



新濠環彩

MelcoLot

Third Quarter Report 2014

MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)
A Hong Kong Listed Company (Stock Code: 8198)
www.melcolot.com

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

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*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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to MelcoLot Limited. The directors of MelcoLot Limited, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

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

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

Financial Review

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

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

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

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

Dividend

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine-month period ended 30 September 2014

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

NOTES:

(1) BASIS OF PREPARATION

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

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

(3) REVENUE

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

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

(4) FINANCE COSTS

Three-month period ended 30 September		Nine-month period ended 30 September	
2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000

Interest on:

Amount due to immediate holding
company

-	1,819	3,084	5,397
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(5) TAXATION

Three-month period ended 30 September		Nine-month period ended 30 September	
2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000

Enterprise Income Tax of the PRC

- current period

28	-	149	88
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No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the nine-month period ended 30 September 2014 and its corresponding period in 2013.

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

(6) DIVIDEND

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

(7) LOSS PER SHARE

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

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

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

(8) SHARE CAPITAL AND RESERVES

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, the interests of the Directors, the chief executive of the Company and their respective associates in the shares and underlying shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(I) Long position in the shares and share options of the Company

(a) Ordinary shares of HK\$0.01 each of the Company ("Share(s)")

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Approximate percentage of issued share capital of the Company</u> (Note 1)
Mr. Tsoi, David	Beneficial owner	130,806	0.00%
Mr. Pang Hing Chung, Alfred	Beneficial owner	1,590,000	0.05%

(b) *Share options granted by the Company*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of underlying Shares held pursuant to share options</u> <i>(Notes 2 & 3)</i>	<u>Approximate percentage of issued share capital of the Company</u> <i>(Note 1)</i>
Mr. Tsui Che Yin, Frank	Beneficial owner	22,386,400	0.71%
Mr. Ko Chun Fung, Henry	Beneficial owner	19,193,200	0.61%
Mr. Tsang Yuen Wai, Samuel	Beneficial owner	22,386,400	0.71%
Mr. Tam Chi Wai, Dennis	Beneficial owner	22,386,400	0.71%
Mr. Tsoi, David	Beneficial owner	1,248,000	0.04%
Mr. Pang Hing Chung, Alfred	Beneficial owner	1,805,872	0.06%
Ms. Chan Po Yi, Patsy	Beneficial owner	1,248,000	0.04%

Notes:

- (1) As at 30 September 2014, the total number of issued Shares was 3,145,545,326.
- (2) On 11 April 2014, the Company announced that it proposed to raise not less than approximately HK\$652.7 million, before expenses, by way of an open offer of not less than 725,224,723 offer shares (i.e. new Shares to be issued pursuant to the open offer) (the **“Offer Shares”**) at the subscription price of HK\$0.90 per Offer Share on the basis of three Offer Shares for every ten Shares held by the qualifying shareholders of the Company (the **“Open Offer”**). Upon the completion of the Open Offer on 29 May 2014, the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.
- (3) Details of share options granted to the Directors pursuant to the share option schemes of the Company are set out in the section headed **“Share Options”** of this report.

(II) Long position in the shares and share options of associated corporation of the Company

Melco International Development Limited (“**Melco**”)

(a) *Ordinary shares of Melco*

Name of Director	Number of ordinary shares held	Approximate percentage of issued shares of Melco
	<i>(Note 2)</i>	<i>(Note 1)</i>
Mr. Tsui Che Yin, Frank	4,547,660	0.29%
Mr. Ko Chun Fung, Henry	894,000	0.06%
Mr. Tsang Yuen Wai, Samuel	3,545,162	0.23%
Mr. Tam Chi Wai, Dennis	2,979,222	0.19%
Ms. Chan Po Yi, Patsy	4,000	0.00%

(b) *Share options granted by Melco*

<u>Name of Director</u>	<u>Number of underlying shares held pursuant to share options</u> <i>(Notes 2 & 3)</i>	<u>Approximate percentage of issued share of Melco</u> <i>(Note 1)</i>
Mr. Tsui Che Yin, Frank	3,070,000	0.20%
Mr. Tsang Yuen Wai, Samuel	1,655,000	0.11%
Mr. Tam Chi Wai, Dennis	3,135,000	0.20%

Notes:

- (1) As at 30 September 2014, the total number of issued shares of Melco was 1,562,263,555.
- (2) This represents interests held by the relevant Director as beneficial owner.
- (3) Details of the 3,070,000 share options are as follows:
 - 170,000 share options granted on 7 April 2010 at exercise price of HK\$3.76 are exercisable from 7 April 2015 to 6 April 2020
 - 1,200,000 share options granted on 27 January 2012 at exercise price of HK\$7.10 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022
 - 1,000,000 share options granted on 2 April 2013 at exercise price of HK\$13.40 are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023
 - 700,000 share options granted on 3 April 2014 at exercise price of HK\$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

Details of the 1,655,000 share options are as follows:

- 125,000 share options granted on 7 April 2010 at exercise price of HK\$3.76 are exercisable from 7 April 2015 to 6 April 2020
- 330,000 share options granted on 27 January 2012 at exercise price of HK\$7.10 are exercisable from 27 January 2015 to 26 January 2022
- 500,000 share options granted on 2 April 2013 at exercise price of HK\$13.40 are divided into 2 tranches exercisable from 2 April 2015 and 2 April 2016 respectively to 1 April 2023
- 700,000 share options granted on 3 April 2014 at exercise price of HK\$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

Details of the 3,135,000 share options are as follows:

- 30,000 share options granted on 1 April 2008 at exercise price of HK\$10.804 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018
- 85,000 share options granted on 7 April 2010 at exercise price of HK\$3.76 are exercisable from 7 April 2015 to 6 April 2020
- 1,320,000 share options granted on 27 January 2012 at exercise price of HK\$7.10 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022
- 1,000,000 share options granted on 2 April 2013 at exercise price of HK\$13.40 are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023
- 700,000 share options granted on 3 April 2014 at exercise price of HK\$26.65 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024

Save as disclosed above, none of the Directors or chief executive of the Company and their respective associates had any interests or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations as at 30 September 2014.

SHARE OPTIONS

The share option scheme adopted at the general meeting of the Company on 20 April 2002 (the “**Old Share Option Scheme**”) has expired on 20 April 2012. The share options granted thereunder prior to the expiry date of the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

At the annual general meeting of the Company held on 18 May 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “**2012 Share Option Scheme**”) under which the Directors may grant share options to eligible persons to subscribe for the Shares, subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption.

Movements of the share options, which were granted under the Old Share Option Scheme and the 2012 Share Option Scheme, during the nine-month period ended 30 September 2014, are set out below:

Type of participants	Number of share options								As at 30 September 2014	Date of grant	Exercise price (Note 2) HK\$	Exercisable period (Note)
	Before the Open Offer			Adjustment for Open Offer (Note 2)	After the Open Offer							
	As at 1 January 2014	Exercised	Lapsed		Granted	Exercised	Lapsed	Reclassified				
(i) Old Share Option Scheme												
Director												
Mr. Pang Hing	262,060	-	-	16,876	-	-	-	-	278,936	10.07.2009	0.263	6
Chung, Alfred	262,060	-	-	16,876	-	-	-	-	278,936	18.11.2010	0.109	7
Sub-total:	524,120	-	-	33,752	-	-	-	-	557,872			
Employees	3,202,372	(1,634,420)	-	88,093	-	-	-	(1,255,214)	200,831	31.03.2008	0.638	4
	969,622	(719,400)	-	16,112	-	(41,840)	(1,346)	-	223,148	10.07.2009	0.263	6
	608,351	(385,600)	-	14,344	-	(69,734)	-	-	167,361	18.11.2010	0.109	7
Sub-total:	4,780,345	(2,939,420)	-	118,549	-	(111,574)	(1,346)	(1,255,214)	591,340			
Others	583,082	-	-	37,548	-	(568,330)	-	-	52,300	12.01.2007	0.063	3
	1,768,905	-	-	113,914	-	(195,254)	-	1,255,214	2,942,779	31.03.2008	0.638	4
	3,380,574	(602,738)	-	178,892	-	-	-	-	2,956,728	16.02.2009	0.215	5
	5,241,200	(5,241,200)	-	-	-	-	-	-	-	10.07.2009	0.263	6
	3,930,900	(2,620,600)	-	84,383	-	-	(1,394,683)	-	-	18.11.2010	0.109	7
Sub-total:	14,904,661	(8,464,538)	-	414,737	-	(763,584)	(1,394,683)	1,255,214	5,951,807			
Total:	20,209,126	(11,403,958)	-	567,038	-	(875,158)	(1,396,029)	-	7,101,019			

Type of participants	Number of share options								As at 30 September 2014	Date of grant	Exercise price (Note 2)	Exercisable period (Note)
	Before the Open Offer			After the Open Offer								
	As at 1 January 2014	Exercised	Lapsed	Adjustment for Open Offer (Note 2)	Granted	Exercised	Lapsed	Reclassified				
HK\$												
(ii) 2012 Share Option Scheme												
Directors												
Mr. Tsui Che Yin, Frank	6,000,000	-	-	386,400	-	-	-	-	6,386,400	02.07.2013	0.511	8
	-	-	-	-	16,000,000	-	-	-	16,000,000	11.08.2014	1.140	9
	6,000,000	-	-	386,400	16,000,000	-	-	-	22,386,400			
Mr. Ko Chun Fung, Henry	3,000,000	-	-	193,200	-	-	-	-	3,193,200	02.07.2013	0.511	8
	-	-	-	-	16,000,000	-	-	-	16,000,000	11.08.2014	1.140	9
	3,000,000	-	-	193,200	16,000,000	-	-	-	19,193,200			
Mr. Tsang Yuen Wai, Samuel	6,000,000	-	-	386,400	-	-	-	-	6,386,400	02.07.2013	0.511	8
	-	-	-	-	16,000,000	-	-	-	16,000,000	11.08.2014	1.140	9
	6,000,000	-	-	386,400	16,000,000	-	-	-	22,386,400			
Mr. Tam Chi Wai, Dennis	6,000,000	-	-	386,400	-	-	-	-	6,386,400	02.07.2013	0.511	8
	-	-	-	-	16,000,000	-	-	-	16,000,000	11.08.2014	1.140	9
	6,000,000	-	-	386,400	16,000,000	-	-	-	22,386,400			
Mr. Tsoi, David	-	-	-	-	1,248,000	-	-	-	1,248,000	11.08.2014	1.140	9
Mr. Pang Hing Chung, Alfred	-	-	-	-	1,248,000	-	-	-	1,248,000	11.08.2014	1.140	9
Ms. Chan Po Yi, Patsy	-	-	-	-	1,248,000	-	-	-	1,248,000	11.08.2014	1.140	9
Sub-total:	21,000,000	-	-	1,352,400	67,744,000	-	-	-	90,096,400			
Substantial shareholder	6,939,000	-	-	446,871	-	-	-	-	7,385,871	02.07.2013	0.511	8
	-	-	-	-	4,384,000	-	-	-	4,384,000	11.08.2014	1.140	9
Sub-total:	6,939,000	-	-	446,871	4,384,000	-	-	-	11,769,871			
Employees	-	-	-	-	1,216,000	-	-	-	1,216,000	11.08.2014	1.140	9
Others	1,500,000	-	-	96,600	-	-	-	-	1,596,600	02.07.2013	0.511	8
	-	-	-	-	8,364,000	-	-	-	8,364,000	11.08.2014	1.140	9
Sub-total:	1,500,000	-	-	96,600	8,364,000	-	-	-	9,960,600			
Total:	29,439,000	-	-	1,895,871	81,708,000	-	-	-	113,042,871			

Notes:

- (1) As at 30 September 2014, the total number of issued Shares was 3,145,545,326.
- (2) Upon the completion of the Open Offer on 29 May 2014, the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes adopted on 20 April 2002 and 18 May 2012 respectively, details of which were set out in the announcement of the Company dated 28 May 2014.
- (3) The share options are divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.
- (4) The share options are divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.
- (5) The share options are divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.
- (6) The share options are divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.
- (7) The share options are divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.
- (8) The share options are divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.
- (9) Approximately one half and a quarter each of the total number of share options granted are exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.
- (10) The category "Others" represents the former directors/employees or consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognizing their services similar to those rendered by other employees.
- (11) During the nine-month period ended 30 September 2014, the Company granted a total of 81,708,000 share options to the Directors, a substantial shareholder, certain employees and consultants of the Company under the 2012 Share Option Scheme on 11 August 2014. The validity period of the options is ten years, from 11 August 2014 to 10 August 2024. The options will entitle the grantees to subscribe for a total of 81,708,000 new shares at an exercise price of HK\$1.14 per share of the Company. The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.04.
- (12) During the nine-month period ended 30 September 2014, no share options were cancelled under the Old Share Option Scheme and 2012 Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the Directors and chief executive of the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Long position in the Shares and underlying Shares of the Company

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Melco LottVentures Holdings Limited ("Melco LV")	Beneficial owner	1,278,714,329	-	40.65%
Melco Leisure and Entertainment Group Limited ("Melco Leisure") <i>(Note 2)</i>	Held by a controlled corporation	1,278,714,329	-	40.65%
Melco <i>(Note 3)</i>	Held by controlled corporations	1,278,714,329	-	40.65%
Mr. Ho, Lawrence Yau Lung ("Mr. Ho") <i>(Note 4)</i>	Held by controlled corporations	1,278,714,329	-	40.65%
	Beneficial owner	-	11,769,871	0.37%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Ms. Lo Sau Yan, Sharen <i>(Note 5)</i>	Held by spouse	1,278,714,329	11,769,871	41.03%
Global Crossing Holdings Ltd. (" GCH ")	Beneficial owner	188,352,724	-	5.99%
Universal Rich Holdings Limited (" Universal Rich ") <i>(Note 6)</i>	Held by a controlled corporation	188,352,724	-	5.99%
Mr. Chang Tung-Bing <i>(Note 7)</i>	Held by controlled corporations	188,352,724	-	5.99%

Notes:

- (1) As at 30 September 2014, the total number of issued Shares was 3,145,545,326.
- (2) Melco Leisure was deemed to be interested in 1,278,714,329 Shares through its controlled corporation, Melco LV.
- (3) Melco was deemed to be interested in 1,278,714,329 Shares through its controlled corporations, Melco LV and Melco Leisure.
- (4) Mr. Ho was deemed to be interested in 1,278,714,329 Shares through his controlled corporations, Melco LV, Melco Leisure and Melco. He was also interested in 11,769,871 underlying Shares in respect of the share options granted by the Company.
- (5) Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho and was deemed to be interested in 1,290,484,200 Shares through the interest of her spouse, Mr. Ho.
- (6) Universal Rich was deemed to be interested in 188,352,724 Shares through its controlled corporation, GCH.
- (7) Mr. Chang Tung-Bing was deemed to be interested in 188,352,724 Shares through his controlled corporations, GCH and Universal Rich.

Save as disclosed above, the Company has not been notified of any other interests or short position in the Shares or underlying Shares of the Company as at 30 September 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Tsoi, David (Chairman of the audit committee), Mr. Pang Hing Chung, Alfred and Ms. Chan Po Yi, Patsy and a non-executive Director, namely Mr. Tsui Che Yin, Frank. The audit committee has reviewed the third quarter report of the Company for the nine-month period ended 30 September 2014.

By Order of the Board
MelcoLot Limited
Ko Chun Fung, Henry

Executive Director and Chief Executive Officer

Hong Kong, 6 November 2014

As at the date of this report, 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*