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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.melco-group.com>

(Stock Code: 200)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

1. Profit attributable to owners of the Company was HK\$1,596.7 million for the year ended 31 December 2013, improved from a profit attributable to owners of the Company of HK\$1,121.9 million in the year of 2012.
2. Basic earnings per share attributable to owners of the Company was HK\$1.04 for the year ended 31 December 2013 compared to basic earnings per share attributable to owners of the Company of HK\$0.85 for the year ended 31 December 2012.
3. The proposed final dividend for the year ended 31 December 2013 is HK20.8 cents per share (2012: HK1.5 cents per share). The dividend, in an aggregate amount of HK\$319.6 million, was declared by the Board in accordance with the dividend policy adopted today and represents approximately 20% of the Company's annual consolidated net income attributable to the shareholders for the year ended 31 December 2013. The dividend payout is more than 60% of the Company's dividend income to be received in April 2014 from Melco Crown Entertainment Limited as special dividend.
4. Net asset value per share attributable to owners of the Company increased by 24% to HK\$7.61 as of 31 December 2013, as compared with HK\$6.12 as of 31 December 2012.
5. The Group maintained a healthy financial position during the period under review with gearing ratio recorded at 10% as of 31 December 2013, as compared with 5% as of 31 December 2012.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>NOTES</i>	2013 HK\$'000	2012 HK\$'000
Revenue		183,274	146,851
Other income		53,927	49,710
Investment income		2,363	3,152
Purchases and changes in inventories of finished goods		(76,841)	(49,525)
Employee benefits expense		(194,981)	(158,097)
Depreciation of property, plant and equipment		(6,766)	(5,672)
Increase in fair value of investment properties		88,000	58,000
Impairment loss on goodwill		–	(426,710)
Loss on deemed disposal of interest in an associate	9	(61,900)	(13,525)
Gain on disposal of interest in an associate		–	45,726
Fair value change on investment in convertible loan note		–	260,659
Other expenses		(97,478)	(78,943)
Finance costs		(39,203)	(98,926)
Share of (losses) profits of joint ventures		(139)	145,080
Share of profits of associates	9	1,760,725	1,238,460
Profit before tax		1,610,981	1,116,240
Income tax (expense) credit	4	(6,865)	7,374
Profit for the year		1,604,116	1,123,614
Other comprehensive expense			
<u>Items that may be subsequently reclassified to profit or loss:</u>			
Exchange differences arising on translation of foreign operations		(6,126)	(42)
Fair value gain on available-for-sale investments		1,867	–
Share of exchange difference of an associate		(40,698)	–
Share of exchange difference of a joint venture		(201)	–
Other comprehensive expense for the year, net of income tax		(45,158)	(42)
Total comprehensive income for the year		1,558,958	1,123,572

	<i>NOTE</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		1,596,715	1,121,903
Non-controlling interests		7,401	1,711
		<u>1,604,116</u>	<u>1,123,614</u>
Total comprehensive income attributable to:			
Owners of the Company		1,554,813	1,121,861
Non-controlling interests		4,145	1,711
		<u>1,558,958</u>	<u>1,123,572</u>
Earnings per share	6		
Basic (HK\$)		<u>1.04</u>	<u>0.85</u>
Diluted (HK\$)		<u>1.02</u>	<u>0.78</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	<i>NOTES</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Non-current assets			
Investment properties		159,000	227,000
Property, plant and equipment		14,281	27,223
Goodwill	7	–	–
Other intangible assets		5,700	5,700
Interests in joint ventures	8	28,034	–
Interests in associates	9	11,088,180	8,835,811
Available-for-sale investments		5,825	3,958
		11,301,020	9,099,692
Current assets			
Inventories		2,345	2,578
Trade receivables	10	43,824	65,804
Prepayments, deposits and other receivables		37,023	26,457
Held-for-trading investments		175	198
Amounts due from associates	11	12,164	175
Amount due from a related company		441	–
Pledged bank deposits		947	947
Bank deposits with original maturity over three months		1,339,590	573,625
Bank balances and cash		205,542	155,856
		1,642,051	825,640
Current liabilities			
Trade payables	12	18,741	48,679
Other payables		53,562	46,958
Amounts due to associates	11	–	10,396
Dividend payable		184	158
Taxation payable		32,778	21,245
Borrowings – due within one year	13	27,980	33,980
		133,245	161,416
Net current assets		1,508,806	664,224
Total assets less current liabilities		12,809,826	9,763,916

	<i>NOTES</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		5,229	10,792
Borrowings – due after one year	13	1,189,250	455,230
		1,194,479	466,022
		11,615,347	9,297,894
Capital and reserves			
Share capital		768,190	766,483
Reserves	14	10,920,758	8,607,950
Equity attributable to owners of the Company		11,688,948	9,374,433
Non-controlling interests		(73,601)	(76,539)
		11,615,347	9,297,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL

The Company is a public limited company incorporated in Hong Kong, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The address of the registered office and principal place of business of the Company is 38th floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the “Group”) are divided into two segments, namely (i) Gaming, Leisure and Entertainment segment; and (ii) Property and Other Investments segment.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and revised HKFRSs

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new or revised 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.

Impact of the application of HKFRS 10

The directors concluded that HKFRS 10 does not have material effect on the Group’s consolidated financial statements.

Impact of the application of HKFRS 11

Under HKFRS 11, the Group previously classified as a jointly controlled entity is treated as the Group's joint venture and continues to be accounted for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 8 and 9 for details).

HKFRS 13 Fair Value Measurement

Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Other than the presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ²
HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014. Earlier application is permitted.

³ Available for application – the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalized.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Annual Improvements to HKFRSs 2010-2012 Cycle

Other than the amendments to HKFRS 8 which may require more disclosures in operating segments, the directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

The directors anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets and liabilities.

The directors anticipate that the application of the other new and revised standards, amendments and interpretation issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. SEGMENTS INFORMATION

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. The CEO has chosen to organize the Group's results according to the category of the business segments and differences in nature of the goods and services that each segment delivers. Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Gaming, Leisure and Entertainment Segment: It mainly comprises provision of catering, entertainment and related services and lottery business, including the provision of services and solutions for distribution of lottery products and trading of lottery terminals.
- (b) Property and Other Investments Segment: It mainly comprises investment properties, available-for-sale investments, amounts due from associates and related segment bank balances, which receive dividend income, interest income and property rental income.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

2013

	Gaming, Leisure and Entertainment <i>HK\$'000</i>	Property and Other Investments <i>HK\$'000</i>	Segments' Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	157,473	25,801	183,274	–	183,274
Inter-segment sales	769	1,505	2,274	(2,274)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	158,242	27,306	185,548	(2,274)	183,274
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	(15,507)	114,561	99,054	–	99,054
	<hr/>	<hr/>	<hr/>	<hr/>	
Loss on deemed disposal of interest in an associate					(61,900)
Finance costs					(39,203)
Share of losses of joint ventures					(139)
Share of profits of associates					1,760,725
Unallocated corporate income					22,684
Central administrative costs and other unallocated corporate expenses					(170,240)
					<hr/>
Profit before tax					1,610,981
					<hr/>

2012

	Gaming, Leisure and Entertainment <i>HK\$'000</i>	Property and Other Investments <i>HK\$'000</i>	Segments' Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	126,464	20,387	146,851	–	146,851
Inter-segment sales	1,050	1,572	2,622	(2,622)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	127,514	21,959	149,473	(2,622)	146,851
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	(310)	80,678	80,368	–	80,368
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss on deemed disposal of interest in an associate					(13,525)
Gain on disposal of interest in an associate					45,726
Fair value change on investment in convertible loan note					260,659
Impairment loss on goodwill					(426,710)
Finance costs					(98,926)
Share of profits of joint ventures					145,080
Share of profits of associates					1,238,460
Unallocated corporate income					36,261
Central administrative costs and other unallocated corporate expenses					(151,153)
					<hr/>
Profit before tax					1,116,240
					<hr/>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit (loss) earned by each segment without allocation of central administrative costs and other unallocated corporate expenses, unallocated corporate income and items as disclosed in the above table. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at terms agreed by both parties.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gaming, Leisure and Entertainment	67,529	102,055
Property and Other Investments	1,710,193	961,027
Total segment assets	1,777,722	1,063,082
Interests in associates	11,088,180	8,835,811
Interests in joint ventures	28,034	–
Unallocated assets	49,135	26,439
Consolidated assets	12,943,071	9,925,332

Segment liabilities

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gaming, Leisure and Entertainment	49,476	77,037
Property and Other Investments	108	437
Total segment liabilities	49,584	77,474
Unallocated liabilities	1,278,140	549,964
Consolidated liabilities	1,327,724	627,438

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, pledged bank deposits and other assets not attributable to respective segment.
- all liabilities are allocated to operating segments other than borrowings, dividend payable, deferred tax liabilities and other liabilities not attributable to respective segment.

Other segment information
2013

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>				
Capital additions	873	–	839	1,712
Depreciation	6,109	–	657	6,766
Increase in fair value of investment properties	–	88,000	–	88,000
Interest income	–	20,038	–	20,038
Loss on disposal of property, plant and equipment	5,768	–	–	5,768

Amounts regularly provided to the CEO but not included in the measure of segment profit or loss and segment assets:

	HK\$'000
Interests in associates	11,088,180
Interests in joint ventures	28,034
Share of profits of associates	1,760,725
Share of losses of joint ventures	(139)

2012

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>				
Capital additions	7,821	–	893	8,714
Depreciation	4,751	–	921	5,672
Impairment loss on available-for-sale investments recognized in other expenses	–	1,077	–	1,077
Increase in fair value of investment properties	–	58,000	–	58,000
Interest income	–	12,746	–	12,746
Loss (gain) on disposal of property, plant and equipment	25	–	(74)	(49)

Amounts regularly provided to the CEO but not included in the measure of segment profit or loss and segment assets:

	HK\$'000
Interests in associates	8,835,811
Share of profits of associates	1,238,460
Share of profits of joint ventures	145,080

Geographical information

The Group's operations are mainly located in Hong Kong, Macau and the People's Republic of China ("PRC"). Non-current assets of approximately HK\$11,294,723,000, nil and HK\$472,000 (2012: HK\$8,979,164,000, HK\$110,000,000 and HK\$6,570,000) of the Group are located in Hong Kong, Macau and the PRC, respectively by reference to location of assets or, for interests in associates and joint ventures, by location of their head office.

All of the Group's revenue from external customers based on location of operations of the relevant group entities is generated from Hong Kong, Macau and the PRC of approximately HK\$131,487,000, HK\$2,391,000 and HK\$49,396,000 (2012: HK\$123,268,000, HK\$4,562,000 and HK\$19,021,000), respectively.

Information about major customers

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A ¹	39,311	18,095

¹ Revenue from trading of lottery terminals under Gaming, Leisure and Entertainment segment

4. INCOME TAX EXPENSE (CREDIT)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PRC Enterprise Income Tax – current year	278	9
Macau Complementary Tax – current year	5,784	–
Deferred taxation – current year	803	(7,383)
	6,865	(7,374)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax for the years ended 31 December 2013 and 2012 was made as there was no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Provision for Macau Complementary Tax for the year ended 31 December 2013 was calculated at 12% Macau Complementary Tax rate.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense (credit) for the year is reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before tax	1,610,981	1,116,240
Tax at Hong Kong Profits Tax rate of 16.5%	265,812	184,180
Tax effect of share of results of associates and joint ventures	(290,497)	(228,284)
Tax effect of expenses not deductible for tax purposes	32,363	88,896
Tax effect of income not taxable for tax purposes	(15,531)	(57,493)
Tax effect of deductible temporary difference not recognized	347	(122)
Tax effect of tax losses not recognized	17,985	7,784
Others	(3,614)	(2,335)
Tax expense (credit) for the year	6,865	(7,374)

5. DIVIDEND

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Dividend recognized as distribution during the year:		
2012 Final – HK1.5 cents (2012: HK1.5 cents) per share	23,020	18,509

Subsequent to the end of the reporting period, a final dividend of HK20.8 cents in respect of the year ended 31 December 2013 (2012: Final dividend of HK1.5 cents in respect of the year ended 31 December 2012) per share, totalling HK\$319,567,000 (2012: HK\$23,020,000) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

6. EARNINGS PER SHARE

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share		
(profit for the year attributable to owners of the Company)	1,596,715	1,121,903
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	–	89,043
Adjustment in relation to share options and awarded shares issued by an associate of the Group	(15,486)	(9,440)
Earnings for the purpose of diluted earnings per share	1,581,229	1,201,506

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,533,865	1,318,792
Effect of dilutive potential ordinary shares:		
Convertible loan note	–	208,503
Share options and awarded shares issued by the Company	23,771	9,314
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,557,636	1,536,609
	<hr/> <hr/>	<hr/> <hr/>

The number of shares adopted in the calculation of the basic and diluted earnings per share has been arrived at after eliminating the shares of the Company held under the Company's share award schemes.

During the years ended 31 December 2013 and 2012, the computation of diluted earnings per share does not assume the exercise of the Company's certain share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes because the adjusted exercise price of those options and unvested awarded shares are higher than the average market price of the Company's shares.

7. GOODWILL

	2013 HK\$'000	2012 HK\$'000
COST		
At 1 January	426,710	–
Arising from acquisition of a subsidiary	–	426,710
	<hr/>	<hr/>
At 31 December	426,710	426,710
	<hr/>	<hr/>
IMPAIRMENT		
At 1 January	426,710	–
Impairment loss recognized in the year	–	426,710
	<hr/>	<hr/>
At 31 December	426,710	426,710
	<hr/>	<hr/>
CARRYING VALUES		
At 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 December 2012, the Group recognized an impairment loss of HK\$426,710,000 in relation to goodwill allocated to two individual cash generating units (“CGUs”), (i) provision of services and solutions for distribution of lottery products and (ii) trading of lottery terminals in the PRC. These CGUs were components of MelcoLot Limited, a subsidiary acquired by the Group during the year ended 31 December 2012. The recoverable amounts of the CGUs had been determined on the basis of value in use calculations and are based on certain similar key assumptions. The value in use calculations used cash flow projections based on financial budgets approved by management covering a 5-year period. No discount rate had been considered by the management as negative cash outflows are expected from the operations of the CGUs in the future. Other key assumptions for the value in use calculation relate to the estimation of cash inflows or outflows which included budgeted sales and gross margin, such estimation was based on the CGUs’ past performance and management’s expectations for the market developments. Management believed that any reasonably possible change in any of these assumptions would not have material effect on the cash flow forecasts for the CGUs, and these existing business operations were not expected to contribute positively to the Group in the foreseeable future.

8. INTERESTS IN JOINT VENTURES

Details of the Group’s investment in joint venture are as follows:

	2013 HK\$’000	2012 HK\$’000
Cost of unlisted investments in joint ventures	337,556	309,182
Share of post-acquisition losses and other comprehensive income, net of dividends received	(309,522)	(309,182)
	<u>28,034</u>	<u>—</u>

As at 31 December 2013 and 2012, the Group had interests in the following joint ventures:

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership held by the Group		Principal activities
			2013	2012	
Melco Crown SPV Limited (“Melco Crown SPV”)	Cayman Islands/ Hong Kong	Ordinary shares	50.00%	50.00%	Inactive
Melco Crown Entertainment Asia Holdings Limited (“MCEAH”)	Cayman Islands/ Hong Kong	Ordinary shares	50.00%	50.00%	Inactive
PALTECH Company Limited (“PALTECH”) (Note a)	Hong Kong	Ordinary shares	60.00%	60.00%	Inactive
Power Way Group Limited (“Power Way”) (Note b)	British Virgin Islands/ Hong Kong	Ordinary shares	67.03%	67.03%	Inactive
Oriental Regent Limited (“Oriental Regent”) (Note c)	Hong Kong	Ordinary shares	5.00%	—	Investment holding

Notes:

- (a) PALTECH is held by MelcoLot. The Group indirectly owns a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the relevant activities of PALTECH require approval from 75% of the equity holders. PALTECH is jointly controlled by the Group and another shareholder; as such, it is accounted for as a joint venture of the Group.
- (b) Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of Power Way require approval of the Group together with the remaining shareholder of Power Way and accordingly, Power Way is a joint venture of the Group.
- (c) On 10 July 2013, a wholly owned subsidiary of the Group, New Crescent Investments Limited ("New Crescent") has entered into an investment agreement with Summit Ascent Russia Limited ("SARL"), Firich Investment Limited, Elegant City Group Limited ("Elegant City") and Oriental Regent (the "Investment Agreement"). The Investment Agreement provides that New Crescent would make an investment in a gaming and resort development project in Russia Federation, by subscribing new shares of Oriental Regent, representing 5% of the enlarged issued share capital of Oriental Regent upon completion pursuant to the terms and conditions of the Investment Agreement. The investment has been completed on 31 October 2013 and the consideration paid by the Group was approximately HK\$20,041,000. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of Oriental Regent require unanimous approval of the members of the board of Oriental Regent or the unanimous consent of the shareholder of Oriental Regent and accordingly, Oriental Regent is classified as a joint venture of the Group as New Crescent has the right to appoint one director of Oriental Regent.

On 25 November 2013, pursuant to the Investment Agreement, each shareholder is required to invest additional amount in accordance with their respective shareholding in Oriental Regent and the consideration paid by the Group was approximately HK\$8,333,000.

Summarized financial information of material joint ventures

Summarized financial information in respect of the Group's material joint venture on a consolidation basis, is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Oriental Regent**31.12.2013****HK\$'000**

Current assets	321,435
Non-current assets	291,029
Current liabilities	(28,020)
Non-current liabilities	(23,774)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	305,562
Current financial liabilities (excluding trade and other payables and provisions)	(247)
Non-current financial liabilities (excluding trade and other payables and provisions)	(23,774)

1.11.2013
(date of
acquisition) to
31.12.2013
HK\$'000

Revenue	–
Loss for the period	(2,786)
Other comprehensive expense for the period	(4,029)
Total comprehensive expense for the period	(6,815)

The above loss for the period includes the following:

Depreciation and amortization	–
Interest income	–
Interest expenses	411
Income tax credit	(102)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Oriental Regent recognized in the consolidated financial statements using the equity method of accounting is as follows:

	2013 HK\$'000
Net assets of Oriental Regent	560,670
Proportion of the Group's ownership interest in Oriental Regent	5%
	<hr/>
Carrying amount of the Group's interest in Oriental Regent	28,034
	<hr/> <hr/>

Oriental Regent is engaged in a gaming and resort business in Russia Federation through its wholly-owned subsidiary, First Gambling Company of the East LLC ("FGCE"). The project is currently under development stage and the investment allows the Group to develop new casino business in another new geographical location.

Aggregate information of joint ventures that are not individually material

	2013 HK\$'000	2012 HK\$'000
The Group's share of profits for the year	–	145,080
	<hr/> <hr/>	<hr/> <hr/>
The Group's share of other comprehensive income	–	–
	<hr/> <hr/>	<hr/> <hr/>
The Group's share of total comprehensive income	–	145,080
	<hr/> <hr/>	<hr/> <hr/>
The unrecognized share of losses of joint ventures for the year	(2)	–
	<hr/> <hr/>	<hr/> <hr/>
Cumulative unrecognized share of losses of joint ventures	(2)	–
	<hr/> <hr/>	<hr/> <hr/>

9. INTERESTS IN ASSOCIATES

	2013 HK\$'000	2012 HK\$'000
Cost of investment in associates		
Listed in the United States of America (“US”)	7,894,808	7,894,808
Listed in Canada	339,601	339,601
Unlisted	417	417
Net changes in interests in associates	1,344,449	1,407,787
Impairment losses recognized	(1,160,838)	(1,160,838)
Share of changes in net assets and exchange reserves	559,338	4,356
Share of post-acquisition results	2,110,405	349,680
	11,088,180	8,835,811
Fair value of listed investments (<i>Note a</i>)	56,998,427	24,611,682
Carrying amount of interests in associates with shares listed on respective stock exchanges	11,088,180	8,835,671

As at the end of the reporting period, the Group had interests in the following associates:

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership held by the Group		Principal activities
			2013	2012	
Melco Crown Entertainment Limited (“Melco Crown Entertainment”) (<i>Note b</i>)	Cayman Islands/ Macau	Ordinary shares	33.55%	33.73%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
Mountain China Resorts (Holding) Limited (“MCR”) (<i>Notes b and e</i>)	Canada/PRC	Ordinary shares	16.69%	18.85%	Operating of ski resorts
Entertainment Gaming Asia Inc. (“EGT”) (<i>Note b</i>)	US/Philippines and Cambodia	Ordinary shares	38.14%	38.20%	Development and operation of casinos and gaming venues and leasing of electronic gaming machines
ChariLot Company Limited (<i>Note d</i>)	Hong Kong	Ordinary shares	40.00%	40.00%	Provision of services for distribution of lottery products
China Excellent Net Technology Investment Limited (“China Excellent”) (<i>Note c</i>)	Hong Kong	Ordinary shares	–	35.00%	Provision of services for mobile lottery products

Notes:

- (a) Fair values of listed investments are determined at the market price of listed shares as of year end on respective stock exchanges.
- (b) The American Depositary Shares (“ADS”) and shares of Melco Crown Entertainment are dually listed on the National Association of Securities Dealers Automated Quotations (“NASDAQ”) and the Main Board of the Hong Kong Stock Exchange, respectively. The shares of MCR are listed on TSX Venture Exchange of Canada. The shares of EGT are listed on NASDAQ.
- (c) This associate is held by MelcoLot. On 31 May 2013, China Excellent became a subsidiary of the Group.
- (d) This associate is held by MelcoLot.
- (e) In July 2013, MCR completed a private placement of 40,044,444 shares at the price of USD 0.18 per share and the interests in MCR held by the Group were diluted from 18.85% to 16.69%. The Group is entitled to appoint one director to the board of MCR, provided that any part of the loans to the associate (Note 11) remaining outstanding in accordance with the terms of agreement signed with MCR in April 2010. Accordingly, MCR continued to be an associate of the Group as at 31 December 2013.

During the year ended 31 December 2013, the Group recognized a loss on deemed disposal of interest in an associate of approximately HK\$61,900,000 (2012: HK\$13,525,000) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment. The amount represents the decrease (2012: decrease) in net assets attributable to the Group of HK\$63,338,000 (2012: HK\$13,673,000) and the realization of special reserve to profit or loss of approximately HK\$1,438,000 (2012: HK\$148,000).

During the year ended 31 December 2013, the Group recognized share of changes in net assets of approximately HK\$595,680,000 (2012: Nil), in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries of Melco Crown Entertainment, Melco Crown (Philippines) Resorts Corporation (“MCP”).

Summarized financial information of material associates

Summarized financial information in respect of the Group's material associate, on a consolidation basis, is set out below.

Melco Crown Entertainment

	2013 HK\$'000	2012 HK\$'000
Current assets		
Cash and cash equivalents	10,750,069	13,297,646
Bank deposits with original maturity over three months	4,877,593	–
Restricted cash	5,992,810	5,235,792
Other current assets	2,874,442	2,853,985
Total	24,494,914	21,387,423
Non-current assets		
Property and equipment and related land use rights	33,823,169	28,789,921
Gaming subconcession	3,773,541	4,218,845
Other non-current assets	7,016,491	7,494,496
Total	44,613,201	40,503,262
Current liabilities		
Accrued expenses and other current liabilities	(7,269,103)	(6,619,543)
Current portion of long-term debt	(2,042,763)	(6,651,433)
Other current liabilities	(362,967)	(123,579)
Total	(9,674,833)	(13,394,555)
Non-current liabilities		
Long-term debt	(17,667,555)	(18,204,609)
Capital lease obligations, due after one year	(1,968,566)	–
Other non-current liabilities	(518,703)	(627,244)
Total	(20,154,824)	(18,831,853)
Non-controlling interests	(5,615,612)	(2,918,940)
Revenue	40,815,327	31,726,938
Profit for the year	5,172,121	3,471,576
Other comprehensive expense for the year	(113,083)	–
Total comprehensive income for the year	5,059,038	3,471,576

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements using the equity method of accounting is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net assets of Melco Crown Entertainment attributable to its owners	33,662,846	26,745,337
Share options reserve not shared by the Group	(488,621)	(372,021)
	33,174,225	26,373,316
Proportion of the Group's ownership interest in Melco Crown Entertainment	33.55%	33.73%
Goodwill	11,129,952	8,895,719
Adjustment in relation to the unrealized gain for the assets contributed by the Group upon formation of Melco Crown Entertainment	252,235	252,235
	(294,007)	(312,283)
Carrying amount of the Group's interest in Melco Crown Entertainment	11,088,180	8,835,671
Fair value of the shares of Melco Crown Entertainment held by the Group	56,998,427	24,611,682

Melco Crown Entertainment is engaged in a gaming and resort business in Asia which mainly through its operations in Altira Macau and City of Dreams. The projects of integrated resort in Manila and Studio City are currently under development stages and the projects is expected to complete in mid of 2014 and mid of 2015, respectively. In the opinion of the directors, the investments allow the Group to expand its gaming and resort business in Asia.

Aggregate information of associates that are not individually material

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
The Group's share of (losses) profits for the year	(140)	59,150
The Group's share of other comprehensive income	—	—
The Group's share of total comprehensive (expense) income	(140)	59,150
Aggregate carrying amount of the Group's interests in these associates	—	140
The unrecognized share of losses of associates for the year	(39,243)	(19,855)
Cumulative unrecognized share of losses of associates	(470,157)	(430,914)

10. TRADE RECEIVABLES

The Group's trade receivables related to the catering service income from the Gaming, Leisure and Entertainment segment and the trade receivables from Property and Other Investments segment are largely operated on cash on delivery or due immediately from date of billing, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.

The Group allows credit periods ranging from 30 to 90 days to its trade customers related to the lottery business from the Gaming, Leisure and Entertainment segment.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	15,342	34,615
31 – 90 days	1,456	19,034
91 – 180 days	11,964	11,955
Over 180 days	15,062	200
	<hr/>	<hr/>
	43,824	65,804
	<hr/>	<hr/>

Before accepting any new customer, the Group assesses the potential customer's credit quality through respective sales team and defines credit limit by customer. Credit 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. Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK\$30,258,000 (2012: HK\$14,663,000), which were past due at the end of the reporting period for which the Group has not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. All of the trade receivables that are neither past due nor impaired, have good credit quality assessed by the Group. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	1,776	1,909
31 – 90 days	1,456	599
91 – 180 days	11,964	11,955
Over 180 days	15,062	200
	<hr/>	<hr/>
	30,258	14,663
	<hr/>	<hr/>

The Group performed assessment on individual trade receivable balance and recognized allowance on specific balance when necessary. In the opinion of the directors, there was no allowance for doubtful debts as at the end of both reporting periods.

11. AMOUNTS DUE FROM (TO) ASSOCIATES

Included in amounts due from associates are:

- a) Amount due from an associate of approximately HK\$2,373,000 (2012: HK\$2,379,000) is unsecured, non-interest bearing and repayable on demand and approximately HK\$165,761,000 (2012: HK\$185,211,000) due from the associate is unsecured, interest bearing at 3% per annum and repayable on demand. All of the above balances were fully impaired as at 31 December 2013 and 2012.
- b) The remaining amounts due from associates are unsecured, non-interest bearing and repayable on demand.

Amounts due to associates are unsecured, non-interest bearing and repayable on demand.

The Group's concentration of credit risk by geographical location was mainly in Hong Kong, which accounted for 100% (2012: 100%) of amounts due from associates as at 31 December 2013.

12. TRADE PAYABLES

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

	2013 HK\$'000	2012 <i>HK\$'000</i>
Within 30 days	2,980	31,562
31-90 days	–	11,111
Over 90 days	15,761	6,006
	<hr/>	<hr/>
	18,741	48,679
	<hr/> <hr/>	<hr/> <hr/>

13. BORROWINGS

	2013 HK\$'000	2012 HK\$'000
Bank loans (<i>Note a</i>)	457,230	489,210
Other borrowings (<i>Note b</i>)	760,000	–
	<u>1,217,230</u>	<u>489,210</u>
Secured	44,230	76,210
Unsecured	1,173,000	413,000
	<u>1,217,230</u>	<u>489,210</u>
Carrying amount repayable:		
Within one year		
– With repayable on demand clause	23,000	23,000
– Without repayable on demand clause	4,980	10,980
More than one year, but not exceeding two years	394,980	10,980
More than two years, but not exceeding five years	774,940	419,940
Exceeding five years	19,330	24,310
	<u>1,217,230</u>	<u>489,210</u>
Less: Amounts due within one year shown under current liabilities	(27,980)	(33,980)
	<u>1,189,250</u>	<u>455,230</u>

Notes:

- (a) All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.5% to 2.5% (2012: HIBOR plus 1.5% to 2.5%) per annum.
- (b) In February 2013, Melco Finance Limited, a wholly owned subsidiary of the Company, issued guaranteed bonds with principal amount of HK\$760,000,000 (“Bonds”) to independent investors. The interest on the Bonds is accrued at a fixed rate of 4.15% per annum, payable quarterly in arrears, with maturity date of 5 March 2018. The Bonds are guaranteed by the Company. The proceeds will be used by the Company for general working capital and future investment purposes.
- (c) For the year ended 31 December 2013, the effective interest rates on the Group’s and the Company’s borrowings were 3.66% and 2.71% (2012: 2.69% and 2.81%) per annum, respectively.

14. RESERVES

	Attributable to the owners of the Company											
	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Convertible loan note equity reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2012	3,137,831	253,004	(62,185)	323,818	5,796	200,784	3,442	93,492	(16,906)	10,387	2,617,501	6,566,964
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(42)	-	-	-	-	(42)
Other comprehensive expense for the year	-	-	-	-	-	-	(42)	-	-	-	-	(42)
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,121,903	1,121,903
Total comprehensive income for the year	-	-	-	-	-	-	(42)	-	-	-	1,121,903	1,121,861
Derecognition of deferred tax liability upon conversion of convertible loan note	-	-	-	21,503	-	-	-	-	-	-	-	21,503
Conversion of convertible loan note	1,240,507	-	-	(345,321)	-	-	-	-	-	-	-	895,186
Exercise of share options	7,875	-	-	-	-	-	-	(2,376)	-	-	-	5,499
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	38,222	-	30,591	-	68,813
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	(3,499)	-	-	3,499	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	-	23,903	(21,250)	(2,653)	-
Purchase of shares for unvested shares under share award schemes	-	-	-	-	-	-	-	-	(34,478)	-	-	(34,478)
Dividend paid	-	(18,509)	-	-	-	-	-	-	-	-	-	(18,509)
Realization of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	-	-	(148)	-	-	(61)	-	-	-	-	61	(148)
Acquisition of additional interest in a subsidiary	-	-	(18,741)	-	-	-	-	-	-	-	-	(18,741)
	1,248,382	(18,509)	(18,889)	(323,818)	-	(61)	-	32,347	(10,575)	9,341	907	919,125
At 31 December 2012 and 1 January 2013	4,386,213	234,495	(81,074)	-	5,796	200,723	3,400	125,839	(27,481)	19,728	3,740,311	8,607,950
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(2,870)	-	-	-	-	(2,870)
Share of other comprehensive expense of an associate	-	-	-	-	-	-	(40,698)	-	-	-	-	(40,698)
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	(201)	-	-	-	-	(201)
Fair value gain on available-for-sale investments	-	-	-	-	-	1,867	-	-	-	-	-	1,867
Other comprehensive expense for the year	-	-	-	-	-	1,867	(43,769)	-	-	-	-	(41,902)
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,596,715	1,596,715
Total comprehensive income for the year	-	-	-	-	-	1,867	(43,769)	-	-	-	1,596,715	1,554,813
Exercise of share options	31,829	-	-	-	-	-	-	(11,143)	-	-	-	20,686
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	53,334	-	30,895	-	84,229
Shares vested under the share award schemes	-	-	-	-	-	-	-	-	30,658	(38,049)	7,391	-
Purchase of shares for unvested shares under share award schemes	-	-	-	-	-	-	-	-	(103,252)	-	-	(103,252)
Deemed disposal of partial interest in a subsidiary	-	-	24,167	-	-	-	-	-	-	-	-	24,167
Disposal of partial interests in subsidiaries	-	-	160,943	-	-	-	-	-	-	-	-	160,943
Dividend paid	-	(23,020)	-	-	-	-	-	-	-	-	-	(23,020)
Realization of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	-	-	(1,438)	-	-	(15)	-	-	-	-	15	(1,438)
Share of net assets changes of an associate	-	-	595,680	-	-	-	-	-	-	-	-	595,680
	31,829	(23,020)	779,352	-	-	(15)	-	42,191	(72,594)	(7,154)	7,406	757,995
At 31 December 2013	4,418,042	211,475	698,278	-	5,796	202,575	(40,369)	168,030	(100,075)	12,574	5,344,432	10,920,758

CHAIRMAN & CEO'S STATEMENT

I am pleased that Melco International Development Limited (“Melco” or the “Group”) has enjoyed another spectacular year in 2013, highlighted by the smooth progress of our successful overseas expansion strategies in Asia and Eurasia including China, the Philippines, Cambodia and Russia. With our extensive experience in the gaming and entertainment industry and unique insight to appeal to the broadest spectrum of visitors, we firmly believe our overseas expansion plans will further realize our vision to become a global market leader in the gaming and entertainment industry.

The remarkable results achieved in financial year 2013 have been primarily driven by the shining success of the premium-focused business at City of Dreams, the flagship integrated resort of our key associate Melco Crown Entertainment Limited (“Melco Crown Entertainment” or “MCE”). City of Dreams’ unparalleled services and innovative entertainment offerings, such as the multiple award-winning water-based stage production The House of Dancing Water, Asia’s only and most anticipated cabaret experience TABOO, the ground-breaking water extravaganza Viva Fiesta featuring the China National Diving Team, National Synchronized Swimming Team and acclaimed singers, and the international illusion master Franz Harary’s inaugural performance in Macau, have effectively enticed highly discerning and premium customers, thereby maintaining our leading mass market table yields.

Other development projects in Macau have continued to progress smoothly as planned during the year, and we are confident that these projects would further enrich our existing portfolio in Macau upon completion. Our exciting new cinematically-themed integrated resort Studio City remains on track for a mid-2015 debut to inject new excitement to the mass market segment. Additionally, the iconic fifth tower at City of Dreams has commenced construction. It is expected to enable us to extend our leadership at the premium end of the market with astonishing gaming and non-gaming attractions to appeal to the highly sophisticated premium visitors when it opens in early 2017.

Outside Macau, Melco continues to expand the existing global footprint to other parts of Asia and Continental Europe. In the Philippines, our new integrated resort in Manila bears with pride of our successful “City of Dreams” brand and has been officially named “City of Dreams Manila”. We are excited to have announced two renowned hotel brands at the integrated resort – the ultra-luxurious Crown Towers Hotel serving VIP patrons and the world-famous and celebrity-inspired Nobu Hotel, with its distinctive food and beverage menu indulging trendy entertainment seekers both locally and around the world. City of Dreams Manila is anticipated to become the finest integrated entertainment casino resort in town when it opens later this year. While in Cambodia, our associate Entertainment Gaming Asia Inc. (“EGT”) has maintained its strategic presence in the region with the opening of the standalone slot hall Dreamworld Poipet within the year. Furthermore, Melco has completed a 5% investment in the gaming and resort development project in Russia’s Primorye Region. As one of the first movers in the gaming and tourism industry in the Primorye region, we are positive that the gaming and tourism facilities will bring immense benefits to the local economy.

Looking ahead, we are optimistic about the overall outlook of the gaming, leisure and entertainment market in Asia. Macau continues its strong upward trajectory with market-wide gaming revenues sustainably increasing. The underlying infrastructure and regional development blueprint, including the rapid development of Hengqin Island, improved immigration facilities, the Macau Light Rail system and the Hong Kong-Zhuhai-Macau Bridge are also creating immense opportunities. Cotai is inevitably developing into a major gaming, leisure and entertainment center for Macau and Asia for years to come, which we believe would be beneficial to Melco given the vast opportunities brought about by the anticipated emerging visitation and premium quality hospitality demand in the region.

Besides, leveraging our unique insight into what attracts a global audience while maintaining a profound respect for local culture, Melco is well-positioned to expand our business to other parts of the world to realize our vision of becoming one of Asia's leading gaming companies. We remain highly focused on entering lucrative new gaming markets in Asia, most notably, Japan. We believe the Group's experience in developing and operating high-quality integrated resorts, combined with our world-class entertainment productions would strongly resonate within this potentially globally significant market.

While constantly striving for improvement and continuous growth, Melco has also been tirelessly dedicated to maintaining high standards of corporate governance and corporate social responsibility. In the past year, our progress to make Melco a truly sustainable company responsive to the needs of the community has continued. The inclusion of Melco as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index in 2013 is the most notable and strongest testimony to our commitment. We will deliver additional programmes for the development of our youth, and the disadvantaged, in hopes to broaden our engagement with the community.

Lastly, I would like to extend my sincere thanks to our Board of Directors, shareholders, employees, business partners and customers for their indispensable contributions and continuous support, which have empowered us to extend our business into new areas and to realize outstanding opportunities to build Melco into a successful pioneer within the industry. We resolve to bring our brand of leisure and entertainment to other markets in Asia and other countries as we strive our utmost to replicate our success in Macau in overseas markets.

Ho, Lawrence Yau Lung

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Melco International Development Limited has experienced another fruitful year in 2013, achieving impressive progress in its expansion across Asian and Eurasian markets. On the operations side, the Group has achieved an outstanding financial performance and sustainable growth momentum with a solid revenue growth and a significant surge in net profit quarter after quarter.

In 2013, the Group's core gaming arm Melco Crown Entertainment, an associate of the Group, continued to deliver above-market growth in the highly profitable mass market segment as well as increasing group-wide rolling chip revenues. City of Dreams has also continued to improve its unique customer experience offerings which expanded the customer base and lifted profitability in the highly competitive market. On the other hand, the development of Studio City, the cinematically-themed integrated resort in Cotai, remains on track. The development of the iconic fifth tower at City of Dreams in Macau has also commenced and is expected to provide an impressive complement to the world-class attractions and amenities offered at the Group's flagship property.

Beyond Macau, our new integrated casino resort in Manila, developed by Melco Crown (Philippines) Resorts Corporation, the subsidiary of Melco Crown Entertainment, has been officially named as "City of Dreams Manila". Two of the world-renowned hotel brands featured at the property, namely Crown Towers hotel and Nobu Hotel Manila, have been revealed recently. Elsewhere, Melco has also announced its intention to invest in Russia's Primorye region to build and operate the region's first integrated casino resort together with its international and local partners.

CORE BUSINESS

Gaming Business in Asia

The Group operates its gaming business through its 33.55%-owned associate, Melco Crown Entertainment, which is listed on the NASDAQ Global Select Market in the US and on the Main Board of the Hong Kong Stock Exchange. In 2013, Melco Crown Entertainment delivered strong net revenue and Adjusted EBITDA growth of 24.7% and 39.9% to US\$5.1 billion and US\$1,287.8 million respectively, primarily attributable to substantially improved mass table games and rolling chip revenues together with a strict cost control focus.

During the year, City of Dreams continued to deliver impressive results, recording strong year-over-year improvement in Adjusted EBITDA in consecutive quarters primarily attributed to the increase in segment mass market table games gross gaming revenue together with a significant growth in rolling chip volumes. With a higher occupancy and average daily rate per available room, City of Dreams once again recorded a year-over-year increase in total non-gaming revenue in every quarter in 2013.

City of Dreams has leveraged its world-class amenities and attractions to entertain the increasingly discerning premium customer, which in turn enables the Group to maintain its market-leading mass market table yields. During the year, the internationally acclaimed water-based extravaganza, The House of Dancing Water, has attracted its two millionth patron and presented the most exciting artistic and entertainment adventure summer camp to mark the show's third anniversary. Complementing the spectacular The House of Dancing Water, City of Dreams has brought again Asia's only and the most anticipated cabaret experience TABOO to Club Cubic, which further distinguishes City of Dreams as the only place in Macau with two world-class shows under the same roof.

To provide an unprecedented entertainment experience for visitors to Macau, the Group presented the cross-over acrobatic and musical spectacular "Viva Fiesta 2013" featuring the renowned China National Diving Team, the National Synchronized Swimming Team, and acclaimed singers at Dancing Water Theater at City of Dreams. More scintillating entertainment performances and activities hosted by our flagship property included the performance of the international illusion master Franz Harary and his hand-picked team of world-class magicians for the first time in Macau, as well as the truly amazing SPLASH poolside party series. City of Dreams' diversified non-gaming facilities along with the eclectic array of accommodation options, and retail and food and beverage offerings not only further solidified its leading position in the premium and high-end segments in Macau, the offerings have also become a major tourism draw card for Macau as a whole that appeals to a wide swath of patrons.

The development of projects in the pipeline both within Macau and outside the city continues to progress as planned. To further enhance the Group's existing portfolio of properties in Macau, Studio City, the exciting new cinematically-themed integrated entertainment, retail and gaming resort in Cotai, remains on track and is expected to open in mid-2015 while the iconic fifth tower at City of Dreams in Macau is scheduled to open in early 2017.

Meanwhile, the development of City of Dreams Manila in the Philippines is progressing well and is expected to open later this year. Melco is proud to introduce the luxurious Crown Towers hotel and the world renowned and celebrity-inspired Nobu Hospitality at City of Dreams Manila, marking the first Nobu Hotel in Asia. Together with other exciting key entertainment attractions and world-leading retail, catering and entertainment brands to be hosted at City of Dreams Manila, the new integrated casino resort will evidently fulfill its commitment to bringing the best in entertainment and gaming to the Philippines.

Elsewhere, Melco has partnered with Summit Ascent Holdings Limited ("Summit Ascent") to tap the potentially lucrative Russian gaming market by investing in the Primorye region's first casino project at Vladivostok along the Pacific Coast. With the unique competitive advantages stemming from its geographic proximity to Asia's prosperous regions, particularly Northern China, Japan and South Korea, Melco believes the investment in the Russian casino project will bring immense benefits to the local economy which will in turn have a multiplier effect on the development of the Russian Far East as a whole.

Gaming Machine Revenue Participation Business in Southeast Asia

Entertainment Gaming Asia Inc. (“EGT”), a company listed on NASDAQ Capital Market (NASDAQ: EGT), in which the Group has an effective equity interest of approximately 38.14%, recorded consolidated revenue of US\$24.3 million for the 2013 fiscal year, down 9% from the prior year due to declines in its slot operations and gaming chips and plaques business.

EGT has an established presence within gaming markets in Cambodia and the Philippines through its slot operations business. As of 31 December 2013, EGT had approximately 1,700 electronic gaming machine seats in operation. This included 670 seats placed under the joint management of EGT and NagaWorld Limited, a wholly-owned subsidiary of NagaCorp Ltd. (Stock code: 3918), in NagaWorld Resort and Casino located in Phnom Penh, Cambodia. EGT’s slot operations achieved an average daily net win of approximately US\$121 per machine seat for the 2013 fiscal year, while its operations in NagaWorld achieved an average daily net win of approximately US\$214 per machine seat for the same period.

In May 2013, EGT expanded its slot operations in Cambodia with the opening of Dreamworld Poipet, a standalone slot hall with approximately 300 electronic gaming machine seats. EGT solely developed and operates this slot club as an extension of the existing casino owned by a local company. It is prominently located in the established gaming market of Poipet near the Thailand border.

EGT will continue to seek new gaming project opportunities in more established gaming markets in the Indo-China region and other Asian areas.

In addition, during the 2013 fiscal year, EGT completed its plans to re-strategize its legacy businesses with the divestiture of a low-margin non-gaming business and relocation and repositioning of its gaming chips and plaques division from Australia to Hong Kong in an effort to reduce costs and better serve the growing gaming markets in Asia. EGT’s gaming chips and plaques business contributed US\$3.4 million to revenue for the 2013 fiscal year. With a strong product line and customer relationships, anticipated improvements in production efficiency, and streamlined operating structure, EGT’s gaming products business is expected to be a meaningful contributor to future earnings.

Lottery Management Business in Asia

MelcoLot Limited (“MelcoLot”), in which the Group holds an equity interest of 43.93%, is principally engaged in the provision of lottery-related technologies, systems and solutions for two state-run lottery operators in PRC, namely the China Welfare Lottery and the China Sports Lottery. It has developed a wide presence by managing a network of retail outlets across the PRC, a telephone betting system in Shandong Province for the distribution of computer-generated lottery tickets and lottery scratch cards, as well as providing the maintenance and upgrade services for the high frequency game, “Shi Shi

Cai”, in Chongqing Municipality. It is also a distributor of high quality, versatile lottery terminals for the Sports Lottery. During the year ended 31 December 2013, MelcoLot’s revenue was HK\$54.6 million, representing a decrease of approximately 37.2%. The drop was mainly because after the new terminal type approval by Sport Lottery in early 2013, the terminal replacement cycle has been slower than expected. MelcoLot recorded a loss of HK\$13.0 million in 2013, compared with a profit of HK\$70.5 million in 2012 which was mainly the result of a one-off gain on restructuring amounted to HK\$226.8 million.

According to the data from the Ministry of Finance, lottery sales in China amounted to RMB309.3 billion for the year 2013, representing an increase of 18.3%. Regardless of the fact that the lottery industry continues to show strong year-on-year growth as a whole, there is still enormous potential for future growth in China’s lottery market. This situation is backed by the rising disposable income in China, together with the low lottery penetration rate and low sales rates compared to other more developed nations in per capita terms. Just a few years ago, China’s lottery market consisted largely of traditional paper lotto tickets. Now, single match games, rapid-draw games, video lottery terminals and scratch games are also very common. In particular, paperless lottery sales channels such as mobile and internet are gaining momentum.

Integrity is the most critical foundation in the gaming industry. While the Ministry of Finance has expressed concern about the need to better monitor these new channels and implemented new regulations to govern them in conjunction with the welfare and sports lottery authorities, the operation of online sports lottery sales services has been approved under a pilot phase. It is believed that the authorities want to consolidate the lottery market, to replace thousands of private lottery operators by a handful of licensed and regulated firms, making it easier to control and regulate. These developments are anticipated to aid the planned development of the industry. MelcoLot believes that China lottery market will continue to grow very quickly and the government regulatory regime will become more open and transparent.

MelcoLot is carefully monitoring the situation to identify opportunities that could be capitalized upon. MelcoLot aims to leverage its access to the world-class expertise of its strategic shareholders and is increasing its focus on new media technologies and sales platforms in order to capture this growing market development. At the same time, MelcoLot continues to evaluate other business opportunities for development that could support the goal of maximizing long-term value for shareholders.

NON-CORE BUSINESSES

Ski Resort Business in China

The Group owns 16.69% of Mountain China Resorts (Holding) Limited (“MCR”), which owns and operates the largest destination ski resort in China, namely Sun Mountain Yabuli Resort in Heilongjiang (“Yabuli Resort”).

In May 2013, the Group received CAD\$3.0 million in the form of cash from MCR, as the first phase of the settlement of loan advanced to MCR Group amounting to US\$23.0 million, for fulfilling the terms and conditions pursuant to the conditional agreement entered in May 2012.

The Club Med Yabuli business, which was established by a strategic partnership with Club Med Asie S.A. (“Club Med”) to operate and manage two of the hotels at Yabuli Resort, has consistently maintained the sales revenue level as the same period last year, which constituted approximately 79% of the sales revenue of Yabuli Resort in the financial year of 2013.

In August 2013, the management of MCR has successfully negotiated with the Harbin Commercial Bank to extend the repayment schedule of its CAD\$23.6 million secured loan from 3 years to 10 years with a maturity date in December 2022.

During 2013, Yabuli Resort has undertaken some major makeovers on the ski resort, including building a new snowboarding park which covers land size of 30,000 square meters, upgrading the entire heating system of cable cars and adding a new mogul ski track to the existing ones, which provides the right amount of challenge while still catering to those who just want to get a taste of the snow.

The 2016 World Championships of Snowboarding, which is the world’s most respected snowboarding contest, will be hosted in Yabuli and MCR will be the official partner and playing field of this major sporting event. The recent and ongoing major makeovers on the ski resort are in the preparation for hosting the 2016 World Championships of Snowboarding and welcoming the increasing number of visitors for witnessing this great event.

ACHIEVEMENTS AND AWARDS

The Group is committed to reaching a high standard of excellence on all fronts, including not only operational and financial performance, but also a great emphasis on corporate governance and corporate social responsibility (CSR) achievement, in order to build a successful and sustainable business. Besides awards for business excellence, the Group has been honored by numerous awards during the past year in acknowledgement of its tremendous effort in maintaining transparency and accountability through prudent corporate governance practices and in creating social value via CSR initiatives.

Corporate Governance

Melco’s effort in maintaining the highest standard of corporate governance has long been widely recognized by the community. In 2013, the Group has received the “Corporate Governance Asia Annual Recognition Award” by Corporate Governance Asia magazine for eight consecutive years and was honored with the “Icon on Corporate Governance”. Besides, the magazine also presented the “Best Investor Relations by a Hong Kong Company” in the “Asian Excellence Recognition Awards” to Melco for the third year running.

In addition, Melco's management has also gained the appreciation within the business community for its strong leadership. Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, has not only been honored with one of the "Asian Corporate Director Recognition Awards" presented by Corporate Governance Asia magazine for the second consecutive year, he has also been recognized for the second time with the "Asia's Best CEO" honor at the magazine's "Asian Excellence Awards". All of these accolades are clear evidence that the Group's efforts in corporate governance are widely appreciated.

Corporate Social Responsibility

The Group's exceptional contributions and initiatives in fulfilling its corporate social responsibility have garnered for it a number of prestigious accolades during the year. In recognition of its well performance with respect to corporate sustainability, Melco was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index in 2013. Hong Kong Productivity Council presented the Award Label of Hong Kong Corporate Citizenship Awards to Melco for the second consecutive year in 2013, while Corporate Governance Asia Magazine honored the Group with the "Best CSR" within its Asian Excellence Awards.

Preserving the environment has always been a core focus of Melco's corporate social responsibility, as it is not only in the best interest of everyone, but also for the benefit of our children and future generations. We have undertaken plenty of activities to evangelize about the importance of preserving the environment. For a series of commitments to implement environmental sustainability through energy-saving practices, Melco has been awarded a Gold Label for its "Low-carbon Office Operation Programme" by WWF Hong Kong every year since 2011. Furthermore, Hong Kong Awards for Environmental Excellence has granted Melco the "Class of Excellence in Wastewi\$e Label" for five straight years to acknowledge its efforts to reduce its carbon footprint.

The Group has also garnered numerous awards for its dedication to the community, namely the "President's Award" by The Community Chest for the eighth consecutive year, the "Platinum Award for Corporate & Employee Contribution Programme Donors" for the fifth consecutive year and the "5 Years plus Caring Company Logo" awarded by Hong Kong Council of Social Service since 2011. In 2013, Melco continues to be honored to serve as the Diamond Corporate Member by WWF Hong Kong, which the Group has done every year since 2011.

Business Operations

In 2013, Melco Crown Entertainment was included on the Forbes Asia's "Fabulous 50" list for the first time, ranking the best big companies in the region. This is a prestigious recognition of its success in which record-breaking results were achieved driven by its operational excellence and bold innovation.

In hospitality and services, Melco Crown Entertainment has been striving to provide the most unforgettable and utmost premium hospitality experience to every customer. On its sixth anniversary, the contemporary luxurious Altira Macau was proud to have earned the highest Five-Star rating in both the Hotel and Spa categories by Forbes Travel Guide for four consecutive years since 2010. Its contemporary, luxurious décor and attention to detail mean that it has always been one of the town's most favorite hospitality brands for both tourists and locals. Crown Towers at City of Dreams was the first Cotai hotel brand to have been awarded a Forbes Five-Star rating in Lodging by Forbes Travel Guide. In addition, in recognition of its diverse range of world-class leisure and entertainment offerings, City of Dreams was awarded the "Integrated Resort of the Year" award at the International Gaming Awards 2013.

All of these achievements and awards are clear evidence of the community's and industry's confidence in the Group, and the recognition on its continuous efforts in maintaining the highest standard of corporate practices. While striving for business growth to maximize the long-term shareholder value, Melco will continue to fulfill its commitment on creating a sustainable environment for the community we serve.

OUTLOOK

After experiencing years of very robust growth in the gaming market in Macau, looking ahead, it is expected that the growth will moderate somewhat, with increasing competition and uncertainties arising from the expected opening of numerous new leisure and entertainment properties in the city, together with less spending in the VIP segment. Even so, the Macau gaming market is still expected to enjoy a healthy and stable growth, with the gradually recovering global economy providing a sound foundation, accompanied by greater demand from the increasingly affluent Chinese middle class for quality entertainment offerings which serves as a key growth driver of Macau's gaming and tourism industries. While there are concerns that the industry in Macau may be over-relying on demand from mainland China, especially since the growth in GDP of the Chinese economy has normalized during recent years, as we continue to expand our reach and open new operations overseas, the Group will be able to further diversify its income streams as it replicates its success in Macau in the other foreign markets.

With the expected new supply of integrated resorts in the Cotai region soon opening, the competition in Macau gaming industry shall intensify as gaming operators race to gain a greater market share in Macau. As a pioneer in the industry which has long been striving to offer more outstanding gaming and non-gaming experiences, Melco embraces the competition and challenges by constantly improving the overall performance of its current businesses and enhancing its portfolio. With its existing operations, the Group is continuing its efforts to optimize table productivity and profitability to drive sustainable revenue growth, which involves continuously strengthening the performance of City of Dreams, a profitability driver for the Group's gaming business which appeals to the premium market segment with its unique leisure and entertainment offerings. A key upcoming addition to the Group's flagship property is the introduction of the iconic fifth tower at City of Dreams anticipated to open in early 2017. Simultaneously, the

construction of Studio City, a new cinematically-themed integrated resort in Cotai targeting the mass market segment, is also on track and expected to open in mid-2015. It will be the next standalone integrated resort to open in Cotai to complement the Group's existing portfolio in Macau.

In the macro environment, there has been speculation on the possibility that the validity of gaming concessions in Macau could be subject to renewal every five or ten years. Understandably, this may be deemed a source of regulatory uncertainty by the market and may temporarily affected market sentiment, the Group believes the PRC and local governments are still supportive to the development of Macau and gaming operators in the city, and the final decision on the issue will be for the long-term benefit and healthy development of the Macau gaming and entertainment industries as a whole. Melco will work closely with the government in accordance with the regulations towards this end.

Beyond Macau, Melco is actively exploring and seizing opportunities within and outside of Asia. In the Russian market, as one of the first-movers in the region, Melco remains confident that its integrated casino resort will effectively revitalize and contribute to the local economy in the Primorye region and ultimately Russia. In the Philippines, the entry of City of Dreams Manila will introduce world-class multi-dimensional entertainment experiences and renowned top brands to Manila in the near future as the new integrated resort continues to develop. The Group is also carefully evaluating other potential markets in Asia, most notably, Japan, and is prepared to capture any possible opportunities should the Japanese market finally legalize casinos. Meanwhile, EGT will continue to seek new gaming project opportunities in more established gaming markets in the Indo-China region and other Asian areas. By introducing the Melco brand into these new markets, the Group hopes not only to create greater values for shareholders, but also to add value to the local tourism industry by enhancing diversity, attracting tourists' visitations and elevating the standard of hospitality industry service.

Melco's strong cash flow delivered by our core operating assets in Macau and its low gearing provides us with sufficient capital to fuel the development of our existing and future projects. Melco will continue to strive for operational excellence and work on innovative projects spanning across Asia to enrich both gaming and non-gaming offerings, with a prudent approach in expansion efforts riding on the Group's strong financial position. Ultimately, the Group shall strive to maximum return and long-term value to shareholders.

FINANCIAL REVIEW

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Segment Results:		
Gaming, Leisure and Entertainment	(15,507)	(310)
Property and Other Investments	<u>114,561</u>	<u>80,678</u>
	99,054	80,368
Share of (losses) profits of joint ventures	(139)	145,080
Share of profits of associates	1,760,725	1,238,460
Loss on deemed disposal of interest in an associate	(61,900)	(13,525)
Gain on disposal of interest in an associate	–	45,726
Fair value change on investment in convertible loan note	–	260,659
Impairment loss on goodwill	–	(426,710)
Unallocated corporate income	22,684	36,261
Central administrative costs and other unallocated corporate expenses	(170,240)	(151,153)
Finance costs	<u>(39,203)</u>	<u>(98,926)</u>
Profit before tax	1,610,981	1,116,240
Income tax (expense) credit	<u>(6,865)</u>	<u>7,374</u>
Profit for the year	1,604,116	1,123,614
Non-controlling interests	<u>(7,401)</u>	<u>(1,711)</u>
	<u>1,596,715</u>	<u>1,121,903</u>

For the year ended 31 December 2013, the Group reported profit attributable to owners of the Company of HK\$1,596.7 million compared to HK\$1,121.9 million for the year 2012.

SEGMENT RESULTS

Gaming, Leisure and Entertainment

The gaming, leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 33.55%-owned Melco Crown Entertainment), (ii) gaming machine revenue participation business (conducted through 38.14%-owned EGT), in which the brief descriptions for the performance of the core Macau gaming business and gaming machine revenue participation business for the year ended 31 December 2013 are included under heading “SHARE OF PROFITS OF ASSOCIATE” below, and (iii) lottery business (conducted through 43.93%-owned MelcoLot), together with other non-core businesses.

Below table shows the breakdown of segment results for Gaming, Leisure and Entertainment:

	2013 HK\$'000	2012 HK\$'000
MelcoLot (1)	(4,873)	864
Jumbo Kingdom (2)	(9,772)	287
Others (3)	(862)	(1,461)
	<u>(15,507)</u>	<u>(310)</u>

(1) MelcoLot

MelcoLot recorded a loss of HK\$13.0 million for the year ended 31 December 2013 against a profit of HK\$70.5 million for the year 2012, which was mainly attributable to the combined effect of:

- (i) the absence of a non-operational gain on group restructuring of HK\$ 226.8 million as recorded in the year ended 31 December 2012 (details of which were disclosed in the announcement of MelcoLot dated 3 May 2013);
- (ii) the decrease in revenue for the year ended 31 December 2013 and the decrease in gross margin from 16.8% in 2012 to 15.5% in 2013;
- (iii) the significant decrease in other administrative expenses from HK\$21.7 million in 2012 to HK\$7.9 million in 2013 mainly due to the absence of professional fees for the group restructuring in 2012;
- (iv) the significant decrease in finance costs from HK\$93.0 million in 2012 to HK\$7.2 million in 2013 due to the extinguishment of all outstanding convertible bonds in late 2012; and
- (v) the decrease in impairment losses on trade and other receivables and property, plant and equipment in 2012 from HK\$22.2 million to HK\$0.7 million in 2013.

MelcoLot also shared losses of associates, engaged in development of paperless lottery sale channels, amounting to HK\$0.3 million (2012: HK\$2.6 million).

In 2012, capital gain tax of HK\$20.9 million arising from the disposal of subsidiaries under the group restructuring had been provided pursuant to the relevant tax laws in the PRC.

(2) Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong and a restaurant in Beijing, named as J-Kitchen.

The catering business segment resulted a loss of HK\$9.8 million for the year ended 31 December 2013 while a profit of HK\$0.3 million for the same period in 2012. With the decrease in sales and increase in staff costs and other operating expenses, business in Hong Kong resulted at a profit of HK\$1.0 million during the current year as compared to a profit of HK\$6.4 million in 2012.

J-Kitchen in Beijing recorded an operating loss of HK\$4.5 million during the year ended 31 December 2013, decreased by 26% as compared to HK\$6.1 million for the year ended 31 December 2012. Due to the underperformance of J-Kitchen, the restaurant was closed in June 2013 and HK\$6.3 million impairment loss on property, plant and equipment was recorded in relation to the closure of business.

(3) Others

Other items mainly consist of professional fees incurred in the administration of intermediate holding companies as well as exchange differences arising from the settlement of expenses.

Property and Other Investments

This segment handles property and other treasury investments for the Group. For the year ended 31 December 2013, it recorded a profit of HK\$114.6 million (2012: HK\$80.7 million). The increase was primarily due to an increase in revaluation gain of investment properties. The revaluation gain increased from HK\$58.0 million in 2012 to HK\$88.0 million in 2013.

SHARE OF PROFITS OF ASSOCIATES

The Group's share of profits of associates is made up of the following:

	2013 HK\$'000	2012 HK\$'000
Share of profit of Melco Crown Entertainment (1)	1,760,865	1,179,310
Share of profit of Power Way	—	59,260
Others	(140)	(110)
	<u>1,760,725</u>	<u>1,238,460</u>

In previous years, the Group wrote down its investments in EGT and MCR to zero. During the year under review, no reversal of impairment loss was considered necessary to the Group from the aforesaid associates, as EGT and MCR continued to be making losses. In paragraph (2) below, the performance of EGT during the year 2013 is briefly described.

(1) Share of profit of Melco Crown Entertainment

For the year under review, the Group's attributable profit arising from its 33.55% ownership of Melco Crown Entertainment amounted to approximately HK\$1,760.9 million (2012: HK\$1,179.3 million) after taking into account the adjustments in accordance with Hong Kong Financial Reporting Standards.

According to the unaudited financial results (prepared in accordance with the United States Generally Accepted Accounting Principles ("U.S. GAAP")) of Melco Crown Entertainment announced on 13 February 2014, it reported net revenue of US\$5.1 billion for the year ended 31 December 2013, versus US\$4.1 billion for the year ended 31 December 2012. The year-over-year increase in net revenue was driven by substantially improved mass table games volumes and blended hold percentages, as well as increased volumes in the rolling chip and gaming machines segment.

The Adjusted EBITDA was US\$1,287.8 million, as compared with an Adjusted EBITDA of US\$920.2 million in the 2012. The year-over-year improvements in Adjusted EBITDA were primarily attributable to substantially improved mass table games and rolling chip revenues together with strict cost control focus.

Melco Crown Entertainment reported net income of US\$637.5 million for the year ended 31 December 2013, compared to a net income of US\$417.2 million in the corresponding period of 2012.

City of Dreams

For the year ended 31 December 2013, net revenue at City of Dreams was US\$3,857.0 million versus US\$2,920.9 million in the year ended 31 December 2012. City of Dreams generated Adjusted EBITDA of US\$1,193.2 million in 2013 compared with US\$805.7 million in 2012. Rolling chip volume totaled US\$97.0 billion for 2013, up from US\$81.3 billion in 2012. In the fourth quarter of 2013, the rolling chip win rate (calculated before discounts and commissions) was 3.0%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, drop (a measure of mass market gaming volume) for the year totaled US\$4,664.5 million, up from US\$3,587.0 million in 2012. In the fourth quarter of 2013, the mass market table games hold percentage was 37.6% compared to 30.9% in the fourth quarter of 2012.

Altira

For the year ended 31 December 2013, net revenue at Altira Macau was US\$1,033.8 million versus US\$966.8 million in the year ended 31 December 2012. Altira Macau generated Adjusted EBITDA of US\$147.3 million in 2013 compared with US\$154.7 million in 2012. Rolling chip volume totaled US\$44.9 billion for 2013, up from US\$44.0 billion in 2012. In the fourth quarter of 2013, the rolling chip win rate (calculated before discounts and commissions) was 3.0%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, drop (a measure of mass market gaming volume) for the year totaled US\$724.0 million, up from US\$601.4 million generated in the previous year. In the fourth quarter of 2013, the mass market table games hold percentage was 16.3% compared with 16.5% in the fourth quarter of 2012.

Mocha Clubs

Net operating revenue from Mocha Clubs totaled US\$148.7 million in the year ended 31 December 2013, up from US\$143.3 million in the year ended 31 December 2012. Mocha Clubs generated US\$40.2 million of Adjusted EBITDA in 2013, as compared to US\$36.1 million in the previous year. In the fourth quarter of 2013, the number of gaming machines in operation at the Mocha Clubs averaged approximately 2,000. The net win per gaming machine per day was US\$246 for the fourth quarter of 2013, as compared with US\$183 in the comparable period in 2012.

City of Dreams Manila

On a fully consolidated basis, Melco Crown Entertainment incurred approximately US\$37.2 million of operating loss during the year ended 31 December 2013 at City of Dreams Manila, which primarily related to pre-opening costs, development costs as well as share-based compensation cost. Melco Crown Entertainment also incurred approximately US\$34.0 million of capital lease charges relating to building lease payments during the year ended 31 December 2013 at City of Dreams Manila.

(2) Performance of EGT during the year under review

Entertainment Gaming Asia Inc., a company listed on NASDAQ (NASDAQ: EGT), in which the Group has an effective equity interest of approximately 38.14%, recorded consolidated revenue of US\$24.3 million for the 2013 fiscal year, down 9% from the prior year due to declines in its slot operations and gaming chips and plaques business.

According to the financial statements of EGT (prepared in accordance with U.S. GAAP), consolidated revenue was US\$24.3 million for the 2013 fiscal year, a decrease of 9% compared to US\$26.8 million in the 2012 fiscal year. The decrease was due primarily to a decline in EGT's gaming products division. Revenue from gaming operations, which included slot and casino operations, was US\$20.9 million for the 2013 fiscal year, an increase of 2% compared to US\$20.4 million in the 2012 fiscal year.

EGT reported adjusted EBITDA of US\$6.2 million in the 2013 fiscal year compared to US\$10.5 million in the 2012 fiscal year. Net loss for the 2013 fiscal year amounted to US\$7.3 million as compared to net income of US\$1.8 million for the 2012 fiscal year.

As of 31 December 2013, EGT had an operating machine base of 1,672 machines, with 563 located in the Philippines and 1,109 in Cambodia.

The Group's interest in EGT was written down to zero in previous years, and the losses that EGT had made since then were not taken up by the Group. Only when these unrecognized losses in previous years are fully offset by the future profits, the Group will recognize the profit of EGT again.

LOSS ON DEEMED DISPOSAL OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2013, the Group recognized a loss on deemed disposal of interests in associates of approximately HK\$61.9 million (2012: HK\$13.5 million) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment. The amount represents the decrease (2012: decrease) in net assets attributable to the Group of approximately HK\$63.3 million (2012: HK\$13.6 million) and the realization of special reserve to profit or loss of approximately HK\$1.4 million (2012: HK\$0.1 million).

UNALLOCATED CORPORATE INCOME

For the year ended 31 December 2013, the unallocated corporate income of approximately HK\$22.7 million (2012: HK\$36.3 million) represented a recovery of a fully impaired loan to MCR amounted to CAD\$3.0 million (equivalent to approximately HK\$22.7 million) during the year.

For the year ended 31 December 2012, it represented the net amortized financial guarantee income in relation to the joint and several financial guarantee provided by the Company and Crown Asia Investments Pty. Ltd. for the exchangeable bonds issued by Melco Crown SPV Limited amounted to HK\$12.9 million and a one-off service income of approximately HK\$23.3 million received for the referral of a gaming project. The exchangeable bonds were fully redeemed in September 2012.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses increased by 13% from approximately HK\$151.2 million in 2012 to HK\$170.2 million in 2013. The increase was primarily due to the increase in staff costs, share options and share award expenses during the year.

FINANCE COSTS

Finance costs decreased by 60% from approximately HK\$98.9 million in 2012 to approximately HK\$39.2 million in 2013. It represented the net off effect of the decrease in imputed interest expenses of HK\$89.0 million on the convertible loan note which were fully converted to the Company's shares in September 2012, and the increase in interest expenses of HK\$26.7 million on the HK\$760.0 million guaranteed bonds newly raised in February 2013.

INCOME TAX (EXPENSE) CREDIT

During the year ended 31 December 2013, tax expenses represent the tax provision for differences arising from the disposal gain of overseas investment properties, the PRC enterprise income tax expense and the utilization of tax losses recognized in prior years.

For the year ended 31 December 2012, the deferred taxation credit was mainly derived from the reversal of temporary differences arising from initial recognition of convertible loan note equity component. Upon the conversion of convertible loan note in December 2012, the related deferred taxation credit was reversed accordingly.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE/CHARGE ON GROUP ASSETS

The Group finances its business operations and investments with internal resources, cash revenues generated from operating activities, and bank and other borrowings.

As of 31 December 2013, total assets of the Group were HK\$12,943.1 million (2012: HK\$9,925.3 million) which were financed by shareholders' funds of HK\$11,689.0 million (2012: HK\$9,374.4 million), deficit balance of non-controlling interests of HK\$73.6 million (2012: HK\$76.5 million), current liabilities of HK\$133.2 million (2012: HK\$161.4 million), and non-current liabilities of HK\$1,194.5 million (2012: HK\$466.0 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 12.3 (2012: 5.1).

During the year ended 31 December 2013, the Group recorded a net cash inflow of HK\$49.7 million (2012: HK\$58.8 million). The main cash inflow contributed by the cash raised through financing activities during the year amounted to HK\$772.0 million, mainly from the issuance of the guaranteed bonds in current year, net off with the cash used in operating activities of HK\$109.3 million and investing activities of HK\$613.0 million during the year. As of 31 December 2013, cash and cash equivalents of the Group totaled HK\$205.5 million (2012: HK\$155.9 million). The gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was at a satisfactory level of 10% as of 31 December 2013 (2012: 5%).

In illustrating the Group's adoption of a prudent treasury policy, 95% of bank balances and cash (including bank deposits with original maturity over three months) are put in fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars, U.S. dollars and Renminbi to maintain stable exposure to foreign exchange risks. Also, as at 31 December 2013, the Group's bank deposits of approximately HK\$0.9 million (2012: HK\$0.9 million) were pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 31 December 2013, the guaranteed bonds issued by the Group amounted to HK\$760.0 million, which are interest bearing of 4.15% per annum and mature on 5 March 2018. The bonds are guaranteed by the Company. As at 31 December 2013, the Group's total available bank loan facilities from various banks amounted to HK\$459.2 million (2012: HK\$491.2 million), of which HK\$44.2 million (2012: HK\$76.2 million) was secured by pledging HK\$159.0 million of the Group's investment properties. As at 31 December 2013, the Group utilized HK\$413.0 million and HK\$44.2 million of unsecured and secured bank loan facilities respectively (2012: unsecured HK\$413.0 million; secured HK\$76.2 million). Details of bank and other borrowings are given in Note 13 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

- (i) On 10 July 2013, a wholly owned subsidiary of the Group, New Crescent Investments Limited ("New Crescent") has entered into an investment agreement with Summit Ascent Russia Limited, Firich Investment Limited, Elegant City Group Limited and Oriental Regent Limited ("Oriental Regent") (the "Investment Agreement"). The Investment Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia Federation, by subscribing new shares of Oriental Regent, representing 5% of the enlarged issued share capital of Oriental Regent upon completion pursuant to the terms and conditions of the Investment Agreement. The investment has been completed on 31 October 2013. Details are given in Note 8 to the consolidated financial statements.
- (ii) During the year, the Group disposed of 123,940,000 MelcoLot's shares (the "Disposal"), representing 5.15% of the issued share capital of MelcoLot as at 31 December 2013 for an aggregate consideration, net of expenses, of approximately HK\$149.0 million received in cash in the open market. The consideration was calculated by reference to the market share price of the MelcoLot at the date of the disposal.

The gain in respect of the Disposal was approximately HK\$160.9 million, was calculated by (a) adding the net liabilities of MelcoLot attributable to the non-controlling interests of approximately HK\$11.9 million and (b) deducting the related costs and expenses of the disposal of approximately HK\$0.5 million from the gross proceeds of the Disposal of approximately HK\$149.5 million, has been credited to special reserve.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's and associates' employees was 12,745 as of 31 December 2013. Excluding the employees from associates such as Melco Crown Entertainment, MCR, EGT and ChariLot Company Limited, the total number of the Group's employees became 254 as of 31 December 2013 (2012: 314). Among the 254 employees, 224 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the year ended 31 December 2013, including directors' emoluments, share options expenses and share award expenses, amounted to HK\$195.0 million (2012: HK\$158.1 million).

HUMAN RESOURCES

Melco believes that the key to success lies in its people. The Group strives to create an environment that makes employees proud to be part of it. All employees are given equal opportunities for advancement and personal growth. The Group believes through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco builds employees' loyalty through recognition, involvement and participation.

Melco's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to business success. It is based on three key areas:

1. Recruitment

Melco is an equal opportunities employer, and it recruits talented people with the necessary professional competencies, desirable personal qualities and commitment to the Group. The Group hire the right people to shape its future. It identifies and validates talent through different recruitment exercises and regularly reviews its recruitment policy and assessment criteria.

2. Performance and Rewards

Melco demands and appreciates high performance. Its reward principle is primarily performance based, and it rewards its people competitively and based on their job responsibilities, performance and contribution to business results as well as professional and managerial competencies.

3. Learning & Development

Melco provides training for employees to develop the skills needed to satisfy business needs, which would improve performance, deliver value and enhance personal growth. The Group adopts a systematic approach in designing its training programs with a special focus on individual and corporate needs. Training objectives and the desired outcomes are first established and the subsequent results from any training are continually reviewed.

CONTINGENT LIABILITIES

No contingent liability was noted for the Group as at 31 December 2013.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy that its operating entities operate in their corresponding local currencies to minimize currency risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars, Macau Pataca and Renminbi. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Material capital expenditure will be incurred when the Company begins to pursue different projects in the coming years. The Company expects the respective project companies to secure required funding themselves by using different available financing options. The Company will also provide the required equity capital to new projects coming ahead should it be deemed appropriate.

INVESTOR RELATIONS

Melco believes in the importance of a strong relationship with its investor to maintain a stable shareholder base, and good relationships are built through transparent and regular and proactive communications to create trust in the management. The Group actively reached out to investors to enhance their understanding of Melco's business developments and the gaming industry's outlook by participating in investor conferences held by renowned securities houses and by maintaining regular dialogue with institutional investors and analysts. During the year, more than 400 meetings with analysts and fund managers have been held, in addition to several site visits to its development projects in Macau for investors organized by the Group.

In recognition of the Group's efforts in investor relations, Corporate Governance Asia magazine has awarded Melco with the "Best Investor Relations by a Hong Kong Company" in the Asian Excellence Recognition Awards for the third consecutive year. Group Chairman and Chief Executive Officer ("CEO"), Mr. Lawrence Ho, has also been recognized for the second time with the "Asia's Best CEO (Investor Relations)" honor at the "Asian Excellence Awards" presented by the magazine. The Group will continue to uphold its efforts in enhancing its communications to foster stronger relations with its investors.

CORPORATE CITIZENSHIP

General Community

Actively committed to corporate citizenship, Melco supports a wide scope of social and charity activities that demonstrate its caring for the welfare and betterment of society. In addition to several internal CSR initiatives, such as the Melco CSR Wish Fund and the Melco Volunteer Incentive Scheme, externally, the Group has also joined forces with non-governmental organizations to address a wide swath of community needs as well as contributing donations and providing sponsorship for charitable events.

In 2013, the Group's staff volunteers continued to organize year-round charity programs thereby sharing their love while spreading happiness within the local communities. Working with 22 non-governmental organizations, a total of 30 projects and events supported by the Group during the year benefitted over 500,000 people along with their families. To acknowledge the Group's outstanding performance in corporate responsibility, Melco was selected for inclusion in the Hang Seng Corporate Sustainability Index Series for 2013–2014. The Group was also recognized with the “Best CSR” within the Asian Excellence Awards by Corporate Governance Asia Magazine.

2013 Event Highlights – Community

- Participated in the New Territories Walks for Millions organized by The Community Chest of Hong Kong
- Sponsorship for the Charity Begins from the Home TV Show organized by The Community Chest of Hong Kong
- Ongoing support for the Corporate and Employee Contribution Program organized by The Community Chest of Hong Kong
- Participated in the Skip Lunch Day organized by The Community Chest of Hong Kong
- Sponsorship for the Gala dinner organized by Mother's Choice
- Supported the Camp Macau Tour 2013 organized by Camp Quality
- Contributed to the Love Chocolate Charity Sale 2013-2014 organized by SKH St. Christopher's Home
- Donated to the Computer Refurbish Project organized by Caritas Hong Kong Computer Workshop

Education

Melco has organized as well as supported various educational programs for the disadvantaged children in Asia aimed at helping them adopt to the playing a positive role within society in the future. As education is essential for the community to strengthen the economy, the Group believes that everyone should have an equal opportunity to learn. For example, Melco has contributed to the “Wetland Insert Watch” organized by The Community Chest of Hong Kong for 22 children from the Hans Christian Andersen Club to both educate and motivate participants on how to preserve environmental properties. Beyond the Pearl River Delta, the Group continues to financially contribute to Christian Action in supporting the efforts of the Huangnan Children’s Home in Qinghai Province, China, to provide children with the opportunity to receive a tertiary education and vocational training and develop into future leaders.

2013 Event Highlights – Education

- Contributed to the “Wetland Insert Watch” Children Educational Tour for the Hans Christian Andersen Club arranged by The Community Chest of Hong Kong
- Donated to the “Comprehensive Education Grant for Students” program at Huangnan Children’s Home in Qinghai China organized by Christian Action

Environment

Without a sustainable environment, businesses and its community will not be able to thrive in the long-term. Melco has thus always set environmental protection as a key CSR pillar for the Group to ensure our future generations can live and continue to grow in a greener place.

In recognition for our efforts in carrying out many green activities to demonstrate and advocate the importance of preserving the environment, Melco has again garnered a Gold Label for its “Low-carbon Office Operation Programme” by WWF Hong Kong, an honor it has received every year since 2011 for its commitments in implementing energy-saving practices. Also, for the fifth consecutive years, the Hong Kong Awards for Environmental Excellence has awarded Melco the “Class of Excellence in Wastewise Label” for its dedication to the reduction of its carbon footprint.

2013 Event Highlights – Environment

- Extended the sponsorship for the Environmental Play Project organized by the Playright Children’s Play Association to a 3-year project with a ground-breaking new initiative, the Forest School
- Awarded “Class of Excellence in Wastewi\$e Label” in the HKAEE Wastewi\$e Program of by Hong Kong Productivity Council
- Participated in Hong Kong Green Day 2013 organized by the Hong Kong Green Council

- Sponsorship for International Coastal Cleanup 2013 organized by the Hong Kong Green Council
- Sponsorship for the Green Carnival 2013 organized by the Hong Kong Green Council
- Participated in Earth Hour 2013 organized by WWF of Hong Kong for 5th consecutive year
- Sponsorship for the Big Bird Race 2013 organized by WWF Hong Kong
- Supported the “Reduce and Recycle Waste, Protect the Environment with Heart” Environmental Protection Education Project organized by the Hong Kong Sheng Sung Hui Welfare Council.
- Supported the Green Our Homeland Start from Us campaign organized by the Mental Health Association of Hong Kong

Youth Development

Helping young people develop into well-rounded individuals has been one of the main goals of Melco’s CSR program. The Group’s youth development initiatives shows our ongoing commitment to setting youth on the right path in life, with equal opportunities for a better education regardless of their social or economic circumstances. This is achieved through a range of activities which are designed to inspire the participating young people for all-rounded personal development and be capable of contributing to building a better society.

In the year 2013, the Group’s corporate social responsibility efforts through donation, participation, sponsorship and support have helped an enormous number of children and their families to improve communications not only among their peers but others by engaging them in social activities and skills training. These programs aim to cultivate self-confidence and instill an appreciation of nature in young people as well as turning them away from drugs and other anti-social behavior. Already, on the medical side, the Group has supported the 3-year Eye Care Project in Shandong. More than 50,000 children have been screened and over 68,000 treated, with 8,217 surgeries performed as of 2013.

2013 Event Highlights – Youth Development

- Supported the Child Patients of Caritas Medical Centre – Hospital Play Service by the Playright Children’s Play Association
- Contributed to the Playright Walk on the Air organized by Playright Children’s Play Association

- Supported the Youth Leader Development Scheme organized by the Hong Kong PHAB Association
- Donated to the “Establish a Network of Pediatric Eye Care in Linyi, Shandong” project organized by ORBIS International
- Participated in the Coffee Life – Youth Empowerment Life Skills Training Project organized by The Society for the Aid and Rehabilitation of Drug Abusers
- Sponsorship for Daddy-Daughter Ball 2012 organized by Child Development Centre
- Participated in the Parent-Child Farm Outing organized by Hong Kong Family Welfare Society
- Contributed to the “Caring for our Kids” program for rebuilding child-parent relationships for families with gambling problems and the “Prevention Project” organized by the Hong Kong Lutheran Centre
- Supported to the “Nurturing Migrant Children for a Brighter Future” program organized by Pathfinders
- Contributed to the “Writing for a Cause Competition” organized by Kids4kids

Melco’s exceptional contributions and initiatives in fulfilling its corporate social responsibility have garnered for it a number of prestigious accolades during the year. The Community Chest has bestowed the “President’s Award” since 2006 for eight consecutive years and the “Platinum Award for Corporate & Employee Contribution Programme Donors” for the fifth year. The Hong Kong Council of Social Service has also awarded the “Caring Company Logo” to Melco since 2005 and the “5 Years plus Caring Company Logo” annually since 2010. Melco was also honored to serve as the Diamond Corporate Member by WWF Hong Kong for the third consecutive year in 2013.

For more information on Melco’s CSR activities, please refer to the Melco CSR Report 2013 or visit the website www.melco-group.com.

FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK20.8 cents per share for the year ended 31 December 2013 (2012: HK1.5 cents per share) to the shareholders whose names appear on the register of members of the Company on 23 June 2014. The dividend, in an aggregate amount of HK\$319.6 million, was declared by the Board in accordance with the dividend policy adopted today and represents approximately 20% of the Company’s annual consolidated net income attributable to the shareholders for the year ended 31 December 2013. The dividend payout is more than 60% of the Company’s dividend income to be received in April 2014 from Melco Crown Entertainment as special dividend. The proposed dividend will be paid on or about 4 July 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 13 June 2014. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 11 June 2014 to Friday, 13 June 2014 (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 share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration not later than 4:30 p.m. on Tuesday, 10 June 2014.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 19 June 2014 to Monday, 23 June 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Monday, 16 June 2014. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with of the Company's share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on Wednesday, 18 June 2014.

CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2013, except for the deviation from Code Provision A.2.1 of the CG Code with explanation described below.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in-depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau in general, his extensive business network and connections in that sector and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer at this time and that such arrangement be subject to review by the Board from time to time.

The Company sets up the following board committees to ensure maintenance of a high corporate governance standard:–

- a. Executive Committee
- b. Audit Committee
- c. Remuneration Committee
- d. Nomination Committee
- e. Corporate Governance Committee
- f. Finance Committee
- g. Regulatory Compliance Committee
- h. Corporate Social Responsibility Committee

Terms of reference of the aforesaid committees have been posted on the Company's website at <http://www.melco-group.com> under the “Corporate Governance” section.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities dealings on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of the directors, all have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year 2013.

AUDIT COMMITTEE

The Company has an audit committee which was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee, comprising a non-executive director and three independent non-executive directors, met two times during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the audit committee and audited by the independent auditor of the Group, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial

statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 3,991,000 shares of the Company. The total amount paid to acquire these shares during the year was approximately HK\$103,252,000.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises three Executive Directors, namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.

By Order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 28 March 2014