)	(22,755)	4,233	(18,522)
Dividend to non-controlling interests	–	–	–	–	–	–	–	(6,748)	(6,748)
Recognition of equity-settled share-based payments	–	–	6,525	–	–	–	6,525	–	6,525
Transfer of share-based payment reserve upon forfeiture of share options	–	–	(1,290)	–	–	1,290	–	–	–
Issue of ordinary shares upon exercise of share options	1,195	54,671	(17,510)	–	–	–	38,356	–	38,356
Acquisition of a subsidiary	–	–	–	–	–	–	–	10	10
Deregistration of a subsidiary	–	–	–	–	(371)	371	–	(96)	(96)
At 31 December 2013	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 (expense) income 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**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange since 17 May 2002.

Its immediate holding company is Melco LottVentures Holdings Limited ("Melco LV"), a private company incorporated in the British Virgin Islands ("BVI"), 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 are of the opinion that the functional currency of the Company is 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 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 for the first time in the current year the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

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[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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, amendments and interpretation 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:

	2014	2013
	HK$'000	*HK$'000*
Trading of lottery terminals and parts	**40,814**	49,395
Provision of services and solutions for distribution of lottery products	**4,470**	5,166
	45,284	54,561

4. SEGMENT INFORMATION

The Group's revenue and results 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 from 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, analysed by the geographical area in which the assets are located:

	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**542**	3,004
Hong Kong	**316**	34
	858	3,038

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the total sales of the Group are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**N/A**	39,331
Customer B	**40,240**	10,064

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group for current year.

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on amount due to immediate holding company	**3,084**	7,215

6. TAXATION

	2014	2013
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**349**	248
– Underprovision in respect of prior year	**–**	30
	349	278

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 those 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 per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation	**(66,200)**	(12,692)
Tax at the domestic income tax rate of 25% *(Note)*	**(16,550)**	(3,173)
Tax effect of income not taxable for tax purposes	**(1,627)**	(3,782)
Underprovision in respect of prior year	**–**	30
Tax effect of expenses not deductible for tax purposes	**15,532**	3,117
Tax effect of tax losses not recognised	**2,993**	4,325
Utilisation of tax losses previously not recognised	**–**	(316)
Tax effect of share of results of joint ventures and associate	**1**	77
Taxation for the year	**349**	278

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

7. LOSS FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Directors' emoluments	**42,489**	8,479
Other staff costs:		
Salaries and other benefits	**4,424**	7,067
Bonus	**653**	470
Retirement benefit scheme contributions	**680**	1,290
Share-based payments	**8,483**	1,567
Total employee benefit expenses	**56,729**	18,873
Auditor's remuneration	**1,022**	1,154
Bank interest income	**(3,579)**	(62)
Loss (gain) on disposal and write off of property, plant and equipment	**67**	(560)
Loss on deregistration of subsidiary	**–**	257
Management fee paid to lottery operator (included in other expenses)	**1,287**	1,345
Net foreign exchange loss (gain)	**7,038**	(6,261)
Operating lease rentals in respect of land and buildings	**1,220**	2,255
Reversal of impairment on interest in an associate	**–**	(205)

8. DIVIDEND

No dividend was declared or proposed for both reporting periods.

9. 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:

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(65,403)**	(17,117)

	2014	2013
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,911,965**	2,493,540

Upon completion of the Open Offer of the Company on 29 May 2014 (as defined in note 13), the exercise price per share and number of shares which may be issued in respect of the share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012. The loss per share and the weighted average number of ordinary shares for 2013 have been restated as the number of potential ordinary shares outstanding increased as a result of the Open Offer.

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 diluted loss per share.

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**12,722**	42,172
Less: allowance for doubtful debts	**(207)**	(1,734)
	12,515	40,438
Other receivables	**26,384**	20,571
Less: allowance for doubtful debts	**(16,429)**	(18,089)
	9,955	2,482
Prepayments and deposits	**2,694**	1,247
	25,164	44,167

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:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**12,515**	13,566
91 - 180 days	**–**	11,907
181 - 365 days	**–**	2,273
Over 365 days	**–**	12,692
	12,515	40,438

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 minimise any credit risk associated with these trade debtors.

The Group did not have trade receivable balance (2013: HK$14,965,000) 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. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**10,157**	15,635
Advance of earnest money from a project partner	**58,350**	–
Other payables	**9,387**	9,294
Accruals	**1,981**	1,607
	79,875	26,536

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

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**10,042**	–
91 - 180 days	**–**	11,128
Over 365 days	**115**	4,507
	10,157	15,635

12. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

As at 31 December 2013, the amount was unsecured, interest bearing at 3% per annum and repayable on 30 March 2015. The amount was fully repaid in 2014 by using part of the proceeds from the Open Offer.

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

13. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2013	2,288,565,269	22,886
Exercise of share options	119,476,218	1,195
At 31 December 2013 and 1 January 2014	**2,408,041,487**	**24,081**
Exercise of share options	**12,279,116**	**122**
Issue of new shares upon Open Offer	**725,224,723**	**7,252**
At 31 December 2014	**3,145,545,326**	**31,455**

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 ("Open Offer"). 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 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 of directors (the "Board") of the Company, I hereby present the results of the Group for the year ended 31 December 2014.

During the year, the Company successfully completed an Open Offer on the basis of three offer shares for every ten existing shares that provided equitable means for all shareholders to participate in the future development of the Group. A total of HK$652.7 million had been raised, before expenses. Part of the funds raised was applied towards repaying a loan due to the immediate holding company, amounting to HK$251.6 million with the remaining proceeds reserved for supporting continuing development of the Group's lottery projects as well as pursuing new business opportunities. As a result of the repayment, finance costs for the year under review had significantly reduced.

The Group is a supplier of high quality lottery terminals and parts to the China Sports Lottery Association ("CSLA"). During the year, the terminal upgrade and replacement cycle of the sports lottery under CSLA had been slower than expected. As a result, the Group was compelled to adopt a low margin strategy to maintain market share thus impacting profitability.

Lottery sales nationwide achieved another record year in 2014 with total lottery sales exceeding RMB382.4 billion. This growth trend is expected to continue over the next few years. With the Chinese government continuing to consolidate and improve regulation of the lottery markets, the Group will leverage on its established reputation as a high end lottery terminals and services provider to focus on areas where it excels.

The Group embraces a broad leisure and entertainment corporate philosophy, in line with the parent company, and is actively pursuing a few investment opportunities outside of the Greater China Region. The Group is at an advanced stage of establishing a high end casino project in Tbilisi, the capital city of The Republic of Georgia which is strategically located at the Black Sea area. At the same time, it is also making progress in the strategic move of conceiving, planning and developing a premium integrated resort in Spain adjacent to Barcelona City.

As a subsidiary of Melco, a company listed on the main board of the Hong Kong Stock Exchange, the Group will continue to leverage on Melco's expertise and extensive networks in the gaming and entertainment field to substantiate its development strategy for its existing and future gaming businesses.

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 for two state-run lottery operators in the PRC, namely the China Welfare Lottery and the China Sports Lottery. We are a distributor of high quality, versatile lottery terminals and parts for the 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 the Chongqing Municipality. The Group has also developed a wide presence by managing a network of retail outlets in the PRC.

FINANCIAL REVIEW

The Group continues to be engaged in a single operating segment which is the lottery business. During the year, total revenue of the Group decreased by 17.0% to HK$45.3 million (2013: HK$54.6 million) and comprised of:

(1) Sales of lottery terminals and parts

Revenues generated from the sales of lottery terminals and parts for the Sports Lottery amounted to HK$40.8 million for the year 2014, representing a decrease of 17.4% (2013: HK$49.4 million). The Group had adopted a low margin strategy in order to maintain market share.

(2) Provision of management services for the distribution of lottery products

Revenue derived from the provision of management services for the distribution of lottery products in 2014 amounted to HK$4.5 million, decreasing by 13.5% compared with HK$5.2 million in 2013.

Operating results

The Group recorded a loss of HK$66.5 million for the year ended 31 December 2014 against a loss of HK$13.0 million for the year 2013, which was mainly attributable to the combined effect of:

(i) the increase in employee benefits costs from HK$18.9 million in 2013 to HK$56.7 million in 2014. The increase was primarily due to the non-cash share-based payments of HK$46.4 million in 2014 (2013: HK$6.5 million);

(ii) the increase in other expenses from HK$7.9 million in 2013 to HK$15.2 million in 2014 mainly attributable to the Group incurring a net foreign exchange loss of HK$7.0 million (2013: exchange gain of HK$6.3 million) resulting from the depreciation of Renminbi against Hong Kong dollars during 2014; and

(iii) the decrease in revenue of the Group for the year ended 31 December 2014 by HK$9.3 million and decrease in gross margin of the Group from 15.5% in 2013 to 12.5% in 2014.

The Group has fully repaid the amount due to immediate holding company during 2014, which led to the decrease of finance costs from HK$7.2 million in 2013 to HK$3.1 million in 2014.

Surplus funds were placed in interest-bearing deposits with banks, which led to the increase in bank interest income from HK$0.1 million in 2013 to HK$3.6 million in 2014.

Excluding the aforementioned non-cash share-based payments and net foreign exchange difference, the Group would have recorded a loss comparable and in line with the operating results from 2013.

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 2014, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK$499.7 million (2013: HK$56.2 million), representing an increase of HK$443.5 million from last year. Of the cash and cash equivalents at 31 December 2014, 81% (2013: 87%) was denominated in Hong Kong dollar, with the remaining balance in Renminbi and United States dollar ("USD"). The increase in net cash generated from financing activities of HK$436.7 million in 2014 was mainly attributable to proceeds from the Open Offer. In respect of the Open Offer and share options exercised during 2014, the Company issued 725,224,723 and 12,279,116 new shares, respectively, and the share capital of the Company increased to HK$31.5 million (2013: HK$24.1 million).

The Group did not have any bank borrowings in 2014 (2013: Nil) and generally financed its operations with internal resources.

The Group has current assets which exceed current liabilities by HK$420.1 million as at 31 December 2014 (2013: current liabilities exceed current assets by HK$204.5 million). The year-on-year improvement was mainly due to receipt of proceeds from the Open Offer. During the year, the Company issued 725,224,723 shares at a price of HK$0.90 per share and raised HK$652.7 million for the repayment of the loan due to immediate holding company with a carrying amount of HK$251.6 million. The remaining proceeds will be reserved for the development of existing lottery projects as well as new investment opportunities. These transactions had the effect of turning our capital deficiency of HK$201.4 million as at 31 December 2013 into a capital surplus of HK$421.0 million as at 31 December 2014.

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was nil as at 31 December 2014 (31 December 2013: approximately 118%).

OUTLOOK

The lottery business has expanded greatly in China over the past 20 years. The proceeds from lottery products have come to constitute a significant part of the government's financial income. According to the data from the Ministry of Finance, lottery sales in China amounted to RMB382.4 billion for the year 2014, representing an increase of 23.6%. We believe the China lottery market will continue to grow very quickly. This situation is backed by rising disposable incomes in China, together with a low lottery penetration rate and low sales rates compared to other more developed nations in per capita terms. As the market is increasingly regulated by the government, the Group will focus on actively pursuing selected lottery projects in China.

Upon completion of the Open Offer in 2014, the Group has strengthened its capital base and provided sufficient surplus capital to support future business growth and any potential asset acquisitions or growth opportunities within or beyond the Company's existing principal business. The Group intends to examine potential investments where the Group can leverage 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 destinations.

The Group is engaged in discussions to launch a high end casino project in the Republic of Georgia. The casino will be strategically located in Tbilisi, the capital city, to attract visitors from the Black Sea area. Concurrently, the Group is making progress in the strategic move of conceiving, planning, and developing a premium integrated resort near Barcelona in Spain. The Group has been actively exploring these investment opportunities that are aimed at enhancing shareholders' returns and are within the core expertise of the Directors. We believe that it is in the interests of the Group and its shareholders to diversify the business and to actively pursue new business opportunities to regain the Group's growth momentum.

With a solid financial foundation, a focused line of principal business, together with planned new investment, the Group remains confident in delivering attractive returns to the Company's shareholders in the long run.

CHARGE ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2014 and 2013.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2014, all assets and liabilities of the Group were denominated in Hong Kong dollar, Renminbi and USD. For the year ended 31 December 2014, the business activities of the Group were mainly denominated in Hong Kong dollar 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 2014, the Group had a total of 23 full-time employees (2013: 35). For the year ended 31 December 2014, the Directors received emoluments of approximately HK$42.5 million (2013: HK$8.5 million), which, including non-cash share-based payments to Directors, amounted to HK$37.9 million in 2014 (2013: HK$5.0 million), and other staff costs of the Group were approximately HK$14.2 million (2013: HK$10.4 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.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, 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 a high standard of corporate governance and has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules. The Board is conscientious of the need for accountability, transparency, fairness and integrity of the operations of the Company for the benefit of its shareholders and the investing public.

During the year of 2014, the Company has complied with all the code provisions of the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2014.

AUDIT COMMITTEE

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

The Group's final results for the year ended 31 December 2014 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 2014 as set out in this 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 this 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 FINAL 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 2014 Annual Report will be available on both websites and despatched to shareholders of the Company on or about Tuesday, 31 March 2015.

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

Hong Kong, 19 March 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.