新濠環彩
MelcoLot

Annual Report 2016

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")

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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This report, for which the directors of MelcoLot Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry#
(Chief Executive Officer)
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

Executive Director
* *Non-executive Director*
+ *Independent Non-executive Director*

EXECUTIVE COMMITTEE

Mr. Ko Chun Fung, Henry *(Chairman)*
Mr. Tsang Yuen Wai, Samuel
Mr. Tam Chi Wai, Dennis

AUDIT COMMITTEE

Mr. Tsoi, David *(Chairman)*
Mr. Tsui Che Yin, Frank
Mr. Pang Hing Chung, Alfred
Ms. Chan Po Yi, Patsy

REMUNERATION COMMITTEE

Mr. Tsoi, David *(Chairman)*
Mr. Tam Chi Wai, Dennis
Ms. Chan Po Yi, Patsy

NOMINATION COMMITTEE

Ms. Chan Po Yi, Patsy *(Chairman)*
Mr. Ko Chun Fung, Henry
Mr. Tsoi, David
Mr. Pang Hing Chung, Alfred

COMPLIANCE OFFICER

Mr. Ko Chun Fung, Henry

JOINT COMPANY SECRETARIES

Mr. Leung Hoi Wai, Vincent
Ms. Chan Yuen Mei, Claudia

AUTHORIZED REPRESENTATIVES

Mr. Ko Chun Fung, Henry
Mr. Tam Chi Wai, Dennis

REGISTERED OFFICE

P. O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3701, 37th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Michael Li & Co.
Zhong Lun Law Firm

STOCK CODE

8198 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.melcolot.com

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of MelcoLot Limited (the "Company"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

In 2016, the Group went through a challenging year against the backdrop of a reform of the regulatory regime and a soft lottery market in China. Despite an increasingly competitive market environment, the Group was able to make solid progress on various strategic and operational fronts in line with shifting market trends. These efforts should benefit our core lottery operations and open up significant growth potential for the Group.

During the financial year under review, the Group's revenue rose 5.4% to HK$60.3 million (2015: HK$57.2 million). Loss attributable to owners of the Company reduced to approximately HK$2.3 million (2015: HK$35.9 million), representing a decrease of 93.6% as compared to last year. Our balance sheet remains strong. As at the end of 2016, the Group had no debt and had cash and bank balances of HK$333.1 million.

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

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

IN APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our stakeholders. I would also like to give my genuine thanks to our shareholders for their continuing support and confidence. To my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for their hard work and dedicated commitments. To our business partners, we are grateful for their trust and confidence in us and look forward to many more years of support.

Tsui Che Yin, Frank
Chairman and Non-executive Director

Hong Kong, 15 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the People's Republic of China (the "PRC"), namely the China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre ("CSLA"). We are a distributor of high quality, versatile lottery terminals and parts for CSLA, which is the exclusive sports lottery operator in the PRC. The distribution business is our major revenue generator and contributed approximately 99% of the Group's revenue (2015: 90%).

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

China Lottery Market

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

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

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

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

FINANCIAL REVIEW

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

(1) Sales of lottery terminals and parts

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2016, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK$333.1 million (2015: HK$438.4 million), representing a decrease of HK$105.3 million from last year. Of the cash and cash equivalents as at 31 December 2016, 82% (2015: 77%) was denominated in Hong Kong dollars, with the remaining balance in Renminbi and United States dollars.

The decrease in cash and bank balances was mainly due to the cash used in the subscription of 24-month puttable step-up coupon notes (the "Notes") issued by BOCI Financial Products Limited in a principal amount of HK$50 million and refund of earnest money to a project partner of HK$56 million. Since the return available on surplus liquidity remains low, pending deployment of funds for any investment project that may arise, the Group believes that subscription of the Notes with part of the Group's available cash balance could offer a better return on cash while keeping increased risks within prudent limits. Further details of the subscription of the Notes were set out in the announcement of the Company dated 27 June 2016.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

OUTLOOK

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

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

CHARGES ON GROUP ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

STAFF AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of 15 full-time employees (2015: 15). For the year ended 31 December 2016, the Directors received total emoluments of approximately HK$8.4 million (2015: HK$21.0 million), including non-cash share-based payments to Directors of HK$5.0 million in 2016 (2015: HK$17.1 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and also did not have any significant contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Tsui Che Yin, Frank, aged 59, has been the Chairman and Non-executive Director of the Company since July 2013. He is also a member of the Audit Committee of the Company and a director of certain subsidiaries of the Company. Mr. Tsui is currently an executive director of Melco International Development Limited ("Melco", together with its subsidiaries, "Melco Group"), a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the parent company of the Company. He is also a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Prior to joining Melco, Mr. Tsui was the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong. Mr. Tsui graduated with a bachelor's and a master's degree in business administration from The Chinese University of Hong Kong and with a law degree from the University of London. He also holds a doctoral degree in Business Administration from The University of Newcastle, Australia. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities and Investment Institute.

EXECUTIVE DIRECTORS

Mr. Ko Chun Fung, Henry, aged 57, is the Chief Executive Officer, Compliance Officer and Executive Director of the Company. He is also the chairman of the Executive Committee and a member of the Nomination Committee of the Company and a director of certain subsidiaries of the Company. Mr. Ko was appointed as a Director of the Company in January 2008. He is a seasoned professional with a strong track record of successful senior positions in Asia. He has led various high profile ventures in the telecom industry. Prior to entering the lottery industry, he was a founder of iAsia Online Systems Limited, and in his capacity as chief executive officer and executive director, nurtured its growth into a leading financial trading solutions vendor in Hong Kong and mainland China. Mr. Ko then went on to set up the lottery business which was subsequently acquired by the Group in late 2007, in his capacity as chief executive officer and executive director of PAL Development Limited. Upon the acquisition of the lottery business, Mr. Ko was appointed to the Board and as Chief Executive Officer of the Company and continues to lead the lottery business of the Group. Mr. Ko obtained a Bachelor of Engineering degree (first class honours) in 1982. In 1990 he received an Australian Postgraduate Course Award to study at the Australian Graduate School of Management, where he obtained his Master of Business Administration degree.

Mr. Tsang Yuen Wai, Samuel, aged 62, has been a Director of the Company since July 2013. He is also a member of the Executive Committee of the Company. Mr. Tsang has worked as a lawyer in Hong Kong for over 30 years and is currently Chief Advisor, Legal of Melco Group. Before assuming such post, Mr. Tsang had been group legal counsel and company secretary of Melco Group overseeing the legal, corporate and compliance matters of that group.

Mr. Tsang holds a master of laws degree from The University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management. Mr. Tsang is a director of Entertainment Gaming Asia Inc., a Melco's subsidiary with its shares listed on the NASDAQ Capital Market in the United States, and a director of Maple Peak Investments Inc., a company listed on the TSX Venture Exchange of Canada. Mr. Tsang was a director of Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange of Canada, from June 2011 to June 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Tam Chi Wai, Dennis, aged 47, has been an Executive Director of the Company since July 2013. He is also a member of both the Executive Committee and Remuneration Committee of the Company and a director of certain subsidiaries of the Company. Mr. Tam oversees the strategic investment, financial control, treasury and corporate finance of the Group. Mr. Tam is currently Group Finance Director and Head of Human Resources and Administration of Melco, a company listed on the Hong Kong Stock Exchange and the parent company of the Company. He is also a director of Entertainment Gaming Asia Inc., a Melco's subsidiary with its shares listed on the NASDAQ Capital Market in the United States, and a director of Alpha Peak Leisure Inc. and Maple Peak Investments Inc., both of which are listed on the TSX Venture Exchange of Canada. Mr. Tam has more than 20 years of experience in corporate finance, accounting, financial control and mergers & acquisitions. Prior to joining Melco, Mr. Tam held senior management positions with various local listed and multinational companies.

Mr. Tam obtained his Master Degree in Accounting from Monash University, completed his PhD program at Washington Intercontinental University and was trained at Harvard Business School in Cambridge, Massachusetts. He is the chairman of the board for Greater China for the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of the Institute of Public Accountants, a member of CPA Australia, a member of the Institute of Administrative Management in United Kingdom. In 2014 and 2015, Mr. Tam was awarded "Asia's Best CFO (Investor Relations)" at the Asian Excellence Awards by Corporate Governance Asia Magazine.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsoi, David, aged 69, has been an Independent Non-executive Director of the Company since October 2001. He is also the chairman of both the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company. Being a Certified Public Accountant by profession, Mr. Tsoi currently practises as managing director of Alliott, Tsoi CPA Limited. He is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales and a member of the Chartered Professional Accountants of Canada and CPA Australia. He is also a fellow member of the Hong Kong Institute of Directors. Mr. Tsoi holds a master's degree in business administration from the University of East Asia, Macau (currently known as The University of Macau). Mr. Tsoi is currently an independent non-executive director of Guru Online (Holdings) Limited, Enviro Energy International Holdings Limited, Universal Technologies Holdings Limited, VPower Group International Holdings Limited and Anxin-China Holdings Limited, all of which are companies listed on the Hong Kong Stock Exchange. Between March 2008 and June 2014, he was an independent non-executive director of CSR Corporation Limited (currently known as CRRC Corporation Limited), a company listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Pang Hing Chung, Alfred, aged 55, has been an Independent Non-executive Director of the Company since March 1999. He is also a member of both the Audit Committee and Nomination Committee of the Company. Mr. Pang is currently the vice chairman of Silk Road Finance Corporation Limited ("Silk Road"). He is also an independent non-executive director of Summit Ascent Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Pang has over 25 years of financial, management and investment banking experience in China, Asia and the United States. Before joining Silk Road, Mr. Pang was the chairman and a member of Asia Executive Committee of Standard Advisory Asia Limited. He was previously the managing director and vice chairman, Investment Banking Division, at BOC International Holdings Limited ("BOCI") where he was also the chairman of BOCI's commitment committee. Prior to joining BOCI, he was the managing director and president, Asia at Donaldson Lufkin & Jenrette, the United States investment banking firm. Mr. Pang holds dual Bachelor of Arts (in Economics) & Bachelor of Science (in Electrical Engineering) degrees from Cornell University, and Master of Business Administration degree from Stanford University Graduate School of Business in the United States.

Ms. Chan Po Yi, Patsy, aged 52, has been an Independent Non-executive Director of the Company since November 2013. She is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Ms. Chan is currently the chief operating officer of Richemont Luxury (Singapore) Pte Ltd. She has been working with Richemont Luxury Group, one of the world leading luxury goods groups, for over 10 years. With more than 20 years of experience in several prestigious multinational corporations, Ms. Chan leads the company in maximizing operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning and performance measurement development. Prior to joining Richemont Luxury Group, she held various management positions in Piaget, Marsh & McLennan and other multinational companies. Ms. Chan holds a Bachelor's degree of Commerce in Accounting from The University of New South Wales in Sydney, Australia and participated in the Luxury Brand Management Executive Program at ESSEC Business School. She is a member of CPA Australia, a member of Institute of Certified Management Accountants and a member of the Institute of Public Accountants, Australia.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The board of directors of the Company (the "Directors" or "Board") is conscientious of the need for accountability, transparency, fairness and integrity of the operations of the Company for the benefit of its shareholders and the investing public.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2016. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Composition of the Board

The composition of the Board reflects the necessary balance of skills and experience desirable for the effective leadership of the Company. The Board currently comprises a total of seven Directors, comprising three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules.

The Board members were made up of the following Directors who served throughout the year:

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry# *(Chief Executive Officer)*
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

\# *Executive Director*
* *Non-executive Director*
\+ *Independent Non-executive Director*

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the GEM Listing Rules.

All Directors have signed service contract or formal letters of appointment with the Company, which set out the key terms and conditions of their appointments. Each Executive Director was appointed for a term of three years while each Non-executive Director and Independent Non-executive Director was appointed for a term of two years from the date of the appointment. Every Director will retire once every three years. This year, Mr. Ko Chun Fung, Henry, Mr. Pang Hing Chung, Alfred and Ms. Chan Po Yi, Patsy will retire and will offer themselves for re-election at the forthcoming annual general meeting.

Among the retiring Directors, Mr. Pang Hing Chung, Alfred, an Independent Non-executive Director, has served the Board for more than 18 years. The Board has received written confirmation from Mr. Pang regarding his independence in accordance with the GEM Listing Rules. In view of the fact that Mr. Pang is a very seasoned and experienced director and professional, the Board considers Mr. Pang has the necessary character, integrity and experience to remain independent notwithstanding his long length of service and will continue to bring invaluable independent advice and perspectives to the Company and its business. The Board therefore recommends Mr. Pang be re-elected as Independent Non-executive Director of the Company at the forthcoming annual general meeting.

The biographies of Mr. Ko, Mr. Pang and Ms. Chan have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

Board Meetings

The Board meets regularly over the Company's affairs and operations. At the Board meetings, the Directors considered and approved the financial results and budget, discussed the overall strategy as well as the operation and financial performance of the Group. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The Directors either participated the Board meetings in person or through electronic means of communication. At least 14 days' notice of the meetings was given.

Board papers were provided to Directors in advance to enable them to prepare for the meetings and keep the Directors appraised of the latest developments and financial position of the Company. All Directors have access to the advice and services of the Joint Company Secretaries to ensure that the Board procedures, and all applicable rules and regulations are followed. Directors are also entitled to seek independent professional advice in performing their duties at the Company's expense, where necessary.

Draft and final versions of minutes of Board meetings were circulated to all Directors for comment within a reasonable time after the Board meeting was held. The Joint Company Secretaries keep full records of the meetings in accordance with applicable laws and regulations.

The Board met five times during 2016. In addition, the Chairman of the Board met the Non-executive Directors once without the presence of the Executive Directors. The attendance records of the Directors at Board meetings and the annual general meeting are set out below:

	No. of meetings attended/held	
Name of Director	**Board Meeting**	**Annual General Meeting**
Mr. Tsui Che Yin, Frank*	5/5	1/1
Mr. Ko Chun Fung, Henry#	5/5	1/1
Mr. Tsang Yuen Wai, Samuel#	5/5	1/1
Mr. Tam Chi Wai, Dennis#	5/5	1/1
Mr. Tsoi, David+	5/5	0/1
Mr. Pang Hing Chung, Alfred+	4/5	1/1
Ms. Chan Po Yi, Patsy+	4/5	1/1
Average Attendance Rate	**94.3%**	**85.7%**

Executive Director
* *Non-executive Director*
+ *Independent Non-executive Director*

Board Diversity Policy

The Board adopted a board diversity policy in August 2013 which sets out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved from different age, gender, cultural and educational background, ethnicity, professional experience, skills and knowledge. All Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee is in charged of implementing this policy and reports annually on Board appointment process in the corporate governance report.

Directors' Training

The Joint Company Secretaries are responsible for keeping Directors informed of changes in laws and regulations and organizing continuing development programme. Every Director will receive a comprehensive orientation package on appointment.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company has invited Deloitte Touche Tohmatsu to provide a seminar to our Directors on the topic of "New Requirements on Risk Management and Compliance Approach and Environmental, Social and Governance Reporting". The Company has also sent information on external training courses and articles to Directors from time to time. A summary of training received by Directors during the year of 2016 is set out below:

	Type of Continuous Professional Development	
Name of Director	**Attending seminars/ workshops/conferences relevant to the business of the Company or directors' duties**	**Reading regulatory updates**
Mr. Tsui Che Yin, Frank*	✓	✓
Mr. Ko Chun Fung, Henry#	✓	✓
Mr. Tsang Yuen Wai, Samuel#	✓	✓
Mr. Tam Chi Wai, Dennis#	✓	✓
Mr. Tsoi, David+	✓	✓
Mr. Pang Hing Chung, Alfred+	✓	✓
Ms. Chan Po Yi, Patsy+	✓	✓

\# *Executive Director*
* *Non-executive Director*
\+ *Independent Non-executive Director*

All Directors have been informed of the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements regularly to ensure compliance and enhance their awareness of good corporate governance practices. Also, all Directors were provided with monthly updates on the Company's performance, position and prospects with sufficient explanation and information to enable the Board as a whole and each Director to make an informed assessment of financial and other information put before it for approval.

CORPORATE GOVERNANCE REPORT

Securities Dealings by Directors and Employees

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2016.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company. In 2016, no claims under the insurance policy were made.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer are separate and are not held by the same individual to ensure independence, accountability and responsibility. The responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing.

The Chairman, Mr. Tsui Che Yin, Frank, who is a Non-executive Director, is responsible for setting the Group's strategy and business directions, overseeing the functioning of the Board and ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Chief Executive Officer, Mr. Ko Chun Fung, Henry, who is an Executive Director, supported by other Board members, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and coordinating overall business operations. The Chairman and the Chief Executive Officer do not have any financial, business, family or other material or relevant relationships with each other.

DELEGATION BY THE BOARD

Management Functions

The overall management of the Company's business is vested in the Board, which assumes responsibility for its leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board has delegated the day-to-day operation responsibility to the management under the supervision of the Chief Executive Officer and various Board committees. Whenever appropriate, management is required to report back and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. The Directors have full and ready access to management on the Company's business and operations.

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out on page 3 of this annual report.

Each committee has its defined terms of reference and has power to decide on matters within its terms of reference. The board committees' terms of reference have been posted on the Company's website under the section "Corporate Governance".

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) Executive Committee

The Executive Committee is made up of the Company's Executive Directors. The Executive Committee holds monthly meetings to discuss the Company's business and new projects. It oversees the implementation of the Group's strategic objectives and risk management policy and the Group's business and operations.

(2) Audit Committee

The Audit Committee is made up of three Independent Non-executive Directors and a Non-executive Director. The primary duties of the Audit Committee are (i) to review the Group's financial statements and published reports; (ii) to provide advice and comments thereon to the Board and (iii) to review and supervise the financial reporting process, risk management and internal control procedures of the Group.

The roles and functions of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants and are published on the Company's website under the section "Corporate Governance".

In 2016, the Audit Committee members met four times with attendance as shown below:

Audit Committee Members	No. of meetings attended/held
Mr. Tsoi, David	4/4
Mr. Tsui Che Yin, Frank	2/4
Mr. Pang Hing Chung, Alfred	3/4
Ms. Chan Po Yi, Patsy	3/4
Average Attendance Rate	**75%**

During the year, the Audit Committee reviewed the Group's financial results and reports on a quarterly basis, the continuing connected transactions of the Company for the year ended 31 December 2015, the remuneration of external auditor and the internal control review report, and endorsed a risk management policy.

(3) Remuneration Committee

The Remuneration Committee is made up of one Executive Director and two Independent Non-executive Directors. It reviews the remuneration packages of Directors and management as well as guidelines on salary revision and bonus distribution to the Group's employees.

In 2016, the Remuneration Committee members met once with attendance as shown below:

Remuneration Committee Members	No. of meetings attended/held
Mr. Tsoi, David	1/1
Mr. Tam Chi Wai, Dennis	1/1
Ms. Chan Po Yi, Patsy	1/1
Average Attendance Rate	**100%**

During the year, the Remuneration Committee approved the proposal on salary revision of and discretionary bonus distribution to the management and employees of the Group, and reviewed and approved remuneration of Directors.

Details of the remuneration of Directors and senior management for the year ended 31 December 2016 are set out in notes 9 and 28(b) to the consolidated financial statements. Details of the Company's share option scheme are set out in note 22 to the consolidated financial statements.

(4) Nomination Committee

The Nomination Committee is made up of one Executive Director and three Independent Non-executive Directors. It reviews the structure, size and composition of the Board, and makes recommendations to the Board on appointment and re-appointment of Directors.

In 2016, the Nomination Committee members met once with attendance as shown below:

Nomination Committee Members	No. of meetings attended/held
Ms. Chan Po Yi, Patsy	1/1
Mr. Ko Chun Fung, Henry	1/1
Mr. Tsoi, David	1/1
Mr. Pang Hing Chung, Alfred	0/1
Average Attendance Rate	**75%**

During the year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of the Independent Non-executive Directors, considered and made recommendation to the Board on the re-election of Mr. Tsoi, David, who has served for more than nine years on the Board and made recommendation to the Board on re-election of other Directors.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in compliance with the legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the code provisions in the CG Code.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries support the Board and Board Committees and facilitate good information flow between them and the Company's management. All Directors have access to the Joint Company Secretaries' advice and services. Being the primary channel of communications between the Company and The Stock Exchange of Hong Kong Limited, the Joint Company Secretaries assist the Board in implementing and strengthening the Group's corporate governance practices.

Ms. Chan Yuen Mei, Claudia was appointed as the Company Secretary in October 2013 and has become a Joint Company Secretary of the Company upon the appointment of Mr. Leung Hoi Wai, Vincent as the other Joint Company Secretary of the Company with effect from 9 December 2015. Mr. Leung is a qualified solicitor in Hong Kong and England and Wales. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. The Joint Company Secretaries report to the Chief Executive Officer of the Company. During the year, the Joint Company Secretaries have complied with the training requirement as provided in Rule 5.15 of the GEM Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the consolidated financial statements and the reporting responsibilities of the independent auditor are set out on page 46 of this annual report. In particular, the Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. It is also the Board's responsibility to oversee the preparation of the annual accounts which provide a reflective and fair view of the Group's state of affairs, results and cash flow for the year. To fulfill this responsibility, the Board regularly reviewed the reports prepared by management on the Group's financial and operational performance as well as the development of major projects during the year.

AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on 5 May 2016, Messrs. Deloitte Touche Tohmatsu were re-appointed as the external auditor of the Company and the Group until the conclusion of the next annual general meeting.

On the recommendation of the Audit Committee, the Board has agreed to the fee of HK$1,100,000 for the audit of the Group's accounts for the year ended 31 December 2016 (2015: HK$1,070,000).

The external auditor was not engaged to provide non-audit services, except for taxation services and other consultancy services amounting to HK$180,000 in aggregate, for the year of 2016 (2015: HK$832,000).

RISK MANAGEMENT AND INTERNAL CONTROL

The Group upholds the highest standards of integrity and credibility across all levels of its organization.

The Board acknowledges its responsibility for establishing and maintaining sound systems of internal control and risk management on an ongoing basis to safeguard the shareholders' investment and the Group's assets. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

To fulfill this responsibility, the Board's Executive Committee is assigned to oversee the implementation of the Group's internal controls and risk management policy and to monitor the business and operations of business units of the Group. The Board also assigned the Audit Committee to review and supervise the financial reporting process and oversee the risk management and internal control systems of the Group.

Risk Management System

A risk management taskforce in overseeing and assessing the Group's risk management framework was set up under the Audit Committee and a risk management policy was adopted by the Board.

The risk management policy provides a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The risk management taskforce assists the Board and the Audit Committee in overseeing the risk management system, which focuses on the leading, coordinating of works during the financial year, including risk identification, risk assessment, risk recommendation, risk management reporting and the establishment of the risk inventory of the Group based on the results of the risk assessment work performed with greatest perceived risks through inquiries with key management personnel.

During the year, the Group has engaged an external consultant to assist the risk management taskforce to review the Group's risk management framework and conduct risk assessment on different categories. Results of the work covering areas such as finance, governance, operations, compliance, strategic and planning risks are submitted to the Executive Committee, Audit Committee and the Board for review and discussion. Those risks identified are considered to be in line with the Company's overall risk appetite and objectives.

Internal Control System

The Group has an Internal Audit team, which reports directly to the Audit Committee, to provide the Audit Committee and the Board with useful information and recommendations on the adequacy and effectiveness of the Group's internal control system, by adopting a risk-based audit approach based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Internal audit reports are submitted to the Audit Committee and the Board for review with recommendations adopted to further enhance the effectiveness of the internal controls.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Audit Committee Supervision

The Audit Committee holds the necessary meetings with the Finance Manager, the Internal Audit team and the external auditor to review the financial statements and auditor's reports on financial, internal control and risk management matters. The Audit Committee reports to the Board on significant internal control and risk management matters, suspected frauds or irregularities, and alleged infringement of laws, rules and regulations, which come to their attention.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for 2016 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and considers that they are adequate.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene Extraordinary General Meeting and Putting Forward Proposal at General Meetings

Under Article 58 of the Company's Articles of Association, any one or more shareholders holding not less than one-tenth of the paid up capital of the Company and carrying the right of voting at the general meeting of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

Such a requisition, specifying the shareholding information of the shareholder who made the requisition, must be signed by the shareholder and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong, the details of which are provided in the "Corporate Information" section of this annual report.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) may convene the extraordinary general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

There are no provisions under the Company's Articles of Association or the Companies Law of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Procedures for Nomination of Directors for Election

Under Article 88 of the Company's Articles of Association, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for nomination of Directors for election are available on the Company's website at www.melcolot.com.

Enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries should be in writing and sent to the Company Secretarial Department at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong or by email to information@melcolot.com.

COMMUNICATION WITH SHAREHOLDERS

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed.

The Board Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2016 AGM and were on hand to answer questions.

The Group's Company Secretarial Department responds to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors may contact the Company by email to information@melcolot.com or by mail to the Joint Company Secretaries at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at www.melcolot.com also provides a medium to make information of the Group available to shareholders.

REPORT OF THE DIRECTORS

The directors (the "Directors") of the Company present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, an associate and joint ventures are set out in notes 29, 14 and 15 respectively to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 and an indication of likely future developments in the Group's business can be found in the Chairman's Statement and the Management Discussion and Analysis set out on page 4 and pages 5 to 7 respectively of this annual report. No important event affecting the Group that has occurred since the end of the financial year ended 31 December 2016. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on page 108 of this annual report.

KEY RISKS AND UNCERTAINTIES

Risk relating to the PRC economy

All of the Group's products and services are sold in the People's Republic of China (the "PRC") market. As the growth of the lottery industry in the PRC is linked to the PRC's economic conditions, in the event there is a slower than expected economic growth or any other adverse change in the PRC economy, the Group's operating results and profitability could be adversely affected.

Risk relating to reliance on a major customer and a major supplier

Given the Group's strong reliance on a major customer or a major supplier (further details as set out in section headed "Major Customers and Suppliers" of this report), should there be business failure of such major customer or supplier or any interruption in their businesses, or they decide to discontinue their business relationship with the Group, the Group's business and hence its operation and financial position will be adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of environmental sustainability against modern ecological challenges. To enhance environmental awareness and encourage daily participation among staff in the continuous improvement of environmental protection, the Company implements green office practices, such as implementing paperless practice whenever possible, engaging staff regularly on low carbon office measures and encouraging them to switch off non-essential lights and maintain an average indoor temperature between 24 to 26 degree Celsius. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. The Board considers that there is no compliance issue that has a significant impact on the Group.

Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations, in particular those relating to an operation in the PRC, are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and retain the best people. The Group regularly reviews the remuneration package of employees and makes necessary adjustments taking into account the prevailing market conditions.

The Group also understands the importance of maintaining good relationship with its suppliers and customers. The Group has established long-term business relationship with the suppliers which ensures delivering constantly high standards of quality in the products and services. The Group maintains close relationship with the customers to fulfil their immediate and long-term need. During the year, there was no material and significant dispute between the Group and its suppliers and/or customers.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 108 of this annual report. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of movements during the year in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in share capital of the Company are set out in note 21 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands in relation to issue of shares by the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the shareholders of the Company are approximately HK$272,724,000 (2015: HK$290,924,000) as calculated in accordance with statutory provisions applicable in Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, the Group's largest supplier accounted for 100% (2015: 92%) of total purchases. The five largest suppliers in 2016 comprised 100% (2015: 100%) of the Group's total purchases.

In 2016, the Group's largest customer accounted for 80% (2015: 90%) of the Group's total revenue. The five largest customers of the Group in 2016 comprised 100% (2015: 100%) of the Group's total revenue.

Save as disclosed above, at no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors during the year and up to the date of this report are:

Mr. Tsui Che Yin, Frank* *(Chairman)*
Mr. Ko Chun Fung, Henry# *(Chief Executive Officer)*
Mr. Tsang Yuen Wai, Samuel#
Mr. Tam Chi Wai, Dennis#
Mr. Tsoi, David+
Mr. Pang Hing Chung, Alfred+
Ms. Chan Po Yi, Patsy+

Executive Director
* *Non-executive Director*
\+ *Independent Non-executive Director*

REPORT OF THE DIRECTORS

In accordance with Article 87 of the Company's Articles of Association, Mr. Ko Chun Fung, Henry, Mr. Pang Hing Chung, Alfred and Ms. Chan Po Yi, Patsy, being Directors longest in office since their last election, shall retire from office by rotation at the forthcoming annual general meeting and are eligible to offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors concerning his/her independence to the Company and the board of Directors considers that each of the independent non-executive Directors is independent to the Company.

Biographical details of the Directors as at the date of this report are set out on pages 8 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, each Director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, save for matters in respect of his/her fraud or dishonesty.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in section headed "Share Option Schemes" in this report, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by the Directors 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
	(Note 2)	*(Note 1)*
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
	(Notes 2 & 3)	*(Note 1)*
Mr. Tsui Che Yin, Frank	20,881,400	0.66%
Mr. Ko Chun Fung, Henry	17,688,200	0.56%
Mr. Tsang Yuen Wai, Samuel	20,881,400	0.66%
Mr. Tam Chi Wai, Dennis	20,881,400	0.66%
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 31 December 2016, 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 Option Schemes" section of this report and note 22 to the consolidated financial statements.

(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 *(Note 2)*	Approximate percentage of total issued shares of Melco *(Note 1)*
Mr. Tsui Che Yin, Frank	4,629,660	0.30%
Mr. Ko Chun Fung, Henry	584,000	0.04%
Mr. Tsang Yuen Wai, Samuel	2,999,162	0.19%
Mr. Tam Chi Wai, Dennis	3,131,002	0.20%
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 *(Notes 2 & 3)*	Number of awarded shares held *(Notes 2 & 4)*	Total	Approximate percentage of total issued shares of Melco *(Note 1)*
Mr. Tsui Che Yin, Frank	3,450,000	118,000	3,568,000	0.23%
Mr. Tsang Yuen Wai, Samuel	1,903,000	66,000	1,969,000	0.13%
Mr. Tam Chi Wai, Dennis	3,362,000	97,000	3,459,000	0.22%

Notes:

1. As at 31 December 2016, the total number of issued shares of Melco was 1,543,784,555.

2. This represents interests held by the relevant Director as beneficial owner.

3. Details of the 3,450,000 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

– 2,080,000 share options granted on 8 April 2016 at exercise price of HK$10.24 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026

Details of the 1,903,000 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

– 1,448,000 share options granted on 8 April 2016 at exercise price of HK$10.24 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026

Details of the 3,362,000 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

– 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

– 2,012,000 share options granted on 8 April 2016 at exercise price of HK$10.24 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026

4. Details of the 118,000 awarded shares held by Mr. Tsui Che Yin, Frank are as follows:

– One half of the 64,000 awarded shares granted on 8 April 2015 will vest on each of the following dates: 8 April 2017 and 8 April 2018

– One third of the 54,000 awarded shares granted on 8 April 2016 will vest on each of the following dates: 8 April 2017, 8 April 2018 and 8 April 2019

Details of the 66,000 awarded shares held by Mr. Tsang Yuen Wai, Samuel are as follows:

– One half of the 55,000 awarded shares granted on 8 April 2015 will vest on each of the following dates: 8 April 2017 and 8 April 2018

– One third of the 11,000 awarded shares granted on 8 April 2016 will vest on each of the following dates: 8 April 2017, 8 April 2018 and 8 April 2019

Details of the 97,000 awarded shares held by Mr. Tam Chi Wai, Dennis are as follows:

– One half of the 48,000 awarded shares granted on 8 April 2015 will vest on each of the following dates: 8 April 2017 and 8 April 2018

– One third of the 49,000 awarded shares granted on 8 April 2016 will vest on each of the following dates: 8 April 2017, 8 April 2018 and 8 April 2019

(B) Entertainment Gaming Asia Inc. ("EGT")
(a listed subsidiary of Melco)

(a) Shares of EGT

Name of Director	Number of shares held *(Note 2)*	Approximate percentage of total issued shares of EGT *(Note 1)*
Mr. Tsang Yuen Wai, Samuel	7,500	0.05%

(b) Stock options granted by EGT

Name of Director	Number of underlying shares held pursuant to stock options *(Notes 2, 3 & 4)*	Approximate percentage of total issued shares of EGT *(Note 1)*
Mr. Tsang Yuen Wai, Samuel	34,375	0.24%

Notes:

1. As at 31 December 2016, the total number of issued shares of EGT was 14,464,220.

2. This represents interests held by the relevant Director as beneficial owner.

3. During the year, (i) a total of 25,000 stock options previously granted by EGT to Mr. Tsang Yuen Wai, Samuel on 7 January 2010, 3 February 2011, 3 January 2012, 2 January 2013 and 2 January 2014 were cancelled; and (ii) a total of 25,000 replacement stock options (the "EGT Replacement Options") at an exercise price of US$1.94 were granted by EGT to Mr. Tsang under EGT's stock incentive plan.

4. Details of the 34,375 stock options held by Mr. Tsang Yuen Wai, Samuel are as follows:

   – 6,250 stock options granted on 11 December 2008 at exercise price of US$1.28 may be exercised from 12 June 2009 to 11 December 2018

   – 3,125 stock options granted on 12 February 2009 at exercise price of US$2.08 may be exercised from 13 August 2009 to 12 February 2019

   – 25,000 EGT Replacement Options granted on 29 April 2016 at exercise price of US$1.94 are divided into 3 tranches exercisable from 29 April 2017, 29 April 2018 and 29 April 2019 respectively to 28 April 2026

(C) Melco Crown (Philippines) Resorts Corporation ("MCP")
(a listed accounting subsidiary of Melco)

(a) Common shares of MCP

Name of Director	Number of common shares held *(Note 2)*	Approximate percentage of total issued shares of MCP *(Note 1)*
Mr. Tsang Yuen Wai, Samuel	780,364	0.01%
Mr. Tam Chi Wai, Dennis	780,364	0.01%

(b) Restricted shares granted by MCP

Name of Director	Number of restricted shares held *(Notes 2, 3 & 4)*	Approximate percentage of total issued shares of MCP *(Note 1)*
Mr. Tsang Yuen Wai, Samuel	546,254	0.01%
Mr. Tam Chi Wai, Dennis	546,254	0.01%

Notes:

1. As at 31 December 2016, the total number of issued shares of MCP was 5,662,897,278.

2. This represents interests held by the relevant Director as beneficial owner.

3. During the year, (i) 1,560,728 share options previously granted by MCP to each of Mr. Tsang Yuen Wai, Samuel and Mr. Tam Chi Wai, Dennis on 28 June 2013 were cancelled; and (ii) 546,254 replacement restricted shares (the "MCP Replacement Restricted Shares") were granted by MCP to each of Mr. Tsang and Mr. Tam under MCP's share incentive plan.

4. Details of the 546,254 MCP Replacement Restricted Shares held by Mr. Tsang Yuen Wai, Samuel are as follows:

   – One half of the 546,254 MCP Replacement Restricted Shares granted on 30 September 2016 will vest on each of the following dates: 30 September 2018 and 30 September 2019

   Details of the 546,254 MCP Replacement Restricted Shares held by Mr. Tam Chi Wai, Dennis are as follows:

   – One half of the 546,254 MCP Replacement Restricted Shares granted on 30 September 2016 will vest on each of the following dates: 30 September 2018 and 30 September 2019

Save as disclosed above, none of the Directors or chief executive of the Company and their respective 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 31 December 2016.

SHARE OPTION SCHEMES

The share option scheme adopted on 20 April 2002 (the “2002 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 2002 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.

A summary of the principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme are set out in note 22 to the consolidated financial statements.

Movements of share options granted under the 2002 Share Option Scheme and 2012 Share Option Scheme during the year are set out below:

	Number of share options								
Type of participants	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price *(HK$)*	Exercise period *(Note)*
Under 2002 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
	111,574	–	–	–	–	111,574	10.07.2009	0.263	4
	167,361	–	–	–	–	167,361	18.11.2010	0.109	5
Sub-total:	479,766	–	–	–	–	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:	6,989,445	–	–	–	–	6,989,445			

Type of participants	Number of share options: As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price (HK$)	Exercise period (Note)
Under 2012 Share Option Scheme									
Directors									
Mr. Tsui Che Yin, Frank	6,386,400	–	–	–	–	6,386,400	02.07.2013	0.511	6
	14,495,000	–	–	–	–	14,495,000	09.10.2015	0.465	7
	20,881,400	–	–	–	–	20,881,400			
Mr. Ko Chun Fung, Henry	3,193,200	–	–	–	–	3,193,200	02.07.2013	0.511	6
	14,495,000	–	–	–	–	14,495,000	09.10.2015	0.465	7
	17,688,200	–	–	–	–	17,688,200			
Mr. Tsang Yuen Wai, Samuel	6,386,400	–	–	–	–	6,386,400	02.07.2013	0.511	6
	14,495,000	–	–	–	–	14,495,000	09.10.2015	0.465	7
	20,881,400	–	–	–	–	20,881,400			
Mr. Tam Chi Wai, Dennis	6,386,400	–	–	–	–	6,386,400	02.07.2013	0.511	6
	14,495,000	–	–	–	–	14,495,000	09.10.2015	0.465	7
	20,881,400	–	–	–	–	20,881,400			
Mr. Tsoi, David	1,248,000	–	–	–	–	1,248,000	09.10.2015	0.465	7
Mr. Pang Hing Chung, Alfred	1,248,000	–	–	–	–	1,248,000	09.10.2015	0.465	7
Ms. Chan Po Yi, Patsy	1,248,000	–	–	–	–	1,248,000	09.10.2015	0.465	7
Sub-total:	84,076,400	–	–	–	–	84,076,400			
Substantial shareholder	7,385,871	–	–	–	–	7,385,871	02.07.2013	0.511	6
	10,752,000	–	–	–	–	10,752,000	09.10.2015	0.465	7
Sub-total:	18,137,871	–	–	–	–	18,137,871			

Type of participants	Number of share options: As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price (HK$)	Exercise period (Note)
Employees	868,000	–	–	–	–	868,000	09.10.2015	0.465	7
Others	1,596,600	–	–	–	–	1,596,600	02.07.2013	0.511	6
	8,364,000	–	–	–	–	8,364,000	09.10.2015	0.465	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 9 October 2015 are divided into 3 tranches exercisable from 9 October 2015, 9 October 2016 and 9 October 2017 respectively to 8 October 2025.

8. The category "Others" represents the former directors 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 employees of the Group.

COMPETING INTEREST

As at 31 December 2016, 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.

CONTINUING CONNECTED TRANSACTIONS

On 22 October 2014, Beijing Huancai Information Technology Ltd. (北京環彩信息技術有限公司) (formerly known as Beijing Telenet Information Technology Ltd. (北京電信達信息技術有限公司)) ("Beijing Huancai"), a subsidiary of the Company, entered into an unconditional purchase agreement (the "Purchase Agreement") with Wu Sheng Computer Technology (Shanghai) Co., Ltd. (伍盛計算機科技(上海)有限公司) ("Wu Sheng"), pursuant to which, Beijing Huancai agreed to purchase from Wu Sheng the lottery terminals and parts for a term of three years commencing from 22 October 2014 and ending on 21 October 2017. Annual purchase caps of HK$50 million, HK$150 million, HK$200 million and HK$180 million have been set for each of the four years ending 31 December 2014, 2015, 2016 and 2017 respectively.

Since 7 March 2014, the shareholding of Wu Sheng has been restructured and Wu Sheng became a subsidiary of GoReward Limited ("GoReward"), which is owned as to 50.002% by Global Crossing Holdings Ltd. and 49.998% by Intralot International Limited ("Intralot"). Intralot also holds 49% of Precious Success Holdings Limited ("Precious Success"), a subsidiary of the Company. Intralot is therefore a connected person of the Company under the GEM Listing Rules by virtue of its being a substantial shareholder of Precious Success. Wu Sheng, being a subsidiary of GoReward, is an associate of Intralot and, therefore, is also a connected person of the Company under the GEM Listing Rules. The entering into of the Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company. Further details of the transactions were set out in the announcement of the Company dated 22 October 2014.

The aggregate amount of the transactions attributable to the Purchase Agreement during the period from 1 January 2016 to 31 December 2016 was approximately HK$56.3 million (the "Continuing Connected Transactions") and is within the annual cap.

All the independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Purchase Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in the annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 31 December 2016 are set out in note 28 to the consolidated financial statements. The related party transactions amounting of HK$6,349,000 with a fellow subsidiary of the Company comprise (i) fees for management services provided by Melco's executives and officers of HK$2,739,000; (ii) rental for office space of HK$1,048,000, based on the terms of the office sharing agreement between the parties; (iii) reimbursement of professional fees and other expenses paid to third parties on behalf of the Company of HK$2,562,000. Except for (iii) above which does not fall under the definition of the transaction in accordance with Chapter 19 of the GEM Listing Rules, the rest constituted the continuing connected transactions of the Company but are exempt from shareholders' approval and disclosure and other requirements under Chapter 20 of the GEM Listing Rules. The related party transaction amounting of HK$56,336,000 with a subsidiary of a 49% non-controlling shareholder of a group company (purchase of lottery terminals and parts) constituted the continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules and the Company has complied with the relevant requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of such transaction (further details as set out in section headed "Continuing Connected Transactions" of this report).

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 28 to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, 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 *(Note 1)*
Melco LottVentures Holdings Limited ("Melco LV")	Beneficial owner	1,278,714,329	–	40.65%
Melco Leisure and Entertainment Group Limited ("Melco Leisure") *(Note 2)*	Interest of a controlled corporation	1,278,714,329	–	40.65%
Melco *(Note 3)*	Interest of controlled corporations	1,278,714,329	–	40.65%
Mr. Ho, Lawrence Yau Lung ("Mr. Ho") *(Note 4)*	Interest of controlled corporations	1,278,714,329	–	40.65%
	Interest of a controlled corporation	3,530,000	–	0.11%
	Beneficial owner	–	18,137,871	0.58%
Ms. Lo Sau Yan, Sharen *(Note 5)*	Interest of spouse	1,282,244,329	18,137,871	41.34%

Notes:

1. As at 31 December 2016, 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 (i) 1,278,714,329 shares through his controlled corporations, Melco LV, Melco Leisure and Melco; and (ii) 3,530,000 shares through his controlled corporation, Maple Peak Investments Inc. He was also interested in 18,137,871 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 1,300,382,200 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 31 December 2016.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed in this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into during the year or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 11 to 20 of this annual report.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market standards. Particulars of the emoluments of Directors on a named basis for the year are set out in note 9 to the consolidated financial statements.

The Company has adopted the share option schemes as an incentive to Directors, employees and consultants. Details of the schemes are set out in note 22 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. It also reviews the effectiveness of the audit process and risk evaluation.

The Audit Committee, made up of a non-executive Director and three independent non-executive Directors, met four times during the year. At the meetings, the Audit Committee reviewed the accounting principles and practices, the quarterly reports, the interim report and the annual report of the Group, and discussed auditing, risk management, internal controls and financial reporting matters with management.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable and other donations (2015: Nil).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ko Chun Fung, Henry
Chief Executive Officer and Executive Director

Hong Kong, 15 March 2017

1. ABOUT THIS REPORT

a. Reporting Standard and Scope

This Environmental, Social and Governance (the "ESG") Report provides an annual summary of the ESG activities of MelcoLot Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "we") during the period from 1 January 2016 to 31 December 2016. Information in this ESG Report covers the Group's governance structure for sustainability, human capital, environment and community contribution. The Group will publish an ESG Report on a regular basis each year to continuously enhance the transparency of information disclosure.

This ESG Report prepared in accordance with the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited ("HKEx ESG Guide"). The board of directors of the Company is responsible for our ESG strategy and reporting, which include evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Hong Kong corporate office was chosen for inclusion in this ESG Report because of its significance to the Company's impact.

Detailed performance data and a comprehensive HKEx ESG Guide content index have been included at the end of this ESG Report to facilitate greater transparency, and to guide readers in navigating this report. Information on financial performance and corporate governance can be found in other sections of this annual report.

b. Materiality Assessment Process

A materiality assessment is needed to identify the most "material" or relevant key performance indicators[1] ("KPIs") pertinent to the business nature and stakeholder's interests. This ESG Report focuses on sustainability issues which are material to the Group. An independent consultant was appointed to conduct a three-step materiality assessment for identifying, prioritizing and validating the material issues for disclosure.

Step 1: Identification

A rigorous peer benchmarking was the chosen methodology to identify the more material issues to the lottery sector. The level of ESG disclosure among seven of the Company's major peer companies was assessed. Although their disclosure practices were not directly comparable as there were variances in the reporting standard adopted, commonalities in materiality could be identified.

An online survey was launched and distributed to all our employees to collect their views on the Company's sustainability issues and risks. Almost all our employees responded to the survey.

Step 2: Prioritization

The insights from the peer benchmarking exercise and employee online survey were consolidated to identify a list of high and medium-priority KPIs.

Step 3: Validation of the Material Issues

To align the materiality assessment results with the Company's overall business strategy, the consolidated selection from step 2 was brought forward for discussion with the management of the Company for final validation. As a result, the Company identified the list of material KPIs for disclosure. General disclosure on labour standards relating to preventing child and forced labour and other KPIs that are not applicable or relevant to the Company are not disclosed.

[1] The HKEx ESG Guide is organized into two ESG subject areas – Environmental and Social. There are various aspects under the two subject areas and each aspect sets out key performance indicators.

2. GOVERNANCE STRUCTURE FOR SUSTAINABILITY

The Group strives to uphold the highest standard of business ethics and integrity. It is reflected in its governance structure regarding product responsibility, customer data privacy and anti-corruption practices. Since 2002, we have been a member of the Chamber of Hong Kong Listed Companies, a non-profit organization devoted to promoting sound corporate governance.

a. Product Responsibility

The Group is 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 Company adheres to the highest standards of business ethics, while policies to assure that product responsibility are securely in place. These ethics underpin how we conduct business with our suppliers. Suppliers are required to ensure that the lottery terminals are not only meeting our specifications in terms of quality, volume, availability and cost but also the manner in which they operate and produce the products is ethical and sustainable.

The safety and quality of our products are our primary strategic objective. The Company ensures the best occupational safety and health standards through strong governance and compliance with applicable regulations. We consistently reassess the relevance of, and continually refine, our standards throughout the entire supply chain.

b. Customer Data Privacy

To ensure customer data privacy, the Company has enacted policies which govern the access, procedure and security of data. Access to customer's personal data is only accessible during working hours and upon reasonable request to update and/or correct inaccurate information. The Company handles the loss, misuse, unauthorized access, disclosure, alteration and destruction of customer data with reasonable caution.

c. Anti-corruption

The overarching code (the "Code") of business conduct and ethics upheld across all operations of Melco International Development Limited, the parent company of the Company ("Parent Company"), articulates sound practices. It does not tolerate any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. During the reporting period, there were no confirmed cases of corruption and non-compliance with any rules and regulations as regards anti-corruption such as the Prevention of Bribery Ordinance. Detailed guidelines concerning acceptance of advantages is clearly articulated for employees. The Company is also required to act with good faith during all internal and external dealings with clients, shareholders, employees and competitors/partners.

The Code also strives to assure fair competition in the market by upholding company confidentiality when employees' personal interests may interfere. Detailed guidelines concerning corporate communications ensure that all company records are timely and complete, with emphasis on the accuracy of financial reports. Our Parent Company also has a whistle-blowing policy in place to allow employees in the Group to report any malpractice and misconduct to the appropriate department with complete confidentiality.

3. HUMAN CAPITAL

a. Working Conditions

The Company offers the competitive remuneration packages to the employees based on job responsibilities, performance and contributions by employees to business results as well as their professional and managerial competencies. The Company also has incentive schemes in place to reward and recognize the employees for their performance. Employees undergo annual appraisals and are rewarded appropriately according to their performance and contributions to the Group's development. In addition, employees enjoy a broad range of fringe benefits such as life insurance, medical insurance coverage for themselves and their family members, maternity and marriage leave. During the reporting year, there were no incidences of non-compliance with any regulation governing labour practices.

The Company is an equal opportunity employer, and committed to diversity in the workplace and in the hiring practices. All employees are given equal opportunities for advancement and personal growth, as well as the skills required to help them perform effectively, deliver value and contribute to the Company's growth.

The Company also promotes the nurturing of social bonds among employees. Events such as the work commencement ceremony and Christmas lunch are organized to boost morale of the employees. Moreover, each staff receives complimentary Chinese New Year pudding, mooncake and rice dumplings as a token of appreciation.

b. Staff Development and Training

The Company is concerned with the continuous professional development of all employees with different levels and job functions. The Company has set aside a separate budget to provide sponsorship to employees who wish to advance their job-related knowledge and skills by taking professional accredited courses. In particular, the Company has been sponsoring the annual membership fee to the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

4. ENVIRONMENT RESPONSIBILITY

Our Parent Company has steered the group's environmental and social initiatives through its corporate social responsibility ("CSR") committee established in 2008. The environment remains one of the three core pillars of the committee's strategy.

As a signatory to the Carbon Reduction Charter and a green partner of the Environmental Protection Department's Carbon Audit Campaign, our Parent Company has been proactive in improving its emissions and its energy use. At the corporate office, we have participated in the WWF Low-carbon Office Operation Programme in 2016.

Table 1 – A1.2 Greenhouse Gas Emissions Data in Total & Intensity

Total CO_2 Emissions[2]	
Tonnes of CO_2	Tonnes of CO_2 per FTE[3]
52.33	10.47

Table 2 – A2.1 Direct & Indirect Energy Consumption & Intensity[4]

	Consumption (in 1,000 kWh)	Consumption Intensity (in 1,000 kWh per FTE)
Total direct energy consumption[5]	/	/
Total indirect energy consumption from the use of electricity	48.99	9.80

[2] The Company's CO_2 emissions are calculated as a proportion of the Parent Company's emissions – according to the number of full-time employees. This data is confined to 1 June 2015 to 31 May 2016.
[3] FTE: Full-time equivalent employees; excluding the part-time employees.
[4] The Company's energy consumption and intensity are calculated as a proportion of the Parent Company's energy consumptions – according to the number of full-time employees. This data is confined to 1 June 2015 to 31 May 2016.
[5] The Company does not own a corporate fleet nor consume Towngas.

5. COMMUNITY CONTRIBUTION

Our Parent Company has implemented different CSR activities which focus on youth development, education and green initiatives. The Company's staff members participated in various volunteer services during the reporting year, such as Christmas celebration for the children with special needs, charity planting day and international coastal cleanup.

- Operation Santa Claus

  On 10 December 2016, our Parent Company has supported Operation Santa Claus, an annual fund-raising program organized by the Hong Kong PHAB Association. This program aims to provide a Christmas party for children with speech development challenges and their parents. Our dedicated staff volunteers organized a Christmas party at Jumbo Kingdom with Christmas carols, interactive fun games, signature dim-sum, and colourful balloon sculptures and gifts. Children were also encouraged to participate in an art jamming session to express their creativity and imagination.

- Coastal Cleanup

  Every year, our Parent Company sponsors Green Council's Hong Kong Green Day and International Coastal Cleanup to help marine conservation. On 5 November 2016, 28 volunteer staffs collected more than 100kg of trash, filling 17 trash bags, at Rocky Bay Beach in Shek O. This action helped to reduce the plastic pieces and waste lying on our beaches, and to raise awareness on the daunting problem of ocean pollution.

6. PERFORMANCE DATA TABLE

HKEx KPI		Unit	FY2016		
A. Environmental					
A1.2	**Greenhouse gas emissions in total and intensity**				
	– in total	tonnes of CO_2	52.33		
	– by intensity	tonnes of CO_2 per FTE[6]	10.47		
A2.1	**Energy consumption by type**				
	– Direct Energy	’000 kWh	/		
	– Indirect Energy	’000 kWh	48.99		
	– in total	’000 kWh	48.99		
	– by intensity	’000 kWh/FTE	9.80		
B. Social					
B1.1	**Total workforce by employment type and gender**[7]		**Male**		**Female**
	Full-time contract	No. of people	2		3
	Part-time contract	No. of people	0		0
	Total workforce by employment type and age group		**Under 30**	**30-50**	**Above 50**
	Full-time contract	No. of people	0	4	1
	Part-time contract	No. of people	0	0	0
B1.2	**Employee turnover rate**		**Under 30**	**30-50**	**Above 50**
	Employee turnover rate by age group		0%	25%	0%
			Male		**Female**
	Employee turnover rate by gender		0%		33%
B3.1	**The percentage of employee trained by employee category** (%)		**General Staff**	**Middle Managers**	**Senior Managers**
			50%	50%	100%
	The percentage of employee trained by gender (%)		**Male**		**Female**
			100%		33%
B3.2	**The average training hours completed per employee by employee category** (Hours)		**General Staff**	**Middle Managers**	**Senior Managers**
			15	40	15
	The average training hours completed per employee by gender (Hours)		**Male**		**Female**
			25		15

[6] FTE: Full-time equivalent employees; excluding the part-time employees.

[7] The scope of the human resources data disclosed is for Hong Kong corporate office only. Hong Kong corporate office employs 5 full-time employees.

7. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEx KPI	Description	Page Number
A. Environmental			
A1 Emissions	A1	General disclosure	42
	A1.2	Greenhouse gas emissions in total and intensity	42
	A1.5	Description of measures to mitigate emissions and results achieved	42
A2 Use of Resources	A2	General disclosure	42
	A2.1	Direct and/or indirect energy consumption by type and intensity	42
	A2.3	Description of energy use efficiency initiatives and results achieved	42
B. Social			
B1 Employment	B1	General disclosure	41
	B1.1	Total workforce by gender, employment type, age group and geographical region	44
	B1.2	Employee turnover rate by gender, age group and geographical region	44
B2 Health and Safety	B2	General disclosure	41
B3 Development and Training	B3	General disclosure	41
	B3.1	The percentage of employees trained by gender and employee category	44
	B3.2	The average training hours completed per employee by gender and employee category	44
B5 Supply Chain Management	B5	General disclosure	40
	B5.2	Description of practices relating to engaging suppliers	40
B6 Product Responsibility	B6	General disclosure	40
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	40
B7 Anti-corruption	B7	General disclosure	40
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	40
B8 Community Investment	B8	General disclosure	43
	B8.1	Focus areas of contribution	43
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INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF MELCOLOT LIMITED
新濠環彩有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MelcoLot Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 50 to 107, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certificated Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition as principal or agent	
We identified revenue recognition as a key audit matter as significant judgement is required to determine whether the Group is acting as a principal or agent in its trading of lottery terminals and parts.	Our audit procedures in relation to revenue recognition as principal or agent included: • Understanding and evaluating the key controls over the Group's assessment of revenue recognition;

Key Audit Matters *(Continued)*

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Revenue recognition as principal or agent (Continued)	
The management of the Group takes into account the specific features and contractual terms in relation to sales transactions and exercises judgement in determining whether the Group entities are acting as a principal or agent in revenue and the amount generated from trading of lottery terminals and parts are recognized at gross basis in accordance with the accounting policies set out in note 3 to the consolidated financial statements. Details of critical judgments in relation to revenue recognition are set out in note 4 to the consolidated financial statements.	• Evaluating and reviewing material new sales contracts and changes in product terms and features to ensure that the Group has the primary responsibility for providing goods and warranty services and bear the inventory risk before the delivery of products; • Performing tests of detail, on a sample basis to assess whether the revenue recognition recognized complied with the Group's accounting policies.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**60,281**	57,163
Purchases and service costs		**(56,336)**	(52,540)
Other income and gains		**5,791**	4,932
Employee benefits costs		**(15,237)**	(32,054)
Depreciation of property, plant and equipment		**(116)**	(266)
Gain on disposal of a subsidiary	24	**–**	3,731
Share of losses of joint ventures	15	**(6)**	(6)
Other expenses		**(13,817)**	(15,015)
Loss before taxation		**(19,440)**	(34,055)
Taxation	7	**16,528**	(449)
Loss for the year	8	**(2,912)**	(34,504)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**93**	(1,436)
Item that may be reclassified to profit or loss:			
Share of exchange difference of a joint venture	15	**(9)**	(29)
		84	(1,465)
Total comprehensive expense for the year		**(2,828)**	(35,969)
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,303)**	(35,934)
Non-controlling interests		**(609)**	1,430
		(2,912)	(34,504)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,932)**	(38,121)
Non-controlling interests		**(896)**	2,152
		(2,828)	(35,969)
Loss per share	12		
– Basic		**HK(0.07) cents**	HK(1.14) cents
– Diluted		**HK(0.07) cents**	HK(1.14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**229**	343
Interest in an associate	14	**–**	–
Interests in joint ventures	15	**230**	245
Structured notes	16	**50,045**	50,025
		50,504	50,613
CURRENT ASSETS			
Trade and other receivables	17	**6,233**	37,783
Structured notes	16	**50,065**	–
Bank deposits with original maturity over three months	19	**245,664**	322,698
Bank balances and cash	19	**87,483**	115,689
		389,445	476,170
CURRENT LIABILITIES			
Trade and other payables	20	**18,234**	90,678
Amounts due to related companies	18	**1,372**	1,310
Amount due to a shareholder of a joint venture	18	**2,334**	2,334
Amount due to a fellow subsidiary	18	**2,051**	2,746
Tax payable		**3,409**	21,168
		27,400	118,236
NET CURRENT ASSETS		**362,045**	357,934
		412,549	408,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CAPITAL AND RESERVES			
Share capital	21	**31,456**	31,456
Reserves		**373,193**	368,295
Equity attributable to owners of the Company		**404,649**	399,751
Non-controlling interests		**7,900**	8,796
		412,549	408,547

The consolidated financial statements on pages 50 to 107 were approved and authorized for issue by the Board of Directors on 15 March 2017 and are signed on its behalf by:

TSUI CHE YIN, FRANK
DIRECTOR

KO CHUN FUNG, HENRY
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000 (Note i)	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	31,455	1,540,437	63,007	(4,922)	3,811	(1,217,898)	415,890	5,101	420,991
Other comprehensive (expense) income for the year	-	-	-	-	(2,187)	-	(2,187)	722	(1,465)
(Loss) profit for the year	-	-	-	-	-	(35,934)	(35,934)	1,430	(34,504)
Total comprehensive (expense) income for the year	-	-	-	-	(2,187)	(35,934)	(38,121)	2,152	(35,969)
Elimination of accumulated losses with share premium *(Note ii)*	-	(1,212,603)	-	-	-	1,212,603	-	-	-
Recognition of equity-settled share-based payments	-	-	22,439	-	-	-	22,439	-	22,439
Transfer of share-based payment reserve upon cancellation of share options	-	-	(274)	-	-	274	-	-	-
Acquisition of additional interest in subsidiaries *(Note iii)*	-	-	-	(487)	-	-	(487)	487	-
Issue of ordinary shares upon exercise of share options	1	44	(15)	-	-	-	30	-	30
Disposal of a subsidiary *(Note 24)*	-	-	-	154	1,164	(1,318)	-	1,056	1,056
At 31 December 2015	31,456	327,878	85,157	(5,255)	2,788	(42,273)	399,751	8,796	408,547
Other comprehensive income (expense) for the year	-	-	-	-	371	-	371	(287)	84
Loss for the year	-	-	-	-	-	(2,303)	(2,303)	(609)	(2,912)
Total comprehensive income (expense) for the year	-	-	-	-	371	(2,303)	(1,932)	(896)	(2,828)
Recognition of equity-settled share-based payments	-	-	6,830	-	-	-	6,830	-	6,830
At 31 December 2016	31,456	327,878	91,987	(5,255)	3,159	(44,576)	404,649	7,900	412,549

Notes:

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

(ii) Pursuant to the Companies Law (Cap. 22) of the Cayman Islands and the Articles of Association of the Company, the Board of Directors of the Company passed a resolution on 19 March 2015 to set off the accumulated losses of the Company amounting to HK$1,212,603,000 as at 31 December 2014 against the amount standing to the credit of the share premium account of the Company.

(iii) In June 2015, the Group completed the acquisition of an additional 20% equity interest in Trade Express Services Inc ("Trade Express"). Before the acquisition, the Group through Trade Express and another subsidiary indirectly held a 51% equity interest in 北京環彩信息技術有限公司 (formerly known as 北京電信達信息技術有限公司) ("Beijing Huancai"). The Group's shareholding in Trade Express increased from 80% in 2014 to 100% in 2015. The acquisition resulted in an increase in the Group's shareholding in Beijing Huancai from 51% in 2014 to 52.5% in 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(19,440)**	(34,055)
Adjustments for:			
Share-based payments expense		**6,830**	22,439
Depreciation of property, plant and equipment		**116**	266
Share of losses of joint ventures		**6**	6
Interest income		**(5,444)**	(3,982)
Gain on disposal of property, plant and equipment		**(17)**	–
Net foreign exchange gain		**(162)**	(910)
Gain on disposal of a subsidiary	24	**–**	(3,731)
Operating cash flows before movements in working capital		**(18,111)**	(19,967)
Decrease (increase) in trade and other receivables		**32,973**	(12,616)
(Decrease) increase in trade and other payables		**(15,074)**	15,819
(Decrease) increase in amount due to a fellow subsidiary		**(695)**	2,595
Cash used in operations		**(907)**	(14,169)
Income taxes paid		**(739)**	(486)
NET CASH USED IN OPERATING ACTIVITIES		**(1,646)**	(14,655)
INVESTING ACTIVITIES			
Funds placed on bank deposits with original maturity over three months		**(245,664)**	(322,698)
Purchase of structured notes		**(50,000)**	(50,000)
Purchase of property, plant and equipment		**(78)**	(61)
Proceeds from disposal of property, plant and equipment		**84**	–
Withdrawal of bank deposits with original maturity over three months		**322,698**	200,557
Interest received		**3,205**	3,302
Net proceeds from disposal of a subsidiary	24	**232**	542
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**30,477**	(168,358)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES			
Advance from related companies		**62**	132
Proceeds from exercise of share options		**–**	30
Return of earnest money to a project partner	*20*	**(56,496)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(56,434)**	162
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27,603)**	(182,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**115,689**	299,190
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		**(603)**	(650)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**87,483**	115,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 May 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company's immediate holding company is Melco LottVentures Holdings Limited ("Melco LV"), a private company incorporated in the British Virgin Islands ("BVI"), and its ultimate holding company is Melco International Development Limited ("Melco"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The directors of the Company are of the opinion that the functional currency of the Company is the Renminbi ("RMB"), after taking into consideration that the primary economic environment in which the Company's subsidiaries operate is the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the lottery business in the PRC and details of the principal subsidiaries are set out in note 29.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

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

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value to other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing cash flow.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$2,365,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognized directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. If a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed.

Revenue from services and solutions provided for distribution of lottery products is recognized when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals are recognized as expenses in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into RMB; and (ii) the Group's asset and liabilities denominated or translated in RMB are then translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes, are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimate, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Share options granted to directors and employees (Continued)

At the time when the share options are exercised, the amount previously recognized in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to accumulated losses.

Share options granted to advisors

Share options issued in exchange for services are measured at the fair values of the services received, except where that fair value cannot be estimated reliably, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognized as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful live, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated firstly to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including structured notes, trade and other receivables, bank deposits with original maturity over three months and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related companies/a shareholder of a joint venture/a fellow subsidiary are subsequently measured at amortized cost, using the effective interest method.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition

A significant management judgement is required in recognizing revenue, principally in respect of whether the Group is acting as a principal or agent regarding the Group's trading of lottery terminals and parts. For the year ended 31 December 2016, gross amount of revenue generated from trading of lottery terminals and parts of HK$59,401,000 has been recognized. The revenue recognition is in line with the Group's general policy of recognizing revenue when goods are delivered.

In making the judgment, the directors of the Company considered that the Group has (i) the latitude in setting selling price of its products; (ii) the primary responsibility for providing goods and warranty services; and (iii) inventory risk before and after delivery of goods. In addition, the Group bears the customer's credit risk on trade receivables. The directors of the Company are satisfied that the Group is acting as principal in its trading of lottery terminals and parts and recognized the relevant revenue in a gross basis.

Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables was HK$890,000, net of allowance for doubtful debts of nil (2015: HK$26,455,000, net of allowance for doubtful debts of nil). As at 31 December 2016, the carrying amount of other receivables was HK$4,615,000, net of allowance for doubtful debts of HK$14,651,000 (2015: HK$10,601,000, net of allowance for doubtful debts of HK$15,549,000).

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

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

6. SEGMENT INFORMATION

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

The revenue derived from the provision for products and services is set out in note 5.

Geographical information

The Group's operations are carried out in the PRC and revenue from external customers based on the location of goods and services delivered is derived in the PRC.

The following is an analysis of the non-current assets, analyzed by the geographical area in which the assets are located:

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

Information about major customers

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

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

[1] Revenue from trading of lottery terminals and parts.

7. TAXATION

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

The taxation for the year can be reconciled to the loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

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

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

7. TAXATION *(Continued)*

At 31 December 2016, the Group had unused tax losses of HK$176,765,000 (2015: HK$158,387,000) available to offset against future taxable profits. No deferred tax asset has been recognized in respect of unused tax losses due to the unpredictability of future profit streams. During the year ended 31 December 2015, unused tax losses of HK$5,521,000 (2016: nil) has been eliminated from tax losses carried forward upon the disposal of a subsidiary.

Included in unrecognized tax losses are losses of HK$51,335,000 (2015: HK$50,280,000) that are allowed to be carried forward and utilized against the taxable income of subsequent years. The loss carry forward period cannot exceed 5 years and expires between 2017 to 2021. Other losses of HK$125,430,000 (2015: HK$108,107,000) may be carried forward indefinitely.

8. LOSS FOR THE YEAR

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

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Rules and the Hong Kong Companies Ordinance, is as follows:

(a) Executive Directors

	Chief Executive Ko Chun Fung, Henry *HK$'000*	Tsang Yuen Wai, Samuel *HK$'000*	Tam Chi Wai, Dennis *HK$'000*	Total 2016 *HK$'000*
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	2,574	–	–	2,574
Bonus *(Note)*	429	–	–	429
Contributions to retirement benefit schemes	18	–	–	18
Share-based payments	1,120	1,185	1,185	3,490
Sub-total	4,141	1,185	1,185	6,511

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) Non-Executive Director

	Tsui Che Yin, Frank *HK$'000*	Total 2016 *HK$'000*
Fees	–	–
Other emoluments		
Salaries and other benefits	–	–
Bonus *(Note)*	–	–
Contributions to retirement benefit schemes	–	–
Share-based payments	1,185	1,185
Sub-total	1,185	1,185

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(c) Independent Non-Executive Directors

	Tsoi, David *HK$'000*	Pang Hing Chung, Alfred *HK$'000*	Chan Po Yi, Pasty *HK$'000*	Total 2016 *HK$'000*
Fees	**168**	**144**	**156**	**468**
Other emoluments				
Salaries and other benefits	**–**	**–**	**–**	**–**
Bonus *(Note)*	**–**	**–**	**–**	**–**
Contributions to retirement benefit schemes	**–**	**–**	**–**	**–**
Share-based payments	**94**	**94**	**94**	**282**
Sub-total	**262**	**238**	**250**	**750**

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	**8,446**

(a) Executive Directors

	Chief Executive Ko Chun Fung, Henry *HK$'000*	Tsang Yuen Wai, Samuel *HK$'000*	Tam Chi Wai, Dennis *HK$'000*	Total 2015 *HK$'000*
Fees	60	150	150	360
Other emoluments				
Salaries and other benefits	2,514	–	–	2,514
Bonus *(Note)*	389	–	–	389
Contributions to retirement benefit schemes	18	–	–	18
Share-based payments	3,886	4,106	4,106	12,098
Sub-total	6,867	4,256	4,256	15,379

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(b) Non-Executive Director

	Tsui Che Yin, Frank *HK$'000*	Total 2015 *HK$'000*
Fees	150	150
Other emoluments		
Salaries and other benefits	–	–
Bonus *(Note)*	–	–
Contributions to retirement benefit schemes	–	–
Share-based payments	4,106	4,106
Sub-total	4,256	4,256

The non-executive director's emoluments shown above were for their services as a director of the Company or its subsidiaries.

(c) Independent Non-Executive Directors

	Tsoi, David *HK$'000*	Pang Hing Chung, Alfred *HK$'000*	Chan Po Yi, Pasty *HK$'000*	Total 2015 *HK$'000*
Fees	168	144	156	468
Other emoluments				
Salaries and other benefits	–	–	–	–
Bonus *(Note)*	–	–	–	–
Contributions to retirement benefit schemes	–	–	–	–
Share-based payments	308	308	308	924
Sub-total	476	452	464	1,392

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	21,027

Note: The bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the individual's contribution to the Group.

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2015: four) directors, details of whose emoluments are included in note 9 above. Details of the remuneration for the year the remaining one (2015: one) highest paid employee who is neither a director nor chief executive of the Company is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries and other benefits	**711**	692
Bonus	**59**	264
Contributions to retirement benefit schemes	**18**	18
Share-based payments	**13**	87
	801	1,061

The highest paid employee's who is not a director of the Company, remuneration fell within the following bands as follows:

	2016 **No. of** **employees**	2015 No. of employees
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
	1	1

11. DIVIDEND

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

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

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

12. LOSS PER SHARE *(Continued)*

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

The computation of diluted loss per share in 2016 and 2015 did not include the Company's outstanding share options since their assumed exercise would result in the decrease in the diluted loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2015	4,963	172	1,155	6,290
Additions	52	9	–	61
Disposal of a subsidiary	(10)	–	–	(10)
Exchange realignment	(60)	(2)	(63)	(125)
At 31 December 2015 and 1 January 2016	4,945	179	1,092	6,216
Additions	73	5	–	78
Disposals	–	–	(394)	(394)
Exchange realignment	(61)	(4)	(41)	(106)
At 31 December 2016	4,957	180	657	5,794
DEPRECIATION AND IMPAIRMENT				
At 1 January 2015	4,707	101	904	5,712
Provided for the year	151	16	99	266
Exchange realignment	(51)	(1)	(53)	(105)
At 31 December 2015 and 1 January 2016	4,807	116	950	5,873
Provided for the year	58	15	43	116
Eliminated on disposals	–	–	(327)	(327)
Exchange realignment	(56)	(2)	(39)	(97)
At 31 December 2016	4,809	129	627	5,565
CARRYING VALUES				
At 31 December 2016	148	51	30	229
At 31 December 2015	138	63	142	343

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values, if any, at the following rates per annum:

Machinery and equipment	20%-33$^1/_3$%
Furniture, fixtures and equipment	20%-33$^1/_3$%
Motor vehicles	20%-33$^1/_3$%

14. INTEREST IN AN ASSOCIATE

	2016 **HK$'000**	2015 HK$'000
Cost of unlisted investments in an associate	**10,000**	10,000
Share of post-acquisition losses	**(10,000)**	(10,000)
	–	–

As at 31 December 2016 and 2015, the Group had an interest in the following associate:

Name of associate	Place of incorporation/ establishment	Principal place of operations	Proportion of nominal value of issued share capital held indirectly by the Group 2016	2015	Principal activity
ChariLot Company Limited ("ChariLot") *(Note)*	Hong Kong	Hong Kong	**40%**	40%	Investment holding and provision of services for distribution of lottery products

Note: On 21 June 2010, Rising Move International Limited ("Rising Move"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, Calo Investments Limited ("Calo"), for the formation of ChariLot. ChariLot was set up primarily to be a vehicle for the investment in 中國殘疾人基金會 and provision of services for distribution of lottery products in the PRC. ChariLot is beneficially owned as to 60% by Calo and 40% by Rising Move.

The summarized financial information in respect of the Group's associate is set out below:

	2016 **HK$'000**	2015 HK$'000
Current assets	**36**	36
Non-current assets	**–**	–
Current liabilities	**(974)**	(911)
Loss and total comprehensive expense for the year	**(63)**	(64)

14. INTEREST IN AN ASSOCIATE *(Continued)*

The Group has discontinued the recognition of its share of losses of the associate. The amount of the unrecognized share of loss of the associate for the year and cumulatively, is as follows:

	2016	2015
	HK\$'000	*HK\$'000*
Unrecognized share of losses of an associate for the year	**(25)**	(26)
Accumulated unrecognized share of losses of an associate	**(290)**	(265)

15. INTERESTS IN JOINT VENTURES

	2016	2015
	HK\$'000	*HK\$'000*
Cost of unlisted investment in joint ventures	**15,871**	15,871
Share of post-acquisition losses	**(15,575)**	(15,569)
Share of other comprehensive expenses	**(66)**	(57)
	230	245

As at 31 December 2016 and 2015, the Group had an interest in the following joint ventures:

Name of joint ventures	Place of incorporation and operation	Class of shares held	Proportion of ownership interest held by the Group **2016**	2015	Proportion of voting rights held by the Group **2016**	2015	Principal activities
PALTECH Company Limited ("PALTECH") *(Note a)*	Hong Kong	Ordinary	**60%**	60%	**60%**	60%	Inactive
BCN Integrated Resorts 2, S.A.U. ("BCN") *(Note b)*	Spain	Ordinary	**50%**	50%	**50%**	50%	Installation and exploitation of casinos in Spain

15. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

(a) The Group indirectly owns a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the financial and operating policies of PALTECH require approval from 75% of the equity holders. PALTECH is jointly controlled by the Group and the other shareholder, as such, it is accounted for as a joint venture of the Group. The Group has discontinued the recognition of its share of losses of this joint venture. During the year ended 31 December 2016, the unrecognized share of losses of the joint venture amounted to HK$6,000 (2015: HK$7,000). Cumulative unrecognized share of losses of the joint venture amounted to HK$210,000 (2015: HK$204,000) as at 31 December 2016.

(b) The Group indirectly owns a 50% equity interest in BCN and the remainder is owned by Veremonte Espana, S.L.U. ("Veremonte"). BCN was formed for the purpose of submitting an application for participation in the tender for the award of authorizations for installation and exploitation of casinos in the recreational tourist center of Vila-Seca and Salou, near Barcelona, Spain. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of BCN require unanimous consent of both shareholders and accordingly BCN is classified as a joint venture of the Group. As announced by the Company on 9 October 2015, the Group had agreed with Veremonte that BCN would not participate in the second phase of the tender process. A notice of withdrawal from the tender process was sent by BCN to the Generalitat of Catalonia in Spain on 8 October 2015 and BCN will be wound up in due course. As of the date of these consolidated financial statements were authorized for issuance, BCN is still in the process of winding up.

Aggregate information of joint ventures that are not individually material

	2016	2015
	HK$'000	*HK$'000*
The Group's share of losses for the year	**(6)**	(6)
The Group's share of other comprehensive expenses	**(9)**	(29)
The Group's share of total comprehensive expenses	**(15)**	(35)
The unrecognized share of losses of joint venture for the year	**(6)**	(7)
Cumulative unrecognized share of losses of joint venture	**(210)**	(204)

16. STRUCTURED NOTES

On 25 June 2015, the Group subscribed, at par, for 24-month puttable step-up coupon notes in the principal amount of HK$50,000,000 (the "2015 Notes") from BOCI Financial Products Limited (the "Issuer"). The 2015 Notes are interest-bearing at progressive rates ranging from 0.97%-1.45% payable at the end of each quarter (the "Interest Payment Date"), with a maturity at 30 June 2017.

On 27 June 2016, the Group further subscribed, at par, for 24-month puttable step-up coupon notes issued by the Issuer in principal amount of HK$50,000,000 (the "2016 Notes", together with the 2015 Notes collectively referred as the "Notes"). The 2016 Notes are interest-bearing at progressive rates ranging from 0.87% to 1.73% payable at the Interest Payment Date, with a maturity date on 29 June 2018.

The Group has the right to put the Notes, in whole but not in part, to the Issuer at par plus accrued interest on each coupon Interest Payment Date from and including the fifth Interest Payment Date to and including the Interest Payment Date immediately preceding the maturity date. If the Group exercises its right to put the Notes, the Issuer will have a corresponding obligation to redeem the Notes in respect of which the right to put has been exercised. The management of the Company does not expect that the Notes will be redeemed early.

17. TRADE AND OTHER RECEIVABLES

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

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows credit periods ranging from 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

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

Before accepting any new customers, the Group reviews the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimize any credit risk associated with these trade debtors.

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

Movement in the allowance for trade receivables

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	207
Impairment losses reversed	**–**	–
Written off	**–**	(205)
Exchange realignment	**–**	(2)
Balance at end of the year	**–**	–

Movement in the allowance for other receivables

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**15,549**	16,429
Exchange realignment	**(898)**	(880)
Balance at end of the year	**14,651**	15,549

Included in other receivables are amounts of individually impaired receivables amounting to HK$14,651,000 (2015: HK$15,549,000). The amounts represent the advances granted to an operator in respect of lottery retail outlets where some of them have been closed down in previous years. No additional allowance was provided during the year.

18. AMOUNTS DUE TO RELATED COMPANIES/A SHAREHOLDER OF A JOINT VENTURE/A FELLOW SUBSIDIARY

The amounts due to related companies represent balances due to companies beneficially owned by a substantial shareholder of the Company which are unsecured, interest-free and repayable on demand.

The amount due to a shareholder of a joint venture is unsecured, interest-free and repayable on demand.

The amount due to a fellow subsidiary is unsecured, interest-free and repayable on demand.

The amounts due to related companies/a shareholder of a joint venture/a fellow subsidiary are denominated in currencies other than the functional currency of the relevant group entity.

19. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ BANK BALANCES AND CASH

Bank deposits with an original maturity over three months carry a fixed interest rate at about 1.64% (2015: 1.34%) per annum. Bank balances and cash comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less carrying a prevailing deposit interest rate at about 0.27% (2015: 0.41%) per annum.

20. TRADE AND OTHER PAYABLES

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

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

Note: As of 31 December 2015, there was earnest money of approximately HK$56,496,000 advanced from an investment project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("Express Wealth"), a subsidiary of the Company (the "Subscription") pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014 (the "Subscription Agreement"). Express Wealth was formed for the purpose of obtaining the gaming license and undertaking the proposed casino project situated in a project site wholly-owned by Dhabi Group Georgia, LLC located in Tbilisi, Georgia (the "Georgian Casino Project").

Since the conditions precedent to the completion of the Subscription Agreement, including those related to the Subscription and the Georgian Casino Project, were not fulfilled during the current year, the transaction did not proceed further. Pursuant to the Subscription Agreement, the entire balance of the advance of earnest money from Firich, after deduction of the relevant part of the preliminary costs and expenses incurred for the Georgian Casino Project in previous years, was returned to Firich during the year.

20. TRADE AND OTHER PAYABLES *(Continued)*

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

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

As at 31 December 2016, an amount of HK$4,077,000 (2015: HK$4,077,000) included in other payables and an amount of nil (2015: HK$56,496,000) included in advance of earnest money from a project partner, are denominated in a currency other than the functional currency of the relevant group entity.

21. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorized:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	5,500,000,000	55,000
Issued and fully paid:		
At 1 January 2015	3,145,545,326	31,455
Exercise of share options	111,574	1
At 31 December 2015, 1 January 2016 and 31 December 2016	3,145,656,900	31,456

22. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The share option scheme which was adopted by the shareholders of the Company on 20 April 2002 expired on 20 April 2012 (the "Old Share Option Scheme"). Following the expiry of the Old Share Option Scheme, the shareholders of the Company adopted a new share option scheme on 18 May 2012 (the "2012 Share Option Scheme"). Under the 2012 Share Option Scheme, the directors of the Company may, at their discretion, grant to any participants share options to subscribe for the Company's shares (each a "Share" or collectively the "Shares"), subject to the terms and conditions stipulated therein. Notwithstanding the expiry of the Old Share Option Scheme, the share options which had been granted during the life of the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following is a summary of the principal terms of the Old Share Option Scheme and 2012 Share Option Scheme:

(i) Purpose of the schemes

The purpose of the Old Share Option Scheme is to encourage the eligible participants to achieve the long-term performance targets set by the Group and at the same time allows its participants to enjoy the results of the Company attained through their efforts and contributions.

The purpose of the 2012 Share Option Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and to attract, retain and motivate high-caliber eligible participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(ii) Participants of the schemes

The participants of the Old Share Option Scheme shall be the directors, employees, advisers or business consultants of the Company or any of its subsidiaries.

The participants of the 2012 Share Option Scheme shall be (1) any full time or part time employees of the Group (including any executive or non-executive directors of the Company or any of its subsidiaries) and (2) any suppliers, consultants, agents and advisers.

(iii) Total number of shares available for issue under the schemes

The total number of Shares which may be issued upon exercise of all share options to be granted under the Old Share Option Scheme, 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders. Following the expiry of the Old Share Option Scheme, no further share options can be granted thereunder.

The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. As at the date of these consolidated financial statements were authorized for issuance, the number of Shares available for issue under the 2012 Share Option Scheme is 28,254,383, representing approximately 0.90% of the issued shares.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(iv) Maximum entitlement of each participant under the schemes

The total number of Shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period must not exceed 1% of the Shares in issue unless the same is approved by the Company's shareholders in general meeting.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of the Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any twelve-month period exceed 0.1% of the Shares in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval of the Company's shareholders in general meeting.

(v) The period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

Under the Old Share Option Scheme and 2012 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant and HK$1.00 is payable on acceptance of the grant of an option.

(viii) The basis of determining the exercise price

The exercise price is determined by the Board which shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of the Share.

(ix) The remaining life of the schemes

The Old Share Option Scheme expired on 20 April 2012 and all the outstanding share options granted under the Old Share Option Scheme and yet to be exercised remain valid. The 2012 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption until 17 May 2022.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) The Old Share Option Scheme

Movements of the share options under the Old Share Option Scheme during the year ended 31 December 2016 are set out below:

	Number of share options													
Category of participants	Outstanding at 1.1.2015	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2016	Date of grant of share options	Share price at date of grant of share options	Exercise price of share options
													HK$	*HK$*
Director[4]	278,936	–	–	–	–	278,936	–	–	–	–	278,936	10.07.2009	0.32	0.263
Director[5]	278,936	–	–	–	–	278,936	–	–	–	–	278,936	18.11.2010	0.15	0.109
Sub-total:	557,872	–	–	–	–	557,872	–	–	–	–	557,872			
Employees[2]	200,831	–	–	–	–	200,831	–	–	–	–	200,831	31.03.2008	0.89	0.638
Employees[4]	223,148	–	(111,574)	–	–	111,574	–	–	–	–	111,574	10.07.2009	0.32	0.263
Employees[5]	167,361	–	–	–	–	167,361	–	–	–	–	167,361	18.11.2010	0.15	0.109
Sub-total:	591,340	–	(111,574)	–	–	479,766	–	–	–	–	479,766			
Others[1,6]	52,300	–	–	–	–	52,300	–	–	–	–	52,300	12.01.2007	0.09	0.063
Others[2,6]	2,942,779	–	–	–	–	2,942,779	–	–	–	–	2,942,779	31.03.2008	0.89	0.638
Others[3,6]	2,956,728	–	–	–	–	2,956,728	–	–	–	–	2,956,728	16.02.2009	0.30	0.215
Sub-total	5,951,807	–	–	–	–	5,951,807	–	–	–	–	5,951,807			
Total	7,101,019	–	(111,574)	–	–	6,989,445	–	–	–	–	6,989,445			
Share options exercisable at relevant dates	7,101,019					6,989,445					6,989,445			

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) The Old Share Option Scheme *(Continued)*

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 category "Others" represents the former directors 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 employees of the Group.

During the year ended 31 December 2016, no share options were granted, exercised, lapsed or cancelled under the Old Share Option Scheme.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The 2012 Share Option Scheme

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2016 are set out below:

	Number of share options														
Category of participants	Outstanding at 1.1.2015	Granted during the year *(Note 3)*	Exercise during the year	Lapsed during the year	Modified during the year *(Note 3)*	Cancelled during the year *(Note 3)*	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2016	Date of grant of share options	Share price at date of grant of share options *HK$*	Exercise price of share options *HK$*
Directors[2]	22,352,400	-	-	-	-	-	22,352,400	-	-	-	-	22,352,400	02.07.2013	0.540	0.511
Directors[1,3]	67,744,000	-	-	-	(67,744,000)	-	-	-	-	-	-	-	11.08.2014	1.140	1.140
Directors[3]	-	-	-	-	61,724,000	-	61,724,000	-	-	-	-	61,724,000	09.10.2015	0.465	0.465
Sub-total:	90,096,400	-	-	-	6,020,000	-	84,076,400	-	-	-	-	84,076,400			
Substantial shareholder[2]	7,385,871	-	-	-	-	-	7,385,871	-	-	-	-	7,385,871	02.07.2013	0.540	0.511
Substantial shareholder[1,3]	4,384,000	-	-	-	(4,384,000)	-	-	-	-	-	-	-	11.08.2014	1.140	1.140
Substantial shareholder[3]	-	6,368,000	-	-	4,384,000	-	10,752,000	-	-	-	-	10,752,000	09.10.2015	0.465	0.465
Sub-total:	11,769,871	6,368,000	-	-	-	-	18,137,871	-	-	-	-	18,137,871			
Employees[1,3]	1,216,000	-	-	-	(868,000)	(348,000)	-	-	-	-	-	-	11.08.2014	1.140	1.140
Employees[3]	-	-	-	-	868,000	-	868,000	-	-	-	-	868,000	09.10.2015	0.465	0.465
Sub-total:	1,216,000	-	-	-	-	(348,000)	868,000	-	-	-	-	868,000			
Others[2,4]	1,596,600	-	-	-	-	-	1,596,600	-	-	-	-	1,596,600	02.07.2013	0.540	0.511
Others[1,3,4]	8,364,000	-	-	-	(8,364,000)	-	-	-	-	-	-	-	11.08.2014	1.140	1.140
Others[3,4]	-	-	-	-	8,364,000	-	8,364,000	-	-	-	-	8,364,000	09.10.2015	0.465	0.465
Sub-total	9,960,600	-	-	-	-	-	9,960,600	-	-	-	-	9,960,600			
Total	113,042,871	6,368,000	-	-	(6,020,000)	(348,000)	113,042,871	-	-	-	-	113,042,871			
Share options exercisable at relevant dates	51,272,957						20,889,914					92,615,871			

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The 2012 Share Option Scheme *(Continued)*

Notes:

1. The share options granted on 11 August 2014 (which were replaced by share options modification on 9 October 2015 as stated in note 3 below) were divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.

2. 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.

3. On 9 October 2015, (1) a total of 81,708,000 share options (the "2014 Share Options") previously granted by the Company to its directors, employees, consultants and substantial shareholder (the "Grantees") under the 2012 Share Option Scheme on 11 August 2014, which had not been exercised or lapsed since they were granted, were cancelled (the "2014 Cancelled Share Options"); and (2) a total of 81,708,000 new share options (the "Replacement Share Options") were granted under the 2012 Share Option Scheme to the Grantees in replacement of the 2014 Share Options, on a reallocation basis, which effectively comprised modification of 75,340,000 share options (the "Modified Share Options") and the grant of 6,368,000 new options. All the Grantees had given their written consent to cancel their respective 2014 Share Options.

   The Replacement Share Options granted on 9 October 2015 are divided into 3 tranches exercisable from 9 October 2015, 9 October 2016 and 9 October 2017 respectively to 8 October 2025. As a condition of the issue of the Replacement Share Options, the Grantees are not permitted to exercise the Replacement Share Options or any part thereof until after the earlier of (a) completion of the sale and purchase transaction relating to the shares in Melco Property Development Limited and the issue of consideration shares by the Company to Melco or its nominee(s) pursuant to the share purchase agreement dated 9 October 2015 entered into between Melco and the Company (the "Share Purchase Agreement"); or (b) the termination of the Share Purchase Agreement.

4. The category "Others" represents the former directors 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 employees of the Group.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The 2012 Share Option Scheme *(Continued)*

As described above, during the year ended 31 December 2015, the Company granted a total of 81,708,000 Replacement Share Options to the Grantees under the 2012 Share Option Scheme. The validity period of the options is ten years, from 9 October 2015 to 8 October 2025. The options will entitle the grantees to subscribe for a total of 81,708,000 new shares at a reduced exercise price of HK$0.465 per share of the Company. The closing prices of the shares of the Company immediately before and on the date on which the options were granted were HK$0.229 and HK$0.465 respectively. The estimated fair values of the 2014 Cancelled Share Options was approximately HK$22,313,000 at the date of cancellation. The estimated fair value of the 75,340,000 Modified Share Options was approximately HK$24,366,000 and the incremental fair value at date of grant of HK$2,053,000 will be expensed over the vesting period of 3 years. The estimated fair value of the 6,368,000 new options was approximately HK$2,059,000.

The fair value of share options granted/modified during the year ended 31 December 2015 were calculated using the Black-Scholes Option Pricing model. The inputs into the model were as follows:

	Replacement Share Options granted on 9 October 2015	**2014 Cancelled Share Options modified on 9 October 2015**
Number of options granted/modified	81,708,000	81,306,000
Closing share price immediately before the date of grant/on the date of modification	HK$0.465	HK$0.465
Exercise price	HK$0.465	HK$1.14
Exercise multiplier	2.8-3.3	2.8-3.3
Expected volatility	91%	87%
Option life	10 years	8.8 years
Risk-free interest rate	1.55%	1.382%
Expected dividend yield	0%	0%
Fair value of an option	HK$0.3015-HK$0.3563	HK$0.2726-HK$0.2856

The models involve assumptions and variables based on the management's best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

The exercise multiplier was determined by the Company's share options exercise history.

The expected volatility was determined by using the annualized historical volatility of the Company's share price over the past years up to the valuation date.

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The 2012 Share Option Scheme *(Continued)*

The Group recognized expense at a total of HK$6,830,000 (2015: HK$22,439,000) for the year ended 31 December 2016 in relation to share options granted by the Company.

During the year ended 31 December 2016, no share options were granted, exercised, lapsed or cancelled under the 2012 Share Option Scheme.

23. RETIREMENT BENEFITS PLAN

The Group contributes to a local municipal government retirement scheme for all qualifying employees in the PRC. The employers and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

In addition, the Group operates a MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 or 5% of relevant payroll costs monthly to the MPF Scheme, which contribution is matched by the employees.

The total cost charged to profit or loss of HK$716,000 (2015: HK$785,000) represents contributions paid and payable to the above schemes by the Group in respect of the current accounting period. As at 31 December 2016, all contributions in respect of the reporting period had been paid to the above schemes.

24. DISPOSAL OF A SUBSIDIARY

On 2 December 2015, the Group entered into an agreement to dispose of its 65% equity interest in an indirect non-wholly owned subsidiary, 山東省開創紀元電子商務信息有限公司 ("Shandong KCJY"), which is engaged in value added telecommunication service to Shandong Welfare Lottery Center, at a consideration of RMB1,500,000 resulting in gain of approximately HK$3,731,000. The disposal was completed on 18 December 2015.

The consideration for the disposal of Shandong KCJY was to be received by instalments pursuant to the share transfer agreement. The first instalment of HK$826,000 was received in 2015 and an amount of HK$232,000 was received in August 2016. The management expected that the remaining amount of HK$712,000 will be received within 12 months from the end of the current reporting period.

24. DISPOSAL OF A SUBSIDIARY *(Continued)*

	At date of disposal *HK$'000*
Total cash consideration	1,770
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	10
Trade and other receivables	218
Bank balances and cash	284
Trade and other payables	(3,529)
Net liabilities disposed of	(3,017)
Gain on disposal of a subsidiary:	
Consideration received and receivable	1,770
Net liabilities disposed of	3,017
Non-controlling interests	(1,056)
Gain on disposal	3,731
Net cash inflow arising on disposal:	
Cash consideration received	826
Less: bank balances and cash disposed of	(284)
	542

25. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**1,181**	437
In the second to third year inclusive	**1,184**	–
	2,365	437

The lease payments represent rentals payable by the Group for its office properties. The lease terms vary from one year to three years. Rentals are fixed over the relevant lease terms.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**438,762**	525,468
Financial liabilities		
Amortized cost	**20,582**	92,802

(b) Financial risk management objectives and policies

The Group's major financial instruments include structured notes, trade and other receivables, bank deposits with original maturity over three months, bank balances and cash, trade and other payables, amount due to a fellow subsidiary, amounts due to related companies, and amount due to a shareholder of a joint venture. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

The directors of the Company review and agree policies for managing each of these risks and they are summarized below.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to structured notes and fixed-rate bank deposits with an original maturity over three months (note 19). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 19). The Group currently does not enter into any hedging instrument for fair value and cash flow interest rate risk.

The management of the Group considered that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances is considered minimal. Accordingly, no sensitivity analysis is prepared and presented.

Foreign currency risk

The Group's exposure to foreign currency risk related primarily to trade and other receivables, cash and cash equivalents, trade and other payables, amounts due to related companies, amount due to a shareholder of a joint venture and amount due to a fellow subsidiary that are denominated in currencies other than the functional currency of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**376,986**	388,975	**(4,963)**	(5,347)
US$	**37,931**	96,762	**(3,766)**	(60,261)

Sensitivity analysis

If the RMB had strengthened by 5% against the HK$, the Group's loss for the year ended 31 December 2016 would have been increased by approximately HK$18,601,000 (2015: HK$16,016,000). If the RMB had strengthened by 5% against the US$, the Group's loss for the year ended 31 December 2016 would have been increased by HK$1,708,000 (2015: HK$1,524,000). For a 5% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss for both years.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 100% (2015: 100%) of the Group's trade receivables are due from the Group's five largest customers which operate in the PRC. The principal activities of are mainly including trading of lottery terminals and distribution of lottery products. In respect of these customers, given their good repayment history, the directors of the Group consider that the credit risk associated with the balances of the customers are low.

The Group also has concentration of credit risk as 100% (2015: 100%) of the Group's structured notes are subscribed for one financial institute in Hong Kong. In respect of its good reputation in Asia Pacific, the directors of the Group consider that the credit risk associated with the balance of the financial institute is low.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on trade receivables, structured notes and liquid funds which are deposits with several banks with a good reputation, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities with the earliest date on which the Group can be required to pay.

27. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 3 months or on demand *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2016 *HK$'000*
2016				
Non-derivative financial liabilities				
Trade and other payables	–	**14,825**	**14,825**	**14,825**
Amounts due to related companies	–	**1,372**	**1,372**	**1,372**
Amount due to a shareholder of a joint venture	–	**2,334**	**2,334**	**2,334**
Amount due to a fellow subsidiary	–	**2,051**	**2,051**	**2,051**
Total		**20,582**	**20,582**	**20,582**

	Weighted average interest rate %	Less than 3 months or on demand *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2015 *HK$'000*
2015				
Non-derivative financial liabilities				
Trade and other payables	–	86,412	86,412	86,412
Amounts due to related companies	–	1,310	1,310	1,310
Amount due to a shareholder of a joint venture	–	2,334	2,334	2,334
Amount due to a fellow subsidiary	–	2,746	2,746	2,746
Total		92,802	92,802	92,802

(c) Fair value measurements of financial instruments

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities carried at amortised costs approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the year:

Class of related parties	Nature of transactions	2016 HK$'000	2015 HK$'000
Fellow subsidiary of the Company	Expenses recharge	**6,349**	4,358
Subsidiary of a 49% non-controlling shareholder of a group company	Purchase of lottery terminals and parts	**56,336**	48,207

The Company also entered into a deed of license dated 20 November 2014 with its ultimate holding company pursuant to which its ultimate holding company agreed to grant to the Company, at nil consideration, a revocable but non-transferable and non-exclusive license to use Melco's name bearing the English word "Melco" and/or Chinese word "新濠" and logo in connection with the business of the Company commencing from 20 November 2014 until its ultimate holding company ceases to have more than a 35% beneficial interest in the Company, subject to the terms and conditions as set out in the aforesaid deed.

(b) **Compensation of key management personnel**

The remuneration of directors and the chief executive, who are key management personnel, during the year is as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	**3,471**	3,881
Post-employment benefits	**18**	18
Share-based payments	**4,957**	17,128
	8,446	21,027

The emoluments of directors and key executives are determined by the remuneration committee and management, respectively having regard to the performance of the individuals and market trends.

(c) Details of the share options granted to the directors are set out in note 22.

(d) The Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in note 18.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of the company	Place of incorporation or establishment and operations	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company 2016 Directly	2016 Indirectly	2015 Directly	2015 Indirectly	Principal activities
Brighten Express Limited	Hong Kong*	HK$1	**100%**	–	N/A	N/A	Investment holding
Rising Move	BVI	US$100	**100%**	–	100%	–	Investment holding
Precious Success Holdings Limited ("Precious Success")	BVI	US$200	–	**51%**	–	51%	Investment holding
PAL Development Limited	Hong Kong	HK$250,000,000	–	**51%**	–	51%	Investment holding
Global Score Asia Limited	BVI	US$20,000	–	**100%**	–	100%	Investment holding
Trade Express Services Inc.	BVI	US$20,000	–	**100%**	–	100%	Investment holding
Instant Glory Holdings Limited	BVI	US$100	**100%**	–	100%	–	Investment holding
Express Wealth	Hong Kong	US$3,000,000	**100%**	–	100%	–	Investment holding
Rise Accord Holdings Limited	BVI	US$100	–	**100%**	–	100%	Investment holding
China Excellent Net Technology Investment Limited ("China Excellent")	Hong Kong	HK$200,000	–	**95%**	–	95%	Provision of services for distribution of mobile lottery products
寶加(北京)信息技術有限公司	PRC#	HK$150,000,000	–	**51%**	–	51%	Provision of management services for distribution of lottery products
北京華盈風彩科技有限公司	PRC#	RMB18,000,000	–	**51%**	–	51%	Provision of management services for distribution of lottery products
精利風彩網路科技(上海)有限公司	PRC#	HK$500,000	–	**95%**	–	95%	Provision of services for distribution of mobile lottery products
Beijing Huancai	PRC#	RMB10,000,000	–	**52.5%**	–	52.5%	Distribution of lottery terminals

* Brighten Express Limited was newly incorporated on 1 April 2016.

\# These are wholly foreign owned enterprises established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table only lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The table below shows details of non wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation or establishment and operations	Proportion of equity interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Beijing Huancai	PRC	**47.5%**	47.5%	**819**	948	**6,664**	6,221
Precious Success and its subsidiaries ("PS Group")	BVI	**49%**	49%	**(1,416)**	492	**1,356**	2,681
China Excellent and its subsidiary	Hong Kong	**5%**	5%	**(12)**	(10)	**(120)**	(106)
				(609)	1,430	**7,900**	8,796

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarized financial information in respect of each of the Group's subsidiaries that have a material non-controlling interest are set out below. The summarized financial information below represents amounts before intragroup eliminations.

Beijing Huancai

	2016	2015
	HK$'000	*HK$'000*
Current assets	**23,063**	37,340
Non-current assets	**48**	171
Current liabilities	**(10,469)**	(25,801)
Equity attributable to owners of Beijing Huancai	**12,642**	11,710
Revenue	**59,697**	51,716
Expenses	**(57,974)**	(49,732)
Profit for the year	**1,723**	1,984
Other comprehensive expense	**(791)**	(633)
Total comprehensive income	**932**	1,351
Profit and total comprehensive income for the year	**1,723**	1,984
Net cash inflow from operating activities	**12,147**	602
Net cash inflow (outflow) from investing activities	**191**	(481)
Effect of foreign exchange rate changes	**(1,289)**	(578)
Net cash inflow (outflow)	**11,049**	(457)

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

PS Group

	2016	2015
	HK$'000	*HK$'000*
Current assets	**4,764**	5,822
Non-current assets	**101**	134
Current liabilities	**(3,409)**	(1,795)
Equity attributable to owners of PS Group	**1,456**	4,161
Revenue	**880**	9,448
Expenses	**(3,770)**	(9,468)
Loss for the year	**(2,890)**	(20)
Loss and total comprehensive (expense) income for the year attributable to:		
– Owners of PS Group	**(2,890)**	(1,005)
– Non-controlling interests	**–**	985
Loss for the year	**(2,890)**	(20)
Other comprehensive income attributable to owners of PS Group	**185**	96
Other comprehensive income attributable to the non- controlling interests of PS Group	**–**	104
Other comprehensive income for the year	**185**	200
Total comprehensive expense attributable to owners of PS Group	**(2,705)**	(909)
Total comprehensive income attributable to the non-controlling interests of PS Group	**–**	1,089
Total comprehensive (expense) income for the year	**(2,705)**	180
Net cash outflow from operating activities	**(2,062)**	(134)
Net cash inflow from investing activities	**2**	512
Net cash inflow form financing activities	**2,000**	–
Effect of foreign exchange rate changes	**188**	(209)
Net cash inflow	**128**	169

30. COMPANY'S FINANCIAL POSITION AND RESERVES

Financial information of the Company at the end of the reporting period are set out as follows:

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**80**	38
Investments in subsidiaries	**21,741**	21,741
Structured notes	**50,045**	50,025
	71,866	71,804
CURRENT ASSETS		
Deposits, prepayments and other receivables	**3,534**	1,522
Amount due from subsidiaries	**2,964**	2,569
Structured notes	**50,065**	–
Bank deposits with original maturity over three months	**245,664**	322,698
Bank balances and cash	**37,009**	18,373
	339,236	345,162
CURRENT LIABILITIES		
Other payables and accruals	**6,590**	7,388
Amounts due to subsidiaries	**6,027**	759
Amount due to a related company	**267**	267
Amount due to a fellow subsidiary	**2,051**	1,015
	14,935	9,429
NET CURRENT ASSETS	**324,301**	335,733
NET ASSETS	**396,167**	407,537
CAPITAL AND RESERVES		
Share capital	**31,456**	31,456
Reserves *(Note)*	**364,711**	376,081
TOTAL EQUITY	**396,167**	407,537

30. COMPANY'S FINANCIAL POSITION AND RESERVES *(Continued)*

Note:

	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	1,540,437	63,007	(1,212,603)	390,841
Loss for the year	–	–	(37,228)	(37,228)
Recognition of equity-settled share-based payments	–	22,439	–	22,439
Transfer of share-based payment reserve upon cancellation of share options	–	(274)	274	–
Issue of ordinary shares upon exercise of share options	44	(15)	–	29
Elimination of accumulated loss with share premium *(Note)*	(1,212,603)	–	1,212,603	–
At 31 December 2015 and 1 January 2016	327,878	85,157	(36,954)	376,081
Loss for the year	–	–	(18,200)	(18,200)
Recognition of equity-settled share-based payments	–	6,830	–	6,830
At 31 December 2016	327,878	91,987	(55,154)	364,711

Note: Pursuant to the Companies Law (Cap. 22) of the Cayman Islands and the Articles of Association of the Company, the Board of Directors of the Company passed a resolution on 19 March 2015 to set off the accumulated losses of the Company amounting to HK$1,212,603,000 as at 31 December 2014 against the amount standing to the credit of the share premium account of the Company.

Under the Companies Law (Revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	86,940	54,561	45,284	57,163	**60,281**
Profit/(loss) for the year	70,541	(12,970)	(66,549)	(34,504)	**(2,912)**
Attributable to:					
Owners of the Company	78,981	(17,117)	(65,403)	(35,934)	**(2,303)**
Non-controlling interests	(8,440)	4,147	(1,146)	1,430	**(609)**
	70,541	(12,970)	(66,549)	(34,504)	**(2,912)**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	102,250	104,049	525,769	526,783	**439,949**
Total liabilities	(323,207)	(305,481)	(104,778)	(118,236)	**(27,400)**
	(220,957)	(201,432)	420,991	408,547	**412,549**
(Deficiency of equity)/equity attributable to owners of the Company	(232,864)	(210,738)	415,890	399,751	**404,649**
Non-controlling interests	11,907	9,306	5,101	8,796	**7,900**
	(220,957)	(201,432)	420,991	408,547	**412,549**