

# MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

# 09

First Quarterly Report



新濠環彩

MelcoLot

A Hong Kong listed company with stock code : 8198  
[www.melcolot.com](http://www.melcolot.com)

## **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.**

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*As at the date of this report, the Board consists of three executive Directors, namely, Mr. CHAN Sek Keung, Ringo, Mr. KO Chun Fung, Henry and Mr. Christos MOUMOURIS; and three independent non-executive Directors, namely, Mr. David TSOI, Mr. PANG Hing Chung, Alfred and Mr. SO Lie Mo, Raymond.*

*This report, 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 Growth Enterprise Market 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## TO OUR SHAREHOLDERS

The board of directors (the “Board”) of MelcoLot Limited (the “Company”) hereby report the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2009 (the “Review Period”) together with the comparative unaudited figures for the correspondence period in 2008.

## BUSINESS OVERVIEW AND REVIEW

During the Review Period, the Group continued to be engaged in two main streams of businesses, the network system integration (the “SI Business”) and the lottery business (the “Lottery Business”) which include venue management, scratch card distribution, and lottery terminal equipment manufacturing and distribution.

Total revenue of the Group during the Review Period amounted to approximately HK\$96.3 million (2008: HK\$82.3 million) out of which HK\$79.4 million (2008: HK\$67.7 million) were from SI Business while HK\$16.9 million (2008: HK\$14.6 million) were from Lottery Business.

Consolidated loss attributable to equity holders of the Company amounted to approximately HK\$33.0 million for the Review Period (2008: HK\$28.7 million), after charging the following recurrent and non-cash items resulting from the two very substantial acquisitions the Group made, as detailed in the circular to shareholders of the Company dated 19 November 2007 and 11 November 2008:–

- (i) A deemed expense on convertible bonds amounting to HK\$16.6 million (2008: HK\$9.7 million);
- (ii) An amortisation expense on intangible assets in fair value of HK\$5.1 million (2008: HK\$13.0 million).

Excluding (i) and (ii) above and other non-cash items, consolidated cash loss attributable to equity holders of the Company during the Review Period amounted to approximately HK\$9.5 million (2008: HK\$6.7 million), while there was total cash and cash equivalent on hand of approximately HK\$153.6 million at the end of the Review Period (2008: HK\$105.8 million).

## **Network System Integration Business**

In spite of the traditionally slow season of the year, SI Business for the Group performed reasonable well during the Review Period. Total revenue during the Review Period amounted to approximately HK\$79.4 million (2008: HK\$67.7 million), representing a 17.3% increase over the same period in 2008.

Competition in the market place has been keen for the SI Business of the Group during the Review Period as in the past years. However, the good reputation of professional excellence has won the Group strong customer trust and loyalty. Multi-national corporations, large local enterprises and all four major telecommunications service providers have remained, by far, the largest buyers of the Group's network systems and related professional services. With the launch of 3G services by the telecommunications industry in China and going deeper onto users level, it is reasonable to expect satisfactory performance for the remaining part of the year.

## **Lottery Business Management Services**

For the Lottery Business total revenue during the Review Period amounted to approximately HK\$16.9 million (2008: HK\$14.6 million), representing a 15.8% increase over the same period in 2008.

The Review Period has been one for the further strengthening of the Group's operations in the Lottery Business. The joining hands with the Intralot Group in December last year had opened up the access to both the world class lottery expertise and technology for the group's Lottery Business. Through this alliance, the Group is fully equipped moving up to capitalise on the expected strong growth in the lottery business in China and the Asian Region.

With the completion of the "Lucky Pool" retail chain up-grading, the Group now not only manages the flagship shops in strategic locations in major cities, it also captures the lucrative lottery business through the management of lottery shops covering one-third of the provinces in China, thus achieving a wider coverage and into different levels of the lottery business.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Review Period (2008: Nil).

**CHAN Sek Keung, Ringo**  
*Chairman*

Hong Kong, 12 May 2009

## FINANCIAL INFORMATION

### Unaudited Consolidated Financial Results

	Note	For the three months ended 31 March	
		2009 HK\$'000	2008 HK\$'000
Revenue	2	96,306	82,329
Changes inventories of finished goods and work-in-progress		(53,681)	7,590
Purchases of inventories and raw materials consumed		(21,581)	(67,967)
Other income and gains		1,948	607
Employee benefits costs		(13,075)	(11,813)
Depreciation and amortisation		(7,008)	(14,637)
Share of (losses) /profits of jointly controlled entities		(352)	372
Other expenses		(18,982)	(20,151)
Finance costs	3	(18,569)	(11,076)
Loss before taxation	4	(34,994)	(34,746)
Taxation	5	(550)	–
Loss for the period		<u>(35,544)</u>	<u>(34,746)</u>
Attributable to:			
Equity holders of the Company		(33,021)	(28,722)
Minority interests		(2,523)	(6,024)
		<u>(35,544)</u>	<u>(34,746)</u>
Loss per share			
– Basic (cents)	6	<u>(6.61)</u>	<u>(6.62)</u>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

### (1) BASIS OF PRESENTATION

The unaudited consolidated financial results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited consolidated financial report were in consistent with those applied for the annual financial report for the year ended 31 December 2008.

The unaudited consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

### (2) REVENUE

An analysis of the Group’s revenue recognised for the three months ended 31 March 2009 together with the comparative figures for the corresponding period in 2008 are as follows:

	(Unaudited) For the three months ended 31 March	
	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Network system integration	79,418	67,731
Lottery business	16,888	14,598
Total	<b>96,306</b>	<b>82,329</b>

### (3) FINANCE COSTS

	(Unaudited) For the three months ended 31 March	
	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest expenses on bank borrowings	188	941
Interest expenses on other loans	1,816	451
Effective interest expenses on convertible bonds	16,565	9,684
	<b>18,569</b>	<b>11,076</b>

**(4) LOSS BEFORE TAXATION**

Loss before taxation has been arrived at after charging:

	<b>(Unaudited)</b>	
	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of intangible assets	<b>5,137</b>	13,019
Depreciation of property, plant and equipment	<b>1,871</b>	1,618
Employee benefit expenses (including Directors' remuneration)		
Salary and wages	<b>10,971</b>	10,627
Share based payment	<b>2,104</b>	1,186
and after crediting:		
Bank interest income	<b>53</b>	607
Other service income	<b>1,397</b>	–
Net foreign exchange gain	<b>498</b>	–

**(5) TAXATION**

No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the three months ended 31 March 2009 arising in Hong Kong (2008: Nil).

PRC Enterprise Income Tax is calculated at the applicable rates to the PRC subsidiaries. Certain subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the years of 2008 and 2007 ("Tax Holidays"). The maximum Tax Holidays period is 5 years from the first taxable profit year.

**(6) LOSS PER SHARE**

The calculation of basic loss per share for the three months ended 31 March 2009 is based on the unaudited loss attributable to equity holders of the Company of approximately HK\$33,021,000 (2008: HK\$28,722,000) and on the weighted average number of 499,936,587 ordinary shares (2008: 433,968,745) in issue during the period.

Diluted loss per share has not been presented since assuming the conversion and exercise of the Company's outstanding convertible bonds and share options would result in a decrease in loss per share.

**(7) RESERVES**

Movements of reserves during the Review Period are as follows:-

	Share capital	Share premium	Share-based payments reserve	Statutory surplus reserves fund	Convertible bonds equity reserve	Exchange reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2008 (restated)	4,322	334,020	359	2,007	611,692	4,483	(472,805)	484,078	56,189	540,267
Recognition of equity settled share-based payments	-	-	1,186	-	-	-	-	1,186	-	1,186
Exercise of share options, net of expenses	33	820	(92)	-	-	-	-	761	-	761
Exchange difference on translation of foreign operations	-	-	-	-	-	1,972	-	1,972	-	1,972
Loss for the three months ended 31 March 2008	-	-	-	-	-	-	(28,722)	(28,722)	(6,024)	(34,746)
Minority interests arising from acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	527	527
As at 31 March 2008	4,355	334,840	1,453	2,007	611,692	6,455	(501,527)	459,275	50,692	509,967
As at 1 January 2009	4,994	368,540	16,244	5,589	645,482	37,184	(918,528)	159,515	30,224	189,739
Recognition of equity settled share-based payments	-	-	2,104	-	-	-	-	2,104	-	2,104
Exercise of share options, net of expenses	11	121	(44)	-	-	-	-	88	-	88
Exchange difference on translation of foreign operations	-	-	-	-	-	(2,015)	-	(2,015)	-	(2,015)
Loss for the three months ended 31 March 2009	-	-	-	-	-	-	(33,021)	(33,021)	(2,523)	(35,544)
As at 31 March 2009	5,005	368,661	18,304	5,589	645,482	35,169	(951,549)	126,671	27,701	154,372



## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## SHARE OPTION SCHEMES

The Company, at the general meeting held on 20 April 2002, adopted both a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme").

No options granted pursuant to either the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme were cancelled during the Review Period.

Details of the movements in the number of share options during the Review Period for both schemes are as follows:

### (a) Pre-IPO Share Option Scheme

One single grant of 11,913,000 shares in aggregate was made to various participants on 30 April 2002 under this scheme. As at 31 March 2009, options comprising an aggregate of 3,000,000 shares were outstanding, as detailed below:

	Exercise price per share	Number of share options			Outstanding as at 31.3.2009
		Outstanding as at 1.1.2009	Exercised during Review Period	Lapsed during Review Period	
	HK\$				
Type of participant:					
Director	0.55	3,000,000	-	-	3,000,000
		3,000,000	-	-	3,000,000
		<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>

Pre-IPO share options are exercisable as to (i) a maximum of 25% of the total number of options granted between six months and twelve months after 17 May 2002 (the "Listing Date"); (ii) a maximum additional 6.25% of the total number of options granted after the expiry of each successive 3-months period, twelve months after the Listing Date; and (iii) the remaining options on or after the third anniversary of the Listing Date until the end of the option period or lapse of an option.

The above outstanding options may be exercised, in accordance with the terms of the Pre-IPO Share Option Scheme, before 30 April 2012.

**(b) Post-IPO Share Option Scheme**

There have been a total of 9 lots of Post-IPO share options granted. The lots were (1) 5,277,000 shares on 12 July 2002; (2) 7,859,000 shares on 20 February 2003; (3) 385,000 shares on 10 October 2003; (4) 2,844,000 shares on 23 February 2004; (5) 828,000 shares on 11 October 2004; (6) 6,980,000 shares on 12 January 2007; (7) 4,818,000 shares on 7 December 2007; (8) 30,000,000 shares on 31 March 2008 and (9) 13,000,000 shares on 16 February 2009.

A summary of the Post-IPO Share Option Scheme movements during the Review Period are as follows:

Date of grant	Type of participants	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1.1.2009	Granted during Review Period	Exercised during Review Period	Lapsed during Review Period	Outstanding as at 31.3.2009
20.2.2003 (Note 2)	Director	20.2.2004 to 19.2.2013	0.138	1,200,000	-	-	-	1,200,000
23.2.2004 (Note 2)	Employees	23.2.2005 to 22.2.2014	0.165	81,500	-	-	(5,000)	76,500
11.10.2004 (Note 2)	Employees	11.10.2005 to 10.10.2014	0.124	82,000	-	(10,000)	(7,500)	64,500
12.1.2007 (Note 2)	Director	12.1.2008 to 11.1.2017	0.088	562,500	-	-	-	562,500
	Employees	12.1.2008 to 11.1.2017	0.088	4,110,500	-	(1,075,000)	-	3,035,500
				<b>4,673,000</b>	<b>-</b>	<b>(1,075,000)</b>	<b>-</b>	<b>3,598,000</b>
7.12.2007 (Note 3)	Directors	7.6.2008 to 6.12.2009	2.720	1,150,000	-	-	-	1,150,000
	Employees	7.6.2008 to 6.12.2009	2.720	3,360,000	-	-	(204,000)	3,156,000
				<b>4,510,000</b>	<b>-</b>	<b>-</b>	<b>(204,000)</b>	<b>4,306,000</b>
31.3.2008 (Note 4)	Director	1.10.2008 to 31.3.2018	0.890	4,354,000	-	-	-	4,354,000
	Advisors	1.10.2008 to 31.3.2018	0.890	17,906,000	-	-	(700,000)	17,206,000
	Employees	1.10.2008 to 31.3.2018	0.890	7,740,000	-	-	(1,302,000)	6,438,000
				<b>30,000,000</b>	<b>-</b>	<b>-</b>	<b>(2,002,000)</b>	<b>27,998,000</b>
16.2.2009 (Note 5)	Director	16.2.2010 to 15.2.2019	0.300	-	2,120,000 (Note 6)	-	-	2,120,000
	Advisors	16.2.2010 to 15.2.2019	0.300	-	4,180,000	-	-	4,180,000
	Employees	16.2.2010 to 15.2.2019	0.300	-	6,700,000	-	-	6,700,000
				<b>-</b>	<b>13,000,000</b>	<b>-</b>	<b>-</b>	<b>13,000,000</b>
			<b>Total:</b>	<b>40,546,500</b>	<b>13,000,000</b>	<b>(1,085,000)</b>	<b>(2,218,500)</b>	<b>50,243,000</b>

*Notes:*

- (1) These options lapsed according to the rules of this scheme due to the employees having left the Group.
- (2) These grants under the Post-IPO Share Option Scheme are exercisable starting from the first anniversary of the date of grant at stepped annual increment of 25% of the total options granted, for a period not later than 10 years from the date of grant.
- (3) These grants under the Post-IPO Share Option Scheme are exercisable starting from six months of the date of grant at stepped six-months increment of 50% of the total options granted, for a period not later than 2 years from the date of grant.
- (4) These grants under the Post-IPO Share Option Scheme are exercisable starting from six months of the date of grant at stepped six-months increment of 50% of the total options granted, for a period not later than 10 years from the date of grant.
- (5) These grants under the Post-IPO Share Option Scheme are exercisable starting from the first anniversary of the date of grant at stepped annual increment of 33% of the total options granted, for a period not later than 10 years from the date of grant.
- (6) These share options were granted to Mr. Christos Moumouris, executive Director of the Company.

The above outstanding options may be exercised within such exercise period in accordance with the terms of the Post-IPO Share Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, the interests and short positions of the Directors, the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (a) Long positions in shares of the Company:

<u>Name of Director</u>	<u>Nature of interests</u>	<u>Number of Shares interested</u>	<u>Approximate percentage of Shares interested</u>
			<i>(Note 1)</i>
Mr. Chan Sek Keung, Ringo	Personal	18,876,000	3.77%
	Corporate <i>(Note 2)</i>	56,400,000	11.27%
Mr. David Tsoi	Personal	413,500	0.08%
Mr. Pang Hing Chung, Alfred	Personal	1,500,000	0.30%

#### *Notes:*

- (1) As at 31 March 2009, the total number of issued shares of the Company was 500,515,433.
- (2) Mr. Chan Sek Keung, Ringo is deemed, by virtue of the SFO, to be interested in the 56,400,000 Shares held by Woodstock Management Limited, a company wholly-owned by him.

**(b) Long positions in the underlying shares in the Company (Directors' rights to acquire shares)**

Name of Director	Date of grant	Number of unlisted pre-IPO share option outstanding as at	Number of unlisted pre-IPO share option outstanding as at	Number of unlisted post-IPO share option outstanding as at	Number of unlisted post-IPO share option outstanding as at	Aggregate interests	Approximate percentage of the Company's issued share capital
		1.1.2009	31.3.2009	1.1.2009	31.3.2009		
Mr. Chan Sek Keung, Ringo	30.4.2002	3,000,000	3,000,000	-	-	4,200,000	0.84%
	20.2.2003	-	-	1,200,000	1,200,000		
Mr. Ko Chun Fung, Henry	31.3.2008	-	-	4,354,000	4,354,000	4,354,000	0.87%
Mr. Christos Moumouris	16.2.2009	-	-	-	2,120,000	2,120,000	0.42%
Mr. David Tsoi	12.1.2007	-	-	562,500	562,500	762,500	0.15%
	7.12.2007	-	-	200,000	200,000		
Mr. Pang Hing Chung, Alfred	7.12.2007	-	-	200,000	200,000	200,000	0.04%
Mr. So Lie Mo, Raymond	7.12.2007	-	-	750,000	750,000	750,000	0.15%

**Notes:**

- (1) Each of the above Directors is the personal beneficial owner of the share options granted to him.
- (2) Each of the Directors' interests represent his respective long positions in the underlying shares in the Company by virtue of options granted to the Directors pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme both adopted by the Company on 20 April 2002 (further details are set out under the section headed "Share Option Schemes").
- (3) Options granted on 30 April 2002 were exercisable during the period from 17 November 2002 to 29 April 2012 at the exercise price of HK\$0.55 per share.
- (4) Options granted on 20 February 2003 were exercisable during the period from 20 February 2004 to 19 February 2013 at the exercise price of HK\$0.138 per share.
- (5) Options granted on 12 January 2007 were exercisable during the period from 12 January 2008 to 11 January 2017 at the exercise price of HK\$0.088 per share.
- (6) Options granted on 7 December 2007 were exercisable during the period from 7 June 2008 to 6 December 2009 at the exercise price of HK\$2.72 per share.

- (7) Options granted on 31 March 2008 were exercisable during the period from 1 October 2008 to 31 March 2018 at the exercise price of HK\$0.89 per share.
- (8) Options granted on 16 February 2009 were exercisable during the period from 16 February 2010 to 15 February 2019 at the exercise price of HK\$0.30 per share.

Other than as disclosed above, none of the Directors, the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2009.

### **SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS WHOSE INTERESTS ARE RECORDED UNDER SECTION 336 OF THE SFO**

As at 31 March 2009, the following persons or corporations, in addition to the Directors, stated under the section headed “Directors’ and chief executive’s interests or short position in shares and underlying shares of the Company”, were interested in shares or underlying shares representing 5% or more in the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

#### **Long positions in shares of the Company (“Shares”)**

<u>Name of shareholder</u>	<u>Capacity</u>	<u>Number of Shares interested</u>	<u>Number of underlying Shares interested</u>	<u>Approximate shareholding percentage</u>
				<i>(Note 1)</i>
Melco LottVentures Holdings Limited (“Melco LV”)	Beneficial owner	51,977,024	419,059,095 <i>(Note 5)</i>	94.11%
Melco Leisure and Entertainment Group Limited (“Melco Leisure”)	Interest through a controlled corporation	51,977,024 <i>(Note 2)</i>	419,059,095 <i>(Note 2)</i>	94.11%
Melco International Development Limited (“Melco International”)	Interest through controlled corporations	51,977,024 <i>(Note 3)</i>	419,059,095 <i>(Note 3)</i>	94.11%
Mr. Ho, Lawrence Yau Lung (“Mr. Ho”)	Interest through controlled corporations	51,977,024 <i>(Note 4)</i>	419,059,095 <i>(Note 4)</i>	94.11%
	Beneficial owner	–	4,354,000 <i>(Note 6)</i>	0.87%

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares interested</b>	<b>Number of underlying Shares interested</b>	<b>Approximate shareholding percentage</b> (Note 1)
Intralot International Limited (Note 7)	Beneficial owner	47,632,938 (Note 7)	349,401,622 (Note 7)	79.33%
Intralot S.A. Integrated Lottery Systems and Services ("Intralot") (Note 7)	Interest through a controlled corporation	47,632,938 (Note 7)	349,401,622 (Note 7)	79.33%
Global Crossing Holdings Limited ("Global Crossing") (Note 8)	Beneficial owner	20,787,042	206,104,195 (Note 5)	45.33%
Toprich Company Limited ("Toprich") (Note 8)	Beneficial owner	9,712,000	–	1.94%
Firich Enterprises Co., Ltd. (Note 8)	Interest through controlled corporations	30,499,042	206,104,195 (Note 5)	47.27%
LottVision Investments Holdings Limited ("LottVision Investments") (Note 9)	Beneficial owner	8,947,934	46,366,121	11.05%
LottVision Limited (Note 9)	Interest through a controlled corporation	8,947,934	46,366,121	11.05%
Mr. Ng Lai Yick (Note 10)	Beneficial owner	3,134,744	–	0.63%
	Interest through a controlled corporation	36,900,000	–	7.37%
North 22 Nominees Limited (Note 10)	Beneficial owner	36,900,000	–	7.37%
Legg Mason, Inc.	Interest through controlled corporations	27,304,000	–	5.46%



*Notes:*

- (1) As at 31 March 2009, the total number of issued shares of the Company was 500,515,433.
- (2) Melco Leisure is deemed to be interested in the 51,977,024 Shares and the underlying 419,059,095 Shares from convertible bonds in the Company as described in (5) below by virtue of its controlling interests in its wholly-owned subsidiary, Melco LV.
- (3) Melco International is deemed to be interested in the 51,977,024 Shares and the underlying 419,059,095 Shares from convertible bonds in the Company as described in (5) below by virtue of its controlling interests in its wholly-owned subsidiary, Melco Leisure.
- (4) Mr. Ho is deemed to be interested in the 51,977,024 Shares and the underlying 419,059,095 Shares from convertible bonds in the Company as described in (5) below by virtue of his controlling interests in Melco International together with Melco LV, which are held by his controlled corporations.
- (5) Convertible bonds in the principal amount of HK\$606,800,000 carrying the rights to subscribe for Shares at an initial conversion price of HK\$0.85 per Share was issued by the Company to Power Way Group Limited ("Power Way") on 13 December 2007 to satisfy part of the consideration for the acquisition of the entire issued share capital of Precious Success Holdings Limited and 60% of the entire issued share capital of Oasis Rich International Limited, ("Oasis Rich"). Under the agreement dated 8 October 2007 entered into among the Company, Rising Move International Limited (a wholly-owned subsidiary of the Company), Power Way, LottVision Limited, Melco International and Firich Enterprises Co., Ltd. If Power Way exercises the conversion rights attaching to the said convertible bonds in full at the initial conversion price, a total of 713,882,352 Shares will be issued to Power Way. However, no conversion of the convertible bonds shall be made, if immediately upon such conversion, (1) Power Way and its parties acting in concert (as defined under the Takeovers Code) with it will be under an obligation to make a general offer under the Code; (2) each of (i) any of the existing Shareholders holding more than 20% or more of the voting rights of the Company as at the date of the Agreement; and (ii) Power Way and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of the Company respectively; or (3) the public float of the Shares falls below 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares.

These convertible Bonds in the principal sum HK\$606,800,000 had been, as at 31 December 2008, distributed to the shareholders of Power Way as to Melco LV HK\$356,200,231, Global Crossing HK\$175,188,566 and LottVision Limited HK\$75,411,203. With LottVision Limited transferring HK\$36,000,000 to three independent third parties, it held the balance of the convertible bonds in the principal amount of HK\$39,411,203.

- (6) Mr. Ho is an advisor of the Company and the Group without receiving any compensation. He was granted the share options in recognition of his contributions in the past and for the future for the benefits of the Company and the Group.
- (7) Pursuant to an agreement dated 7 September 2008 (as amended by a supplemental agreement dated 26 September 2008) and entered into between the Company and Intralot International Limited (the "Assets Transfer Agreement"), the Company has agreed to acquire the Assets (as defined in the Assets Transfer Agreement) at the consideration of HK\$305,130,367.558, as disclosed in the announcement of the Company on 28 September 2008. The consideration will be satisfied by the Company by allotting and issuing 28,208,938 Shares and issuing the convertible bonds in the principal amount of HK\$277,175,310 which is convertible into 279,692,542 new Shares at the conversion price I of HK\$0.991 per Share. In addition, upon obtaining two agreements in connection with the CSLA Projects and/or CWL Projects in the PRC, the Company shall pay the success payment to Intralot International Limited. The success payment will be satisfied by way of the convertible bonds II, which are convertible into 69,709,080 new Shares in the Company at the conversion price II of HK\$1.0759. Intralot is therefore deemed interested in the Shares and underlining Shares held by Intralot International Limited, a wholly owned subsidiary of Intralot.
- (8) Firich Enterprises Co., Ltd. is deemed to be interested in the 30,499,042 Shares and the underlying 206,104,195 Shares from convertible bonds in the Company as described in (5) above by virtue of its controlling interests in its wholly-owned subsidiaries, Global Crossing and Toprich.
- (9) LottVision Limited is deemed to be interested in the 8,947,934 Shares and the underlying 46,366,121 Shares from convertible bonds in the Company as described in (5) above by virtue of its controlling interests in its wholly-owned subsidiary, LottVision Investments.
- (10) Mr. Ng Lai Yick is deemed, by virtue of the SFO, to be interested in the 36,900,000 Shares held by North 22 Nominees Limited, a company wholly-owned by him, in addition to the 3,134,744 Shares held by him personally.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares in the Company as at 31 March 2009.

## **DIRECTOR'S SERVICE CONTRACT AND REMUNERATION CHANGES**

Mr. Ko Chun Fung, Henry was appointed an executive director on 7 January 2008, and to the position of Chief Executive Officer on 1 May 2008, at an annual remuneration of HK\$1,680,000. Mr. Ko could also be awarded an annual discretionary bonus by the remuneration committee of the Board after having considered Mr. Ko's performance and that of the Group in the previous year. No definite term has been specified in the service contract and both the Company and Mr. Ko could terminate the service contract by giving six months' notice.

Considering the changes brought about by the completion of the Asset Transfer Agreement dated 7 September 2008 (as amended by a supplemental agreement dated 26 September 2008), as detailed in the circular dated 11 November 2008 to Shareholders, corresponding changes were deemed necessary.

Having regard to desired management stability, organisation changes to cope with the Group's development direction, additional responsibilities and current business environment, a new service contract was entered into on 14 April 2009 between the Company and Mr. Ko for three years starting from 1 April 2009. In the new service contract, Mr. Ko will be paid an additional living allowance of HK\$30,000 per month in addition to his entitlements under the old service contract.

The changes on the term of the service contract and payment of monthly living allowance above were approved by the Remuneration Committee of the Board.

## **COMPETITION AND CONFLICT OF INTERESTS**

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies that competed or might compete with the business of the Group or any other conflict of interests with the interests of the Group.

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 29 October 2001 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and with reference to the guidelines published by the Hong Kong Institute of Certified Public Accountants.

The present Audit Committee consists of three independent non-executive Directors, namely, Mr. David Tsoi, Chairman, Mr. Pang Hing Chung, Alfred and Mr. So Lie Mo, Raymond.

The Audit Committee has reviewed the draft of this report and has provided advice and comments thereon.

By order of the Board of  
**MelcoLot Limited**  
**CHAN Sek Keung, Ringo**  
*Chairman*

Hong Kong, 12 May 2009