



新濠環彩

MelcoLot

Interim Report
2015

MelcoLot Limited

(Incorporated in the Cayman Islands with limited liability)

A Hong Kong Listed Company (Stock Code: 8198)

www.melcolot.com

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MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of MelcoLot Limited (the “**Company**”) hereby announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six-month period ended 30 June 2015 as follows:

Business Review

The Group is engaged in the provision of lottery-related technologies, systems and solutions in the People’s Republic of China (the “**PRC**”). We are a distributor of high quality, versatile lottery terminals and parts for the China Sports Lottery Administration Centre, which is the exclusive sports lottery operator in the PRC. The distribution business is our major revenue generator and contributed approximately 79% of the Group’s revenue for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: 93%).

The Group also provides game upgrading technology and system maintenance service for the rapid draw game, “Shi Shi Cai” in the Chongqing Municipality, and has developed a presence in the PRC by managing a network of retail outlets.

We believe the Chinese lottery market will remain challenging due to continued changing of the regulatory framework by Chinese authorities, but these changes will undoubtedly bring new opportunities for the Group and require us to leverage our competitive strength to capitalize on any opportunities which may arise.

The Group’s plan to launch a high end casino project in the Republic of Georgia continued to make headway. Although it has taken longer than originally anticipated to settle the terms of the casino premises lease, that process is now in its final stage. The conclusion of the casino premises lease is one of the conditions precedent to the closing of the deemed disposal of the Group’s interest in the special purpose vehicle for this project (as announced by the Company on 20 November 2014) and so the deemed disposal has yet to be completed. Regarding the development of a premium integrated resort near Barcelona, Spain, it is expected that the second phase public tender will commence shortly. Our planning process has been continuing.

These ongoing international projects and existing PRC opportunities leverage on our corporate expertise in the gaming and entertainment industry, and diversify our business to support our goal in 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 six-month period ended 30 June 2015, total revenue of the Group amounted to HK\$24.1 million (six-month period ended 30 June 2014: HK\$22.5 million), an increase of approximately 7% which comprised the following:

(1) *Sales of lottery terminals and parts*

Revenues generated from the sales of lottery terminals and parts for the Sports Lottery amounted to HK\$19.1 million (six-month period ended 30 June 2014: HK\$20.9 million), representing a decrease of approximately 8%. The Group has been adopting a low pricing strategy in order to maintain market share as the demand of terminals and parts was slower than expected.

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

Revenues derived from the provision of services and solutions for the distribution of lottery products for the six-month period ended 30 June 2015 amounted to HK\$5.0 million (six-month period ended 30 June 2014: HK\$1.7 million), representing an increase of approximately 200%.

The Group's loss for the six-month period ended 30 June 2015 amounted to HK\$19.3 million (six-month period ended 30 June 2014: HK\$20.8 million). It was mainly attributable to the following reasons:

- (i) Slight increase in revenue, specifically for provision of services and solutions for the distribution of lottery products;
- (ii) Net foreign exchange loss was minimal for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: loss of HK\$7.0 million);
- (iii) Finance costs of the Group decreased by 100% from HK\$3.1 million for the six-month period ended 30 June 2014 to nil for the corresponding period in 2015. The decrease was due to the Group fully settling the amount due to its immediate holding company in June 2014; and

- (iv) Employee benefits costs were increased to HK\$18.9 million for the six-month period ended 30 June 2015, compared to HK\$8.7 million for the corresponding period in 2014. The increase was primarily due to non-cash expenses arising from share options granted in August 2014.

Dividend

The Directors do not recommend the payment of an interim dividend for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: Nil).

Liquidity and Financial Resources

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 30 June 2015, the Group's short term bank deposit, bank balances and cash amounted to HK\$444.2 million (31 December 2014: HK\$499.7 million). 79% (31 December 2014: 81%) of this amount was denominated in Hong Kong Dollars ("**HK\$**"), with the remaining balance in Renminbi ("**RMB**"), and United States Dollar ("**USD**"). The decrease was mainly due to the purchase of 24-month puttable step-up coupon notes issued by BOCI Financial Products Limited in the principal amount of HK\$50.0 million on 25 June 2015.

Capital Structure

As at 30 June 2015, net current assets of the Group were HK\$364.4 million (31 December 2014: net current assets of HK\$420.1 million). The decrease was due to the purchase of 24-month puttable step-up coupon notes, classified as non-current assets, during the period. The Company's equity attributable to shareholders decreased to HK\$415.2 million as at the six-month period ended 30 June 2015 (31 December 2014: HK\$421.0 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2015 and generally financed its operations with internal resources.

Outlook

Pursuant to the recent policy changes in the PRC lottery market, a regulatory system is now in place mainly for the authorization and compliance of the methods of distribution of lottery products and payout ratio. The implementation of formal approval and operating requirements should aid the planned development of the industry as a whole, and for online channels in particular. This presents an opportunity to the Group, as the environment is now more supportive of participants determined to comply with government policies and frameworks. The overall China lottery market continues to expand and paperless distribution channels are envisaged to be a key growth engine, given their ability to effectively penetrate wide geographic areas and reach untapped market segments. Our goal is to maintain and enhance our position as a lottery terminal and parts provider in the PRC, and also focus on the development of paperless tickets, such as sales via online and mobile phone applications. To achieve our goal, we intend to leverage our existing strengths, and build on our cooperative and strategic partnerships with provincial lottery administration centers.

Going forward, the Group will continue to focus on participating in the PRC's lottery market by continuously seeking new service contracts with lottery authorities to further expand our geographic coverage and achieve greater network influence, while leveraging the parent company's strengths in the gaming, leisure and entertainment industries to deliver attractive returns to the Company's shareholders in the long run.

Capital Commitment and Contingent Liabilities

As at 30 June 2015 and 31 December 2014, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and it also did not have any significant contingent liabilities.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Except for those disclosed in this report, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the period under review. Apart from those disclosed in this report, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this report.

Charges on Assets

None of the Group's assets were pledged as at 30 June 2015 and 31 December 2014.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2015, all assets and liabilities of the Group were denominated in HK\$, RMB and USD. During the six-month period ended 30 June 2015, the business activities of the Group were mainly denominated in HK\$ and RMB. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

Staff and Remuneration Policy

As at 30 June 2015, the Group had a total of 21 full-time employees (31 December 2014: 23). For the six-month period ended 30 June 2015, the employee benefits costs amounted to HK\$18.9 million (six-month period ended 30 June 2014: HK\$8.7 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training programs.

Changes since 31 December 2014

Other than the aforementioned, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the annual report for the year ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

| | Notes | Three-month period ended 30 June | | Six-month period ended 30 June | |
|---|-------|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Revenue | 3 | 12,535 | 11,432 | 24,076 | 22,542 |
| Purchase of inventories and service costs | | (11,481) | (10,030) | (21,927) | (19,767) |
| Other income | | 861 | 665 | 1,879 | 935 |
| Employee benefits costs | | (9,684) | (4,585) | (18,853) | (8,655) |
| Depreciation of property, plant and equipment | | (70) | (307) | (142) | (592) |
| Share of losses of joint ventures | | (3) | - | (3) | - |
| Other expenses | | (2,377) | (4,409) | (4,201) | (12,079) |
| Finance costs | 5 | - | (1,305) | - | (3,084) |
| Loss before taxation | | (10,219) | (8,539) | (19,171) | (20,700) |
| Taxation | 6 | (94) | - | (168) | (121) |
| Loss for the period | 8 | (10,313) | (8,539) | (19,339) | (20,821) |
| Other comprehensive (expense) income | | | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on translation to presentation currency | | (62) | 2,114 | (19) | 6,835 |
| Total comprehensive expense for the period | | (10,375) | (6,425) | (19,358) | (13,986) |
| Loss for the period attributable to: | | | | | |
| Owner of the Company | | (10,010) | (8,466) | (18,826) | (20,356) |
| Non-controlling interests | | (303) | (73) | (513) | (465) |
| | | (10,313) | (8,539) | (19,339) | (20,821) |
| Total comprehensive (expense) income attributable to: | | | | | |
| Owner of the Company | | (10,058) | (6,559) | (18,833) | (13,649) |
| Non-controlling interests | | (317) | 134 | (525) | (337) |
| | | (10,375) | (6,425) | (19,358) | (13,986) |
| Loss per share | | | | | |
| - Basic and diluted | 9 | HK(0.32) cents | HK(0.30) cents | HK(0.60) cents | HK(0.76) cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | | As at 30 June 2015 | As at 31 December 2014 |
|--|--------------|-----------------------------------|------------------------------|
| | <i>Notes</i> | (Unaudited) HK\$'000 | (Audited) HK\$'000 |
| Non-current Assets | | | |
| Property, plant and equipment | | 487 | 578 |
| Interest in joint ventures | | 254 | 280 |
| Structured notes | 10 | 50,000 | – |
| | | <u>50,741</u> | <u>858</u> |
| Current Assets | | | |
| Trade and other receivables | 11 | 25,036 | 25,164 |
| Bank deposits with original maturity over three months | | 305,506 | 200,557 |
| Bank balances and cash | | 138,676 | 299,190 |
| | | <u>469,218</u> | <u>524,911</u> |
| Current Liabilities | | | |
| Trade and other payables | 12 | 80,034 | 79,875 |
| Amounts due to related companies | | 1,255 | 1,178 |
| Amount due to a shareholder of a joint venture | | 2,334 | 2,334 |
| Amount due to a fellow subsidiary | | 146 | 151 |
| Tax payable | | 21,030 | 21,240 |
| | | <u>104,799</u> | <u>104,778</u> |
| Net Current Assets | | <u>364,419</u> | 420,133 |
| | | <u>415,160</u> | <u>420,991</u> |

| | | As at 30 June 2015 | As at 31 December 2014 |
|---|-------------|-----------------------------------|------------------------------|
| | | (Unaudited) | (Audited) |
| | <i>Note</i> | HK\$'000 | <i>HK\$'000</i> |
| Capital and Reserves | | | |
| Share capital | 13 | 31,456 | 31,455 |
| Reserves | | 378,994 | 384,435 |
| <hr/> | | | |
| Equity attributable to owners of the Company | | 410,450 | 415,890 |
| Non-controlling interests | | 4,710 | 5,101 |
| <hr/> | | | |
| | | 415,160 | 420,991 |
| | | <u><u>415,160</u></u> | <u><u>420,991</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2015

| | Attributable to owners of the Company | | | | | | | Non-controlling interest | Total | |
|--|---------------------------------------|---------------|-----------------|-----------------|---------------|------------------|--------------------|--------------------------|---------|-----------|
| | Share capital | Share-based | | | Other reserve | Exchange reserve | Accumulated losses | | | Sub-total |
| | | Share premium | payment reserve | Special reserve | | | | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| As 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 to presentation currency | - | - | - | - | - | 6,707 | - | 6,707 | 128 | 6,835 |
| Loss for the period | - | - | - | - | - | - | (20,356) | (20,356) | (465) | (20,821) |
| Total comprehensive income (expense) for the period | - | - | - | - | - | 6,707 | (20,356) | (13,649) | (337) | (13,986) |
| Issue of ordinary shares upon exercise of share options | 121 | 5,627 | (2,185) | - | - | - | - | 3,563 | - | 3,563 |
| Issue of new shares upon open offer | 7,252 | 645,450 | - | - | - | - | - | 652,702 | - | 652,702 |
| Recognition of equity-settled share-based payments | - | - | 3,224 | - | - | - | - | 3,224 | - | 3,224 |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | - | (3,040) | (3,040) |
| Transaction costs attributable to issue of new shares | - | (16,755) | - | - | - | - | - | (16,755) | - | (16,755) |
| As at 30 June 2014 (unaudited) | 31,454 | 1,540,764 | 19,596 | - | (4,922) | 4,375 | (1,172,920) | 418,347 | 5,929 | 424,276 |

Attributable to owners of the Company

| | Share-based | | | | | | | Non-controlling interest | Total | |
|--|---------------|---------------|-----------------|-----------------|---------------|------------------|--------------------|--------------------------|----------|-----------|
| | Share capital | Share premium | payment reserve | Special 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 | HK\$'000 | |
| As at 1 January 2015 (audited) | 31,455 | 1,540,437 | 63,007 | - | (4,922) | 3,811 | (1,217,898) | 415,890 | 5,101 | 420,991 |
| Exchange differences arising on translation to presentation currency | - | - | - | - | - | (7) | - | (7) | (12) | (19) |
| Loss for the period | - | - | - | - | - | - | (18,826) | (18,826) | (513) | (19,339) |
| Total comprehensive expense for the period | - | - | - | - | - | (7) | (18,826) | (18,833) | (525) | (19,358) |
| Issue of ordinary shares upon exercise of share options | 1 | 44 | (15) | - | - | - | - | 30 | - | 30 |
| Recognition of equity-settled share-based payments | - | - | 13,497 | - | - | - | - | 13,497 | - | 13,497 |
| Transfer among reserves (Note) | - | (1,212,603) | - | - | - | - | 1,212,603 | - | - | - |
| Acquisition of additional interest in a subsidiary | - | - | - | (134) | - | - | - | (134) | 134 | - |
| As at 30 June 2015 (unaudited) | 31,456 | 327,878 | 76,489 | (134) | (4,922) | 3,804 | (24,121) | 410,450 | 4,710 | 415,160 |

Note:

The reduction of the amount of HK\$1,212,603,000 standing to the credit of the share premium account of the Company to eliminate its accumulated losses of the Company of HK\$1,212,603,000 as at 31 December 2014 (the “**Accumulated Losses Elimination**”) was approved by the Board in March 2015. The Accumulated Losses Elimination complied with the Cayman Islands’ Companies Law (Cap. 22) and the Articles of Association of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

| | Six-month period ended June 30 | |
|---|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | <u>(7,507)</u> | <u>17,374</u> |
| INVESTING ACTIVITIES | | |
| Placement of bank deposit with original maturity over three months | (305,506) | (199,044) |
| Purchase of structured notes | (50,000) | - |
| Purchase of property, plant and equipment | (52) | (34) |
| Redemption of bank deposits with original maturity over three months upon maturity | 200,557 | - |
| Interest received | 1,878 | 722 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(153,123)</u> | <u>(198,356)</u> |
| FINANCING ACTIVITIES | | |
| Advance from related companies | 76 | - |
| Proceeds from exercise of share options | 30 | 3,563 |
| Proceeds from issue of new shares | - | 652,702 |
| Repayment to immediate holding company | - | (251,576) |
| Transaction costs attributable to issue of new shares | - | (15,157) |
| Dividend paid to non-controlling shareholders | - | (9,835) |
| NET CASH FROM FINANCING ACTIVITIES | <u>106</u> | <u>379,697</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | <u>(160,524)</u> | 198,715 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 299,190 | 56,199 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | <u>10</u> | <u>(140)</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | |
| represented by bank balances and cash | <u><u>138,676</u></u> | <u><u>254,774</u></u> |

NOTES:

(1) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

(2) SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2014, 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 2015. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the unaudited consolidated financial statements.

(3) REVENUE

An analysis of the Group's revenue for the three-month period and the six-month period ended 30 June 2015 is as follows:

| | Three-month period ended | | Six-month period ended | |
|--|--------------------------|-------------|------------------------|-------------|
| | 30 June | 2014 | 30 June | 2014 |
| | 2015 | (Unaudited) | 2015 | (Unaudited) |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Lottery business: | | | | |
| Trading of lottery terminals and parts | 10,099 | 10,584 | 19,126 | 20,891 |
| Provision of services and solutions for distribution of lottery products | 2,436 | 848 | 4,950 | 1,651 |
| | 12,535 | 11,432 | 24,076 | 22,542 |

(4) SEGMENT INFORMATION

The Group's revenue and contribution to loss were solely derived from lottery business which comprises of the provision of services and solutions for distribution of lottery products, and the trading of lottery terminals and parts. The chief operating decision maker, the Chief Executive Officer, reviews the internally reported information for the lottery business as a whole and the consolidated financial information of the Group for purposes of resource allocation and performance assessment. Accordingly, the Group has only one operating segment, which is the lottery business. No segment analysis is presented other than entity-wide disclosures.

The revenue of products and services is set out in note 3.

(5) FINANCE COSTS

| | Three-month period ended 30 June | | Six-month period ended 30 June | |
|---|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Interest on: | | | | |
| Amount due to immediate holding company | - | 1,305 | - | 3,084 |

(6) TAXATION

| | Three-month period ended 30 June | | Six-month period ended 30 June | |
|---------------------------|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| PRC Enterprise Income Tax | | | | |
| - Current period | 94 | - | 168 | 121 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax was provided for since the Hong Kong subsidiaries have incurred losses from operations for both periods.

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% from 1 January 2008 onwards.

(7) **DIVIDEND**

No interim dividends had been paid or declared by the Company during the six-month period ended 30 June 2015 (2014: Nil).

(8) **LOSS FOR THE PERIOD**

| | Three-month period ended | | Six-month period ended | |
|--|--------------------------|-------------|------------------------|-------------|
| | 30 June | | 30 June | |
| | 2015 | 2014 | 2015 | 2014 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Loss for the period has been arrived at after charging (crediting): | | | | |
| Depreciation of property, plant and equipment | 70 | 307 | 142 | 592 |
| Management fee paid to lottery operator (included in other expenses) | 362 | 351 | 637 | 643 |
| Net foreign exchange (gain) loss | (28) | 1,860 | 3 | 6,958 |
| Bank interest income | (860) | (663) | (1,878) | (722) |

(9) **LOSS PER SHARE**

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2015 is based on the loss attributable to owners of the Company of approximately HK\$10,010,000 and HK\$18,826,000 (three-month period and six-month period ended 30 June 2014: HK\$8,466,000 and HK\$20,356,000) and on the weighted average number of approximately 3,145,588,239 and 3,145,566,901 (three-month period and six-month period ended 30 June 2014: 2,780,782,709 and 2,674,564,534) ordinary shares in issue during the period.

The computation of diluted loss per share in 2015 and 2014 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

(10) **STRUCTURED NOTES**

On 25 June 2015, the Company has subscribed, at par, for 24-month puttable step-up coupon notes issued by BOCI Financial Products Limited in principal amount of HK\$50,000,000. The notes are interest-bearing at rates ranging from 0.97% – 1.45% payable quarterly in arrears, with maturity date of 30 June 2017. Since returns available on surplus liquidity remain low, subscription of the notes offers better return on cash while keeping increased risks within prudent limits. For further details, please refer to the announcement of the Company dated 25 June 2015.

(11) TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 to 90 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:

| | As at 30 June 2015 <u>(Unaudited)</u> <i>HK\$'000</i> | As at 31 December 2014 <u>(Audited)</u> <i>HK\$'000</i> |
|--------------------------|---|---|
| Trade receivables: | | |
| Within 30 days | 6,287 | 12,515 |
| 31-90 days | 5,779 | – |
| | <u>12,066</u> | <u>12,515</u> |
| Other receivables | 9,681 | 9,955 |
| Prepayments and deposits | 3,289 | 2,694 |
| | <u>25,036</u> | <u>25,164</u> |

(12) TRADE AND OTHER PAYABLES

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

| | As at 30 June 2015 <u>(Unaudited)</u> <i>HK\$'000</i> | As at 31 December 2014 <u>(Audited)</u> <i>HK\$'000</i> |
|---|---|---|
| Trade payables: | | |
| Within 30 days | 11,033 | 10,042 |
| Over 365 days | 114 | 115 |
| | <u>11,147</u> | <u>10,157</u> |
| Advance of earnest money from a project partner (<i>Note</i>) | 58,350 | 58,350 |
| Other payables | 7,889 | 9,387 |
| Accruals | 2,648 | 1,981 |
| | <u>80,034</u> | <u>79,875</u> |

Note: The amount represents the first advance payment received from a project partner, Firich Enterprises Co., Ltd. (“**Firich**”) in relation to the subscription of new shares of Express Wealth Enterprise Limited (“**Express Wealth**”), pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014, which was formed for the purpose of obtaining the gaming license and to undertake the proposed casino project situated in a project site wholly-owned by Dhabi Group Georgia, LCC and located in Tbilisi, Georgia. On the date of this report, the subscription has not yet completed as the conditions precedent to completion of the subscription have yet to be satisfied.

(13) SHARE CAPITAL

| | Authorized | Issued and fully paid | Amount |
|-------------------------------------|---------------------------|----------------------------------|-----------------|
| | <i>(number of shares)</i> | | <i>HK\$'000</i> |
| Ordinary shares of HK\$0.01 each: | | | |
| At 1 January 2014 (Audited) | 5,500,000,000 | 2,408,041,487 | 24,081 |
| Exercise of share options | – | 12,167,542 | 121 |
| Issue of new shares upon open offer | – | 725,224,723 | 7,252 |
| | <hr/> | <hr/> | <hr/> |
| 30 June 2014 (Unaudited) | <u>5,500,000,000</u> | <u>3,145,433,752</u> | <u>31,454</u> |
| | <hr/> | <hr/> | <hr/> |
| At 1 January 2015 (Audited) | – | 3,145,545,326 | 31,455 |
| Exercise of share options | – | 111,574 | 1 |
| | <hr/> | <hr/> | <hr/> |
| 30 June 2015 (Unaudited) | <u>5,500,000,000</u> | <u>3,145,656,900</u> | <u>31,456</u> |

During the six-month period ended 30 June 2015, the Company issued 111,574 shares for exercise of share options, which increased the issued capital by HK\$1,000.

(14) RELATED PARTY TRANSACTIONS

- a. During the period, the Group has the following transactions with related parties:

| Class of related parties | Nature of transactions | Six-month period ended | |
|---|---|---------------------------------|---------------------------------|
| | | 30 June | |
| | | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Associate of a 37.5% non-controlling shareholder of a group company | Sales of lottery terminals (Note 1) | - | 574 |
| Non-controlling shareholders of a group company | Expenses recharge income (Note 1) | - | 212 |
| Non-controlling shareholders of a group company | Dividend paid | - | 9,835 |
| Subsidiary of substantial shareholder of the Company | Service fee expense (Note 2) | 1,041 | 863 |
| Immediate holding company | Interest expense (Note 3) | - | 3,084 |
| Subsidiary of a 49% non-controlling shareholder of a group company | Purchase of lottery terminals and parts (Note 4) | 20,918 | - |

Note 1: For the six-month period ended 30 June 2014, the transactions fall under the definition of “continuing connected transactions” under the GEM Listing Rules. As the transactions are on normal commercial terms and were less than HK\$1 million, the transactions are exempted from shareholders’ approval, annual review and all disclosure requirements under Rule 20.74(1) of the GEM Listing Rules.

Note 2: The transactions fall under the definition of “continuing connected transactions” under the GEM Listing Rules. As the transactions are sharing of administrative services, the transactions are exempted from shareholders’ approval, annual review and all disclosure requirements under Rule 20.96 of the GEM Listing Rules.

Note 3: For the six-month period ended 30 June 2014, the transactions fall under the definition of “continuing connected transactions” under the GEM Listing Rules. As the transactions are on normal commercial terms and no security is granted in respect of the financial assistance provided by the immediate holding company, the transactions are exempted from shareholders’ approval, annual review and all disclosure requirements under Rule 20.88 of the GEM Listing Rules.

Note 4: The purchases of lottery terminals and parts from the subsidiary of a 49% non-controlling shareholder of a group company constitute continuing connected transactions, as defined in Chapter 20 of the GEM Listing Rules. Further details of the transactions were set out in the announcement of the Company dated 22 October 2014.

b. Compensation of key management personnel

The remuneration of Directors and other members of key management during the period is as follows:

| | Six-month period ended 30 June | |
|--------------------------|---|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Short-term benefits | 2,360 | 2,256 |
| Post-employment benefits | 9 | 8 |
| Share-based payments | 11,005 | 3,062 |
| | <u>13,374</u> | <u>5,326</u> |

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

During the six-month period ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the six-month period ended 30 June 2015 or at any time during such period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests of the Directors, chief executive of the Company and their respective close 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 positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company

| Name of Director | Number of ordinary shares held | Approximate percentage of total issued shares of the Company |
|-----------------------------|---------------------------------------|---|
| | <i>(Note 2)</i> | <i>(Note 1)</i> |
| Mr. Tsoi, David | 430,806 | 0.01% |
| Mr. Pang Hing Chung, Alfred | 1,586,000 | 0.05% |

(b) Share options granted by the Company

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

Notes:

1. As at 30 June 2015, the total number of issued shares of the Company was 3,145,656,900.
2. This represents interests held by the relevant Director as beneficial owner.
3. Details of share options granted to the Directors pursuant to the share option schemes of the Company are set out in the “Share Options” section of this report.

(II) Long positions in the shares and underlying shares of associated corporations of the Company

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

(a listed holding company of the Company)

(a) Ordinary shares of Melco

| Name of Director | Number of ordinary shares held | Approximate percentage of total issued shares of Melco |
|----------------------------|---|---|
| | <i>(Note 2)</i> | <i>(Note 1)</i> |
| Mr. Tsui Che Yin, Frank | 4,579,660 | 0.30% |
| Mr. Ko Chun Fung, Henry | 894,000 | 0.06% |
| Mr. Tsang Yuen Wai, Samuel | 3,573,162 | 0.23% |
| Mr. Tam Chi Wai, Dennis | 3,004,222 | 0.19% |
| Ms. Chan Po Yi, Patsy | 4,000 | 0.00% |

(b) *Share options and awarded shares granted by Melco*

| Name of Director | Number of underlying shares held pursuant to share options | Number of awarded shares held | Total | Approximate percentage of total issued shares of Melco |
|----------------------------|--|-------------------------------|-----------|--|
| | (Notes 2 & 3) | (Notes 2 & 4) | | (Note 1) |
| Mr. Tsui Che Yin, Frank | 3,326,000 | 96,000 | 3,422,000 | 0.22% |
| Mr. Tsang Yuen Wai, Samuel | 1,878,000 | 83,000 | 1,961,000 | 0.13% |
| Mr. Tam Chi Wai, Dennis | 3,330,000 | 72,000 | 3,402,000 | 0.22% |

Notes:

1. As at 30 June 2015, the total number of issued shares of Melco was 1,546,663,555.
2. This represents interests held by the relevant Director as beneficial owner.
3. Details of the 3,326,000 share options held by Mr. Tsui Che Yin, Frank 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
 - 256,000 share options granted on 8 April 2015 at exercise price of HK\$14.24 are divided into 4 tranches exercisable from 8 April 2015, 8 April 2016, 8 April 2017 and 8 April 2018 respectively to 7 April 2025

Details of the 1,878,000 share options held by Mr. Tsang Yuen Wai, Samuel 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
- 223,000 share options granted on 8 April 2015 at exercise price of HK\$14.24 are divided into 4 tranches exercisable from 8 April 2015, 8 April 2016, 8 April 2017 and 8 April 2018 respectively to 7 April 2025

Details of the 3,330,000 share options held by Mr. Tam Chi Wai, Dennis 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
- 195,000 share options granted on 8 April 2015 at exercise price of HK\$14.24 are divided into 4 tranches exercisable from 8 April 2015, 8 April 2016, 8 April 2017 and 8 April 2018 respectively to 7 April 2025

4. Details of the 96,000 awarded shares held by Mr. Tsui Che Yin, Frank are as follows:

- One third of the 96,000 awarded shares will vest on each of the following dates: 8 April 2016, 8 April 2017 and 8 April 2018

Details of the 83,000 awarded shares held by Mr. Tsang Yuen Wai, Samuel are as follows:

- One third of the 83,000 awarded shares will vest on each of the following dates: 8 April 2016, 8 April 2017 and 8 April 2018

Details of the 72,000 awarded shares held by Mr. Tam Chi Wai, Dennis are as follows:

- One third of the 72,000 awarded shares will vest on each of the following dates: 8 April 2016, 8 April 2017 and 8 April 2018

(B) Entertainment Gaming Asia Inc. ("EGT")

(a listed subsidiary of Melco)

(a) Shares of EGT

| Name of Director | Number of shares held | | Approximate percentage of total issued shares of EGT |
|----------------------------|--------------------------------|-------------------------------|--|
| | Before the Reverse Stock Split | After the Reverse Stock Split | |
| | <i>(Note 2)</i> | <i>(Notes 1 & 2)</i> | <i>(Note 1)</i> |
| Mr. Tsang Yuen Wai, Samuel | 30,000 | 7,500 | 0.05% |

(b) Stock options granted by EGT

| Name of Director | Number of underlying shares held pursuant to stock options | | Approximate percentage of total issued shares of EGT |
|----------------------------|--|-------------------------------|--|
| | Before the Reverse Stock Split | After the Reverse Stock Split | |
| | (Note 2) | (Notes 1 to 3) | (Note 1) |
| Mr. Tsang Yuen Wai, Samuel | 137,500 | 34,375 | 0.24% |

Notes:

1. EGT has effected a 1-for-4 reverse stock split (the "Reverse Stock Split") of its shares with effect from 26 February 2015. As a result of the Reverse Stock Split, every four shares have been combined into one share. As at 30 June 2015, the total number of issued shares of EGT was 14,464,220.

The number of shares, underlying shares in respect of the stock options and the exercise prices of the stock options were adjusted for the effect of the Reverse Stock Split.

2. This represents interests held by the relevant Director as beneficial owner.
3. Details of the 34,375 stock options held by Mr. Tsang Yuen Wai, Samuel are as follows:
 - 6,250 stock options (adjusted) granted on 11 December 2008 at exercise price of US\$1.28 (adjusted) may be exercised from 12 June 2009 to 11 December 2018
 - 3,125 stock options (adjusted) granted on 12 February 2009 at exercise price of US\$2.08 (adjusted) may be exercised from 13 August 2009 to 12 February 2019
 - 3,125 stock options (adjusted) granted on 7 January 2010 at exercise price of US\$4.64 (adjusted) may be exercised from 8 July 2010 to 7 January 2020

- 3,125 stock options (adjusted) granted on 3 February 2011 at exercise price of US\$5.76 (adjusted) may be exercised from 4 August 2011 to 3 February 2021
- 6,250 stock options (adjusted) granted on 3 January 2012 at exercise price of US\$3.696 (adjusted) may be exercised from 4 July 2012 to 3 January 2022
- 6,250 stock options (adjusted) granted on 2 January 2013 at exercise price of US\$7.86 (adjusted) may be exercised from 3 July 2013 to 2 January 2023
- 6,250 stock options (adjusted) granted on 2 January 2014 at exercise price of US\$4.844 (adjusted) may be exercised from 3 July 2014 to 2 January 2024

Save as disclosed above, none of the Directors or chief executive of the Company and their respective close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2015.

SHARE OPTIONS

The share option scheme adopted on 20 April 2002 (the “**Old Share Option Scheme**”) had expired on 20 April 2012. No options may be and have been granted under that scheme after the expiry date, but the options granted before the expiry date continue to be valid and exercisable in accordance with their terms of issue. Subject to the aforesaid, the provisions of the Old Share Option Scheme remain in full force and effect, notwithstanding the expiry of the 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 options to eligible persons to subscribe for the Company’s shares, subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme will expire on 17 May 2022.

Movements of share options granted under the Old Share Option Scheme and 2012 Share Option Scheme during the six-month period ended 30 June 2015 are set out below:

| Type of participants | Number of share options | | | | As at 30 June 2015 | Date of grant | Exercise price (HK\$) | Exercise period (Note) |
|--------------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|--------------------|---------------|-----------------------|------------------------|
| | As at 1 January 2015 | Granted during the period | Exercised during the period | Lapsed during the period | | | | |
| Under Old Share Option Scheme | | | | | | | | |
| Director | | | | | | | | |
| Mr. Pang Hing Chung, Alfred | 278,936 | - | - | - | 278,936 | 10.07.2009 | 0.263 | 4 |
| | 278,936 | - | - | - | 278,936 | 18.11.2010 | 0.109 | 5 |
| Sub-total: | 557,872 | - | - | - | 557,872 | | | |
| Employees | 200,831 | - | - | - | 200,831 | 31.03.2008 | 0.638 | 2 |
| | 223,148 | - | (111,574) | - | 111,574 | 10.07.2009 | 0.263 | 4 |
| | 167,361 | - | - | - | 167,361 | 18.11.2010 | 0.109 | 5 |
| Sub-total: | 591,340 | - | (111,574) | - | 479,766 | | | |
| Others | 52,300 | - | - | - | 52,300 | 12.01.2007 | 0.063 | 1 |
| | 2,942,779 | - | - | - | 2,942,779 | 31.03.2008 | 0.638 | 2 |
| | 2,956,728 | - | - | - | 2,956,728 | 16.02.2009 | 0.215 | 3 |
| Sub-total: | 5,951,807 | - | - | - | 5,951,807 | | | |
| Total: | 7,101,019 | - | (111,574) | - | 6,989,445 | | | |

| Type of participants | Number of share options | | | | As at 30 June 2015 | Date of grant | Exercise price (HK\$) | Exercise period (Note) |
|---------------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|--------------------|---------------|-----------------------|------------------------|
| | As at 1 January 2015 | Granted during the period | Exercised during the period | Lapsed during the period | | | | |
| Under 2012 Share Option Scheme | | | | | | | | |
| Directors | | | | | | | | |
| Mr. Tsui Che Yin, Frank | 6,386,400 | - | - | - | 6,386,400 | 02.07.2013 | 0.511 | 6 |
| | 16,000,000 | - | - | - | 16,000,000 | 11.08.2014 | 1.140 | 7 |
| | 22,386,400 | - | - | - | 22,386,400 | | | |
| Mr. Ko Chun Fung, Henry | 3,193,200 | - | - | - | 3,193,200 | 02.07.2013 | 0.511 | 6 |
| | 16,000,000 | - | - | - | 16,000,000 | 11.08.2014 | 1.140 | 7 |
| | 19,193,200 | - | - | - | 19,193,200 | | | |
| Mr. Tsang Yuen Wai, Samuel | 6,386,400 | - | - | - | 6,386,400 | 02.07.2013 | 0.511 | 6 |
| | 16,000,000 | - | - | - | 16,000,000 | 11.08.2014 | 1.140 | 7 |
| | 22,386,400 | - | - | - | 22,386,400 | | | |
| Mr. Tam Chi Wai, Dennis | 6,386,400 | - | - | - | 6,386,400 | 02.07.2013 | 0.511 | 6 |
| | 16,000,000 | - | - | - | 16,000,000 | 11.08.2014 | 1.140 | 7 |
| | 22,386,400 | - | - | - | 22,386,400 | | | |
| Mr. Tsoi, David | 1,248,000 | - | - | - | 1,248,000 | 11.08.2014 | 1.140 | 7 |
| Mr. Pang Hing Chung, Alfred | 1,248,000 | - | - | - | 1,248,000 | 11.08.2014 | 1.140 | 7 |
| Ms. Chan Po Yi, Patsy | 1,248,000 | - | - | - | 1,248,000 | 11.08.2014 | 1.140 | 7 |
| Sub-total: | 90,096,400 | - | - | - | 90,096,400 | | | |
| Substantial shareholder | 7,385,871 | - | - | - | 7,385,871 | 02.07.2013 | 0.511 | 6 |
| | 4,384,000 | - | - | - | 4,384,000 | 11.08.2014 | 1.140 | 7 |
| | 11,769,871 | - | - | - | 11,769,871 | | | |
| Sub-total: | 11,769,871 | - | - | - | 11,769,871 | | | |
| Employees | 1,216,000 | - | - | - | 1,216,000 | 11.08.2014 | 1.140 | 7 |
| Others | 1,596,600 | - | - | - | 1,596,600 | 02.07.2013 | 0.511 | 6 |
| | 8,364,000 | - | - | - | 8,364,000 | 11.08.2014 | 1.140 | 7 |
| Sub-total: | 9,960,600 | - | - | - | 9,960,600 | | | |
| Total: | 113,042,871 | - | - | - | 113,042,871 | | | |

Notes:

1. The share options granted on 12 January 2007 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.
2. The share options granted on 31 March 2008 are divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.
3. The share options granted on 16 February 2009 are divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.
4. The share options granted on 10 July 2009 are divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.
5. The share options granted on 18 November 2010 are divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.
6. The share options granted on 2 July 2013 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.
7. The share options granted on 11 August 2014 are divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.
8. 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.
9. During the six-month period ended 30 June 2015, no share options were cancelled under the Old Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$0.49.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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 shares of the Company:

Long positions in the shares and underlying shares of the Company

| Name | Capacity | Number of shares held | Number of underlying shares held | Approximate percentage of total issued shares 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> | Interest of a controlled corporation | 1,278,714,329 | – | 40.65% |
| Melco <i>(Note 3)</i> | Interest of controlled corporations | 1,278,714,329 | – | 40.65% |
| Mr. Ho, Lawrence Yau Lung (" Mr. Ho ") <i>(Note 4)</i> | Interest of controlled corporations | 1,278,714,329 | – | 40.65% |
| | Beneficial owner | – | 11,769,871 | 0.37% |
| Ms. Lo Sau Yan, Sharen <i>(Note 5)</i> | Interest of spouse | 1,278,714,329 | 11,769,871 | 41.02% |

Notes:

1. As at 30 June 2015, the total number of issued shares of the Company was 3,145,656,900.
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.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company as at 30 June 2015.

COMPETING BUSINESS

During the six-month period ended 30 June 2015, none of the Directors, the controlling shareholder of the Company and their respective close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. The Company has complied with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules during the period from 1 January 2015 to 30 June 2015.

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 TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors (the “**Code**”). Having made specific enquiry of the Directors, except for Mr. Pang Hing Chung, Alfred (“**Mr. Pang**”), all Directors confirmed that they have complied with the required standard of dealings as set out in the Code throughout the six-month period ended 30 June 2015.

On 8 April 2015, 4,000 shares of the Company held by Mr. Pang were sold during the black-out period specified under Rule 5.56(a)(ii) of the GEM Listing Rules (the “**Transaction**”). The non-compliance did not arise from Mr. Pang’s own action but arose from a sale initiated by his broker for settlement of the broker’s service charge. Upon Mr. Pang becoming aware of the Transaction on 22 June 2015, the Transaction was disclosed to the Stock Exchange and the public on 25 June 2015. At his own initiation, Mr. Pang agreed with the Stock Exchange to put into place necessary measures to ensure similar incident will not happen again in future.

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 interim report of the Company for the six-month period ended 30 June 2015.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) subsequent to the date of the 2014 Annual Report of the Company are set out below:

| Name of Director | Details of Changes |
|----------------------------|---|
| Mr. Tsang Yuen Wai, Samuel | Resigned as a director of Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange of Canada, with effect from 23 June 2015. |
| Mr. Tsoi, David | Appointed as an independent non-executive director of Guru Online (Holdings) Limited (a company listed on the Hong Kong Stock Exchange in May 2015) with effect from 28 May 2014. |

BOARD OF DIRECTORS

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

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

Hong Kong, 10 August 2015