MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 (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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	3	**60,281**	57,163
Purchases and service costs		**(56,336)**	(52,540)
Other income and gains		**5,791**	4,932
Employee benefits costs		**(15,237)**	(32,054)
Depreciation of property, plant and equipment		**(116)**	(266)
Gain on disposal of a subsidiary		**–**	3,731
Share of losses of joint ventures		**(6)**	(6)
Other expenses		**(13,817)**	(15,015)
Loss before taxation		**(19,440)**	(34,055)
Taxation	5	**16,528**	(449)
Loss for the year	6	**(2,912)**	(34,504)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**93**	(1,436)
Item that may be reclassified to profit or loss:			
Share of exchange difference of a joint venture		**(9)**	(29)
		84	(1,465)
Total comprehensive expense for the year		**(2,828)**	(35,969)
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,303)**	(35,934)
Non-controlling interests		**(609)**	1,430
		(2,912)	(34,504)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,932)**	(38,121)
Non-controlling interests		**(896)**	2,152
		(2,828)	(35,969)
Loss per share	8		
– Basic		**HK(0.07) cents**	HK(1.14) cents
– Diluted		**HK(0.07) cents**	HK(1.14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**229**	343
Interest in an associate		**–**	–
Interests in joint ventures		**230**	245
Structured notes		**50,045**	50,025
		50,504	50,613
CURRENT ASSETS			
Trade and other receivables	9	**6,233**	37,783
Structured notes		**50,065**	–
Bank deposits with original maturity over three months		**245,664**	322,698
Bank balances and cash		**87,483**	115,689
		389,445	476,170
CURRENT LIABILITIES			
Trade and other payables	10	**18,234**	90,678
Amounts due to related companies		**1,372**	1,310
Amount due to a shareholder of a joint venture		**2,334**	2,334
Amount due to a fellow subsidiary		**2,051**	2,746
Tax payable		**3,409**	21,168
		27,400	118,236
NET CURRENT ASSETS		**362,045**	357,934
		412,549	408,547
CAPITAL AND RESERVES			
Share capital	11	**31,456**	31,456
Reserves		**373,193**	368,295
Equity attributable to owners of the Company		**404,649**	399,751
Non-controlling interests		**7,900**	8,796
		412,549	408,547

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	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
Other comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**371**	**–**	**371**	**(287)**	**84**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,303)**	**(2,303)**	**(609)**	**(2,912)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**371**	**(2,303)**	**(1,932)**	**(896)**	**(2,828)**
Recognition of equity-settled share-based payments	**–**	**–**	**6,830**	**–**	**–**	**–**	**6,830**	**–**	**6,830**
At 31 December 2016	**31,456**	**327,878**	**91,987**	**(5,255)**	**3,159**	**(44,576)**	**404,649**	**7,900**	**412,549**

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 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 北京環彩信息技術有限公司 (formerly known as 北京電信達信息技術有限公司) ("Beijing Huancai"). 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 Huancai from 51% in 2014 to 52.5% in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares have been listed on GEM of 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 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 the lottery business in the PRC.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

The Directors anticipate that based on the Group's financial instruments and risk management policies as at 31 December 2016, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost.

HKFRS 15 Revenue from Contracts with Customers

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

The Directors anticipate that the application of HKFRS 16 in the future may have a material impact on the measurement, presentation 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 16 until the Group performs a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The Directors anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of the other new and amendments to HKFRSs in issue 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:

	2016	2015
	HK$'000	*HK$'000*
Trading of lottery terminals and parts	**59,401**	51,572
Provision of services and solutions for distribution of lottery products	**880**	5,591
	60,281	57,163

4. 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 and for purposes of resources 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 derived from the provision of 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:

	2016	2015
	HK$'000	*HK$'000*
Non-current assets, excluding financial assets		
The PRC	**149**	305
Hong Kong	**310**	283
	459	588

Information about major customers

Revenue from individual customers contributing over 10% of the total sales of the Group is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**11,341**	51,572
Customer B[1]	**48,060**	–

[1] Revenue from trading of lottery terminals and parts

5. TAXATION

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**737**	627
– Overprovision in respect of prior year	**(74)**	(178)
– Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior years	**(17,191)**	–
	(16,528)	449

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% for both years.

The Group disposed certain subsidiaries established in the PRC, including Oasis Rich International Ltd ("Oasis Rich"), of which 60% equity interest was transferred to Global Crossing Holdings Limited at the consideration of HK$175.2 million, for the purpose of redeeming the convertible bonds in 2012. A capital gains tax provision of HK$20,858,000 was made based on 10% of the difference between the disposal consideration and the Group's share of the respective registered capital. During the year ended 31 December 2016, the relevant tax authority in the PRC has agreed that the disposal of Oasis Rich is not subject to capital gains tax since there was no gain resulted from such disposal transaction and the transaction is not regarded as an abusive use of offshore structure for the purpose of avoiding the EIT Law. The related capital gains tax provision of HK$17,191,000 has been reversed in the current year accordingly.

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:

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation	**(19,440)**	(34,055)
Tax at the domestic income tax rate of 25% *(Note)*	**(4,860)**	(8,514)
Tax effect of income not taxable for tax purposes	**(1,438)**	(2,184)
Overprovision in respect of prior year	**(74)**	(178)
Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior years	**(17,191)**	–
Tax effect of expenses not deductible for tax purposes	**2,438**	6,444
Tax effect of tax losses not recognized	**4,655**	4,898
Utilization of tax loss previously not recognized	**(60)**	(19)
Tax effect of share of results of a joint venture	**2**	2
Taxation for the year	**(16,528)**	449

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

6. LOSS FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Directors' emoluments	**8,446**	21,027
Other staff costs:		
Salaries and other benefits	**4,057**	4,423
Bonus	**163**	526
Retirement benefit scheme contributions	**698**	767
Share-based payments	**1,873**	5,311
Total employee benefit costs	**15,237**	32,054
Auditor's remuneration	**1,111**	1,190
Bank interest income	**(5,444)**	(3,982)
Cost of purchases recognized as an expense	**56,336**	48,272
Gain on disposal of property, plant and equipment	**(17)**	–
Management fee paid to lottery operator (included in other expenses)	**1,355**	1,323
Net foreign exchange gain	**(162)**	(910)
Operating lease rentals in respect of land and buildings	**1,179**	1,369

7. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

8. 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:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(2,303)**	(35,934)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,145,657**	3,145,612

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 the diluted loss per share.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**890**	26,455
Less: allowance for doubtful debts	**–**	–
	890	26,455
Other receivables	**19,266**	26,150
Less: allowance for doubtful debts	**(14,651)**	(15,549)
	4,615	10,601
Prepayments and deposits	**728**	727
	6,233	37,783

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:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**330**	13,514
31 – 90 days	**560**	12,941
	890	26,455

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.

All of the trade receivables that are neither past due nor impaired have the good credit quality assessed by the Group.

10. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**9,787**	24,600
Advance of earnest money from a project partner *(Note)*	**–**	56,496
Other payables	**5,038**	5,372
Accruals	**3,409**	4,210
	18,234	90,678

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

Note: As of 31 December 2015, there was earnest money of approximately HK$56,496,000 advanced from an investment project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("Express Wealth"), a subsidiary of the Company (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 " Georgia Casino Project").

Since the conditions precedent to the completion of the Subscription Agreement, including those related to the Subscription and the Georgia Casino Project, were not fulfilled during the current period, the transaction did 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 Georgia Casino Project in previous years, was returned to Firich during the year.

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**360**	24,492
91 – 180 days	**6,261**	–
181 – 365 days	**3,166**	–
Over 365 days	**–**	108
	9,787	24,600

11. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 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 31 December 2015, 1 January 2016 and 31 December 2016	3,145,656,900	31,456

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 2016.

In 2016, the Group went through a challenging year against the backdrop of a reform of the regulatory regime and a soft lottery market in China. Despite an increasingly competitive market environment, the Group was able to make solid progress on various strategic and operational fronts in line with shifting market trends. These efforts should 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 5.4% to HK$60.3 million (2015: HK$57.2 million). Loss attributable to owners of the Company reduced to approximately HK$2.3 million (2015: HK$35.9 million), representing a decrease of 93.6% as compared to last year. Our balance sheet remains strong. As at the end of 2016, the Group had no debt and had cash and bank balances of HK$333.1 million.

We believe that the China lottery market will continue to be challenging due to the evolving regulatory environment but remain confident that regulatory reform will further improve the industry regulatory framework, thus leading to a healthier and sustainable market in the long run. This will undoubtedly bring new opportunities for the Group.

In line with the leisure and entertainment corporate philosophy of our parent company, the Group will continue to pursue investment opportunities beyond our existing business and jurisdictions with a view to maximizing long-term shareholders' value.

IN APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our stakeholders. I would also like to give my genuine thanks to our shareholders for their continuing support and confidence. To my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for their hard work and dedicated commitments. To our business partners, we are grateful for their 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 distribution business is our major revenue generator and contributed approximately 99% of the Group's revenue (2015: 90%).

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

China Lottery Market

According to information published by the Ministry of Finance, the China lottery market continued to show steady growth. Total lottery sales achieved a year-on-year growth of 7.3% to RMB394.6 billion in 2016.

Since March 2015 when the government took action to strictly prohibit all internet lottery ticket sales activities, the China lottery market had been full of challenges. While changing regulatory environment will unavoidably bring short-term uncertainties to the industry, we believe that proper regulatory reform will further improve the industry regulatory framework, thus leading to a healthier and sustainable market in the long run.

While new channels and games continue to offer development potential, as an integrated lottery service and technology provider, the Group is well positioned to benefit from the evolution of the PRC lottery policy. We will monitor market developments closely and capture opportunities as they arise.

At the same time, the Group continues to pursue new business opportunities in the gaming and entertainment industry in other jurisdictions for leveraging our core expertise and corporate resources to achieve our goal of maximizing long-term shareholders' value.

FINANCIAL REVIEW

The Group continues to be engaged in a single operating segment which is the lottery business. During the year, the Group recorded revenue of HK$60.3 million, representing a year-on-year growth of 5.4% (2015: 57.2 million) and comprising:

(1) Sales of lottery terminals and parts

Revenue generated from sales of lottery terminals and parts for the sports lottery increased by 15.1% to HK$59.4 million (2015: 51.6 million).

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

Revenue derived from provision of services and solutions for distribution of lottery products in 2016 amounted to HK$0.9 million, decreased by 83.9% compared to HK$5.6 million in 2015.

Operating results

The Group recorded a loss of HK$2.9 million for the year of 2016, representing a decrease of 91.6% compared to HK$34.5 million in 2015, which was mainly attributable to the combined effect of:

(i) the decrease in employee benefits costs from HK$32.1 million in 2015 to HK$15.2 million in 2016. The decrease was primarily due to the share-based payments of HK$13.0 million recorded in 2015 in connection with certain 2014 share options were being vested in 2015 but no further share-based payments in relation to these share options were recorded in 2016; and

(ii) reversal of capital gains tax of HK$17.2 million on disposal of the PRC subsidiaries provided in 2012.

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 2016, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK$333.1 million (2015: HK$438.4 million), representing a decrease of HK$105.3 million from last year. Of the cash and cash equivalents as at 31 December 2016, 82% (2015: 77%) 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 and refund of earnest money to a project partner of HK$56 million. Since the return available on surplus liquidity remains 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 27 June 2016.

As stated in 2016 interim report and 2016 third quarter report of the Company, the Group continues to examine other potential investments where the Group can leverage its and Melco's strengths in gaming, leisure and entertainment industries, including integrated resorts, casinos, hotels and lotteries located in emerging or frontier gaming destinations. If any of these potential projects is materialized, the Company will make announcement(s) in accordance with the requirement under the GEM Listing Rules where necessary or appropriate.

The Group had no bank borrowings in 2016 (2015: Nil) and generally financed its operations with internal resources.

As at 31 December 2016, the Group's current assets exceeded its current liabilities by HK$362.0 million (2015: HK$357.9 million). The Group had a capital surplus of HK$412.5 million as at 31 December 2016 (2015: HK$408.5 million).

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was nil as at 31 December 2016 (2015: Nil).

OUTLOOK

The China lottery market continues to show steady growth. We believe that the China lottery market will remain challenging due to the evolving regulatory environment which however is conducive to maintaining sustainable growth in the long run.

The Group continues to explore new investment opportunities for leveraging our core expertise and corporate resources. We believe that it is in the interests of the Group and our shareholders to diversify into new business areas and jurisdictions within the ambit of leisure and entertainment so as to achieve our goal of maximizing long-term shareholders' value.

CHARGES ON GROUP ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2016, all assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. For the year ended 31 December 2016, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. Since the impact to foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of 15 full-time employees (2015: 15). For the year ended 31 December 2016, the Director's received total emoluments of approximately HK$8.4 million (2015: HK$21.0 million), including non-cash share-based payments to Directors of HK$5.0 million in 2016 (2015: HK$17.1 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 2016 and 2015, 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.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 5 May 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 28 April 2017 to Friday, 5 May 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 27 April 2017.

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 2016.

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 AND EMPLOYEES

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "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. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2016.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management 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 2016 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 2016 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 announcement is published on the Company's website at www.melcolot.com and the Stock Exchange's website at www.hkexnews.hk. The 2016 annual report will be available on both websites and despatched to shareholders of the Company on or about Thursday, 30 March 2017.

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

Hong Kong, 15 March 2017

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.