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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 2014

The board of directors (the “Board”) of Melco International Development Limited (the “Company” or “Melco”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014 as follows:

FINANCIAL HIGHLIGHTS

1. Profit attributable to owners of the Company was HK\$1,487.2 million for the year ended 31 December 2014, decreased from a profit attributable to owners of the Company of HK\$1,596.7 million in the year of 2013.
2. Basic earnings per share attributable to owners of the Company was HK\$0.96 for the year ended 31 December 2014 compared to basic earnings per share attributable to owners of the Company of HK\$1.04 for the year ended 31 December 2013.
3. The Board has recommended the payment of a final dividend for the year ended 31 December 2014 of HK7.5 cents per share, approximately equal to HK\$116.0 million. Together with the paid interim dividend of HK11.6 cents per share, totaling HK\$181.2 million, the total dividends for the year amounted to HK19.1 cents (2013: HK20.8 cents) per share, which, in aggregate amount of HK\$297.2 million (2013: HK\$324.9 million), represents approximately 20% (2013: 20%) of the profit attributable to the owners of the Company for the year.
4. The Group maintained a healthy financial position during the year with gearing ratio recorded at 10% as of 31 December 2014 and 31 December 2013.

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

FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Revenue	3	201,735	183,274
Other income, other gains or losses		94,730	53,927
Investment income		3,554	2,363
Purchase and changes in inventories of finished goods and work in progress		(76,445)	(76,841)
Raw materials and consumables used		(1,421)	–
Employee benefits expense		(303,674)	(194,981)
Depreciation of property, plant and equipment		(8,751)	(6,766)
Increase in fair value of investment properties		10,370	88,000
Loss on deemed disposal of interest in an associate	10	(14,923)	(61,900)
Other expenses		(119,622)	(97,478)
Finance costs		(43,918)	(39,203)
Share of losses of joint ventures		(139)	(139)
Share of profits of associates		1,693,612	1,760,725
 		<hr/>	<hr/>
Profit before tax		1,435,108	1,610,981
Income tax credit (expense)	5	19	(6,865)
 		<hr/>	<hr/>
Profit for the year		1,435,127	1,604,116
 		<hr/>	<hr/>
Other comprehensive (expense) income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange differences arising on translation of foreign operations		6,545	(6,126)
Fair value (loss) gain on available-for-sale investments		(1,867)	1,867
Share of exchange difference of an associate		(2,431)	(40,698)
Share of exchange difference of joint ventures		(15,422)	(201)
 		<hr/>	<hr/>
Other comprehensive expense for the year, net of income tax		(13,175)	(45,158)
 		<hr/>	<hr/>
Total comprehensive income for the year		1,421,952	1,558,958
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		1,487,172	1,596,715
Non-controlling interests		(52,045)	7,401
		<u>1,435,127</u>	<u>1,604,116</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,470,519	1,554,813
Non-controlling interests		(48,567)	4,145
		<u>1,421,952</u>	<u>1,558,958</u>
Earnings per share	7		
Basic (HK\$)		<u>0.96</u>	<u>1.04</u>
Diluted (HK\$)		<u>0.94</u>	<u>1.02</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Investment properties		170,000	159,000
Property, plant and equipment		123,693	14,281
Goodwill	8	–	–
Other intangible assets		5,700	5,700
Interests in joint ventures	9	39,218	28,034
Interests in associates	10	11,465,997	11,088,180
Amount due from a joint venture	12	53,562	–
Deposits and other tax receivables		11,215	–
Available-for-sale investments		–	5,825
Deferred tax assets		1,101	–
		<hr/> 11,870,486	<hr/> 11,301,020
Current assets			
Inventories		22,276	2,345
Trade receivables	11	20,930	43,824
Prepayments, deposits and other receivables		66,724	37,023
Held-for-trading investments		173	175
Amounts due from associates	12	7,788	12,164
Amount due from a related company	12	160	441
Pledged bank deposits		947	947
Bank deposits with original maturity over three months		1,558,002	1,339,590
Bank balances and cash		549,578	205,542
		<hr/> 2,226,578	<hr/> 1,642,051
Current liabilities			
Trade payables	13	17,959	18,741
Other payables		123,219	53,562
Dividend payable		1,451	184
Taxation payable		33,160	32,778
Borrowings – due within one year	14	394,980	27,980
		<hr/> 570,769	<hr/> 133,245
Net current assets		<hr/> 1,655,809	<hr/> 1,508,806
Total assets less current liabilities		<hr/> 13,526,295	<hr/> 12,809,826

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Non-current liabilities			
Deferred tax liabilities		5,912	5,229
Other payables		6,575	–
Borrowings – due after one year	14	794,270	1,189,250
		806,757	1,194,479
		12,719,538	11,615,347
Capital and reserves			
Share capital		5,435,321	768,190
Reserves		6,896,335	10,920,758
Equity attributable to owners of the Company		12,331,656	11,688,948
Non-controlling interests		387,882	(73,601)
		12,719,538	11,615,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 Accountants (“HKICPA”).

Amendments to HKFRS 10, HKFRS12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs in the current year has had no material effect 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.

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendment to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with early application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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.

HKFRS 15 Revenue from Contracts with Customers

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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. REVENUE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Catering service income	96,503	102,894
Lottery business:		
Provision of services and solutions for distribution of lottery products	4,470	5,184
Trading of lottery terminals and parts	40,814	49,395
Interest income from authorized institutions	33,576	20,038
Property rental income	3,887	5,763
Electronic gaming machines participation	10,811	–
Manufacture and distribution of gaming chips and plaques	11,674	–
	<u>201,735</u>	<u>183,274</u>

4. SEGMENT 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: For the year ended 31 December 2013, it mainly comprised 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 and parts. In current year, upon acquisition of Entertainment Gaming Asia Inc. (“EGT”) (Note 16), two new businesses which relating to electronic gaming machines participation and design, manufacture and distribution of gaming chips and plaques are added into this operating and reportable segment.
- (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:

2014

	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	164,272	37,463	201,735	–	201,735
Inter-segment sales	793	1,331	2,124	(2,124)	–
Total revenue	<u>165,065</u>	<u>38,794</u>	<u>203,859</u>	<u>(2,124)</u>	<u>201,735</u>
Segment results	<u>(82,819)</u>	<u>46,436</u>	<u>(36,383)</u>	<u>–</u>	<u>(36,383)</u>
Loss on deemed disposal of interest in an associate					(14,923)
Gain on deemed disposal of previously held interest in an associate					44,845
Gain on bargain purchase from acquisition of a subsidiary					34,310
Finance costs					(43,918)
Share of losses of joint ventures					(139)
Share of profits of associates					1,693,612
Central administrative costs and other unallocated corporate expenses					<u>(242,296)</u>
Profit before tax					<u>1,435,108</u>

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)	–
Total revenue	<u>158,242</u>	<u>27,306</u>	<u>185,548</u>	<u>(2,274)</u>	<u>183,274</u>
Segment results	<u>(15,507)</u>	<u>114,561</u>	<u>99,054</u>	<u>–</u>	99,054
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					<u>(170,240)</u>
Profit before tax					<u>1,610,981</u>

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 other 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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gaming, Leisure and Entertainment	237,526	67,529
Property and Other Investments	2,277,580	1,710,193
	<hr/>	<hr/>
Total segment assets	2,515,106	1,777,722
Interests in associates	11,465,997	11,088,180
Interests in joint ventures	39,218	28,034
Unallocated assets	76,743	49,135
	<hr/>	<hr/>
Consolidated assets	14,097,064	12,943,071

Segment liabilities

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gaming, Leisure and Entertainment	127,354	49,476
Property and Other Investments	–	108
	<hr/>	<hr/>
Total segment liabilities	127,354	49,584
Unallocated liabilities	1,250,172	1,278,140
	<hr/>	<hr/>
Consolidated liabilities	1,377,526	1,327,724

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

2014

	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	6,418	–	1,360	7,778
Depreciation	8,025	–	726	8,751
Impairment loss on property, plant and equipment	1,347	–	–	1,347
Increase in fair value of investment properties	–	10,370	–	10,370
Interest income	–	33,576	–	33,576
Employee benefits expense	114,458	–	189,216	303,674
Loss on disposal of property, plant and equipment	1,182	–	–	1,182
	<u>1,182</u>	<u>–</u>	<u>–</u>	<u>1,182</u>

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

	<i>HK\$'000</i>
Interests in associates	11,465,997
Interests in joint ventures	39,218
Share of profits of associates	1,693,612
Share of losses of joint ventures	(139)
	<u>11,465,997</u>

2013

	Gaming, Leisure and Entertainment <i>HK\$'000</i>	Property and Other Investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<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
Employee benefits expense	68,550	–	126,431	194,981
Loss on disposal of property, plant and equipment	5,768	–	–	5,768
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	<i>HK\$'000</i>
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)
	<u> </u>

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China ("PRC"), Cambodia and the Philippines. Non-current assets of approximately HK\$11,734,520,000, HK\$841,000, HK\$60,902,000 and HK\$8,345,000 (2013: HK\$11,294,723,000, HK\$472,000, nil and nil) of the Group are located in Hong Kong, the PRC, Cambodia and the Philippines 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, the PRC, Cambodia and the Philippines of approximately HK\$150,110,000, nil, HK\$40,814,000, HK\$9,206,000 and HK\$1,605,000 (2013: HK\$131,487,000, HK\$2,391,000, HK\$49,396,000, nil and nil), respectively.

Revenue analysed by products and services

The Group's revenue from major products and services are disclosed in Note 3.

Information about major customers

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ^{1,2}	N/A	39,311
Customer B ¹	40,240	10,064

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

² The corresponding revenue derived by Customer A did not contribute over 10% of the total sales of the Group for current year.

5. INCOME TAX (CREDIT) EXPENSE

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC Enterprise Income Tax – current year	349	278
Macau Complementary Tax – current year	446	5,784
Other jurisdictions – current year	49	–
Deferred taxation – current year	(863)	803
	(19)	6,865

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 2014 and 2013 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 years ended 31 December 2014 and 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%.

Under the Law of Cambodia on Corporate Income Tax (CIT)/Tax on Profit (ToP), the tax rate of the Cambodia subsidiaries is 20%.

Under the Law of Philippines on Corporate Income Tax, Philippines subsidiaries are subject to a 30% regular corporate income tax rate based on net income, or to a 2% minimum corporate income tax rate based on gross income, whichever is higher.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before tax	1,435,108	1,610,981
Tax at Hong Kong Profits Tax rate of 16.5%	236,793	265,812
Tax effect of share of results of associates and joint ventures	(279,423)	(290,497)
Tax effect of expenses not deductible for tax purposes	46,115	32,363
Tax effect of income not taxable for tax purposes	(22,315)	(15,531)
Tax effect of deductible temporary difference not recognized	–	347
Utilization of tax losses previously not recognized	(330)	–
Tax effect of tax losses not recognized	23,633	17,985
Others	(4,492)	(3,614)
Tax (credit) expense for the year	(19)	6,865

6. DIVIDEND

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividend recognized as distribution during the year:		
2014 Interim – HK11.6 cents (2013: nil) per share	181,222	–
2013 Final – HK20.8 cents (2013: 2012 Final of HK1.5 cents) per share	324,909	23,020
	506,131	23,020

Subsequent to the end of the reporting period, a final dividend of HK7.5 cents in respect of the year ended 31 December 2014 (2013: Final dividend of HK20.8 cents in respect of the year ended 31 December 2013) per share, totaling HK\$115,985,000 (2013: HK\$324,909,000) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

7. 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	1,487,172	1,596,715
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by an associate of the Group	<u>(13,322)</u>	<u>(15,486)</u>
Earnings for the purpose of diluted earnings per share	<u>1,473,850</u>	<u>1,581,229</u>
	2014 <i>'000</i>	2013 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,547,791	1,533,865
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	<u>21,880</u>	<u>23,771</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,569,671</u>	<u>1,557,636</u>

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 2014 and 2013, 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 average market price of the Company's shares.

8. GOODWILL

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
COST		
At 1 January	426,710	426,710
Write off	(426,710)	–
	<hr/>	<hr/>
At 31 December	–	426,710
	<hr/>	<hr/>
IMPAIRMENT		
At 1 January	426,710	426,710
Eliminated upon write off	(426,710)	–
	<hr/>	<hr/>
At 31 December	–	426,710
	<hr/>	<hr/>
CARRYING VALUES		
At 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

9. INTERESTS IN JOINT VENTURES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of unlisted investments in joint ventures	28,686	337,556
Share of changes in net assets	26,434	–
Share of post-acquisition results and other comprehensive income, net of dividends received	(15,902)	(309,522)
	<hr/>	<hr/>
	39,218	28,034
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014 and 2013, the Group had interests in the following joint ventures:

<u>Name</u>	<u>Place of incorporation/ operation</u>	<u>Class shares held</u>	<u>Percentage of interest in ownership held by the Group</u>		<u>Principal activities</u>
			<u>2014</u>	<u>2013</u>	
Melco Crown SPV Limited ("Melco Crown SPV")	Cayman Islands/ Hong Kong	Ordinary shares	–	50.00%	Dissolved in 2014
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%	5.00%	Investment holding
BCN Integrated Resorts 2, S.A.U. ("BCN") (Note d)	Spain	Ordinary shares	50.00%	–	Installation and exploitation of casinos in Spain

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 Company, 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 of subscription 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 all of the members of the board of Oriental Regent or the unanimous consent of the shareholders 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.

- (d) The Group indirectly owns a 50% equity interest in BCN and the remainder is owned by Veremonte Espana, S.L.U.. BCN was formed for the purpose of submitting an application for participation in the tender for the award of authorizations for installation and exploitation of casinos in the recreational tourist center of Vila-Seca and Salou, near Barcelona, Spain. Pursuant to certain terms and conditions in the shareholders’ agreement, the relevant activities of BCN require unanimous consent of both shareholders and accordingly, BCN is classified as a joint venture of the Group.

During the year ended 31 December 2014, the Group recognized share of changes in net assets of approximately HK\$26,434,000 (2013: nil) in relation to the deemed contribution from shareholders of Oriental Regent as a result of provision of non-interest bearing loan to Oriental Regent.

Summarized financial information of material joint ventures

Summarized financial information in respect of the Group’s material joint venture, on a consolidated 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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets	<u>874,142</u>	<u>321,435</u>
Non-current assets	<u>491,145</u>	<u>291,029</u>
Current liabilities	<u>(6,563)</u>	<u>(28,020)</u>
Non-current liabilities	<u>(580,137)</u>	<u>(23,774)</u>
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<u>847,830</u>	<u>305,562</u>
Current financial liabilities (excluding trade and other payables and provisions)	<u>–</u>	<u>(247)</u>
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(571,502)</u>	<u>(23,774)</u>
		1.11.2013 (date of acquisition) to 31.12.2013
	2014 <i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>–</u>	<u>–</u>
Loss for the year/period	<u>(2,723)</u>	<u>(2,786)</u>
Other comprehensive expense for the year/period (<i>Note</i>)	<u>(307,865)</u>	<u>(4,029)</u>
Total comprehensive expense for the year/period	<u>(310,588)</u>	<u>(6,815)</u>
The above loss for the year/period includes the following:		
Depreciation and amortization	<u>(474)</u>	<u>–</u>
Interest income	<u>1,345</u>	<u>–</u>
Interest expenses	<u>(28,955)</u>	<u>(411)</u>
Income tax credit	<u>1,452</u>	<u>102</u>

Note: The amount represents exchange difference arising on translation of net investment in its subsidiary which is established in Russia Federation and whose functional currency is Russian Ruble.

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets of Oriental Regent	778,587	560,670
Proportion of the Group's ownership interest in Oriental Regent	<u>5%</u>	<u>5%</u>
Carrying amount of the Group's interest in Oriental Regent	<u>38,929</u>	<u>28,034</u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The Group's share of losses for the year	<u>(3)</u>	<u>–</u>
The Group's share of other comprehensive expense	<u>(28)</u>	<u>–</u>
The Group's share of total comprehensive expense	<u>(31)</u>	<u>–</u>
Unrecognized share of losses of joint ventures for the year	<u>(21)</u>	<u>(2)</u>
Cumulative unrecognized share of losses of joint ventures	<u>(23)</u>	<u>(2)</u>

10. INTERESTS IN ASSOCIATES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of investment in associates		
Listed in the United States of America (“US”)	6,902,134	7,894,808
Listed in Canada	339,601	339,601
Unlisted	417	417
Net changes in interests in associates	1,343,345	1,344,449
Impairment losses recognized	(320,695)	(1,160,838)
Share of changes in net assets and exchange reserves	148,209	559,338
Share of post-acquisition results, net of dividends received	3,052,986	2,110,405
	11,465,997	11,088,180
Fair value of listed investments (<i>Note a</i>)	36,840,683	57,117,370
Carrying amount of interests in associates with shares listed on respective stock exchanges	11,465,997	11,088,180

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

<u>Name</u>	<u>Place of incorporation/ operation</u>	<u>Class shares held</u>	<u>Percentage of interest in ownership held by the Group</u>		<u>Principal activities</u>
			<u>2014</u>	<u>2013</u>	
Melco Crown Entertainment Limited (“Melco Crown Entertainment”) (<i>Note b</i>)	Cayman Islands/ Macau/ Philippines	Ordinary shares	34.23%	33.55%	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 d</i>)	Canada/PRC	Ordinary shares	16.69%	16.69%	Operating of ski resorts
EGT (<i>Note b and e</i>)	US/Philippines/ Cambodia/ Hong Kong	Common shares	–	38.14%	Development and operation of casinos and gaming venues and leasing of electronic gaming machines in Philippines and Cambodia and design, manufacture and distribution of gaming chips and plaques in Hong Kong
ChariLot Company Limited (“ChariLot”) (<i>Note c</i>)	Hong Kong	Ordinary shares	40.00%	40.00%	Provision of services for distribution of 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.
- (d) The Group is entitled to appoint one director to the board of MCR provided that any part of the loans to the associate (Note 12) 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 2014.
- (e) On 26 November 2014, EGT became a subsidiary of the Group through the subscription of shares under EGT Rights Issue (as defined in Note 16) as set out in Note 16.

During the year ended 31 December 2014, the Group recognized a loss on deemed disposal of partial interest in an associate of approximately HK\$14,923,000 (2013: HK\$61,900,000) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment. The amount represents the decrease (2013: decrease) in net assets attributable to the Group of HK\$1,104,000 (2013: HK\$63,338,000) and the share (2013: realization) of special reserve to profit or loss of approximately HK\$13,819,000 (2013: HK\$1,438,000).

During the year ended 31 December 2014, the Group recognized share of changes in net assets of approximately HK\$149,080,000 (2013: HK\$595,680,000), 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”). The Group also recognized a decrease in net assets attributable to the Group of approximately HK\$561,037,000 (2013: nil) in special reserve under consolidated statement of changes in equity, in relation to the share repurchases by Melco Crown Entertainment during the year which increased the Group’s effective ownership interest therein.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets		
Cash and cash equivalents	12,429,756	10,750,069
Bank deposits with original maturity over three months	860,592	4,877,593
Restricted cash	11,257,925	5,992,810
Other current assets	2,704,764	2,874,442
Total	27,253,037	24,494,914
Non-current assets		
Property and equipment and related land use rights	44,512,640	33,823,169
Gaming subconcession	3,328,237	3,773,541
Other non-current assets	7,056,227	7,016,491
Total	54,897,104	44,613,201
Current liabilities		
Accrued expenses and other current liabilities	(7,880,401)	(7,269,103)
Current portion of long-term debt	(2,044,195)	(2,042,763)
Other current liabilities	(374,895)	(362,967)
Total	(10,299,491)	(9,674,833)
Non-current liabilities		
Long-term debt	(28,319,441)	(17,667,555)
Capital lease obligations, due after one year	(2,163,050)	(1,968,566)
Other non-current liabilities	(781,851)	(518,703)
Total	(31,264,342)	(20,154,824)
Non-controlling interests	(6,373,812)	(5,615,612)
Revenue	38,762,441	40,815,327
Profit for the year attributable to the owners of Melco Crown Entertainment	4,490,810	4,884,704
Profit for the year attributable to the non-controlling interests of Melco Crown Entertainment	480,687	287,417
Profit for the year	4,971,497	5,172,121
Other comprehensive expense for the year	(12,113)	(113,083)
Total comprehensive income for the year	4,959,384	5,059,038
Dividends received from the associate during the year	900,303	–

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets of Melco Crown Entertainment attributable to its owners	34,212,496	33,662,846
Share options reserve not shared by the Group	(630,481)	(488,621)
	33,582,015	33,174,225
Proportion of the Group's ownership interest in Melco Crown Entertainment	34.23%	33.55%
	11,495,124	11,129,952
Goodwill	252,235	252,235
Adjustment in relation to the unrealized gains for the assets contributed by the Group upon the formation of Melco Crown Entertainment	(281,362)	(294,007)
Carrying amount of the Group's interest in Melco Crown Entertainment	<u>11,465,997</u>	<u>11,088,180</u>
Fair value of the shares of Melco Crown Entertainment held by the Group	<u>36,836,790</u>	<u>56,998,427</u>

Melco Crown Entertainment is engaged in a gaming and resort business in Asia which mainly through its operations in Altira Macau, City of Dreams and City of Dreams Manila. The project of integrated resort in Studio City is currently under development stages and the project is expected to complete in the third quarter of 2015. In the opinion of the directors, the investments provide the Group the opportunity to be engaged in the development of gaming and resort business in Asia.

Aggregate information of associates that are not individually material

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The Group's share of losses for the year	–	(140)
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive expense	–	(140)
Aggregate carrying amount of the Group's interests in these associates	–	–
Unrecognized share of losses of associates for the year	(48,180)	(39,243)
Remove of unrecognized share of losses of EGT upon completion of EGT Rights Issue	58,402	–
Cumulative unrecognized share of losses of associates	(459,935)	(470,157)

11. 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 180 days to its trade customers related to the lottery business from the Gaming, Leisure and Entertainment segment.

The Group allows credit periods of 15 to 30 days to its trade customers related to the electronic gaming machines participation and gaming chips and plaques business from the Gaming, Leisure and Entertainment segment.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	18,731	15,342
31 – 90 days	1,762	1,456
91 – 180 days	393	11,964
Over 180 days	44	15,062
	20,930	43,824

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\$3,561,000 (2013: HK\$30,258,000) 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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,225	1,776
31 – 90 days	1,250	1,456
91 – 180 days	42	11,964
Over 180 days	44	15,062
	<hr/>	<hr/>
	3,561	30,258
	<hr/> <hr/>	<hr/> <hr/>

The Group performed assessment on individual trade receivable balance and recognized allowance on specific balance when necessary.

12. AMOUNTS DUE FROM ASSOCIATES/A JOINT VENTURE/A RELATED COMPANY

Included in amounts due from associates are:

- a) Amount due from an associate of approximately HK\$2,378,000 (2013: HK\$2,373,000) is unsecured, non-interest bearing and repayable on demand and approximately HK\$165,761,000 (2013: HK\$165,761,000) due from an 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 2014 and 2013.
- b) The remaining amounts due from associates amounting to HK\$7,788,000 (2013: HK\$12,164,000) are unsecured, non-interest bearing and repayable on demand.

Amount due from a joint venture is unsecured, non-interest bearing and repayable on 15 July 2020.

Amount due from a related company is unsecured, non-interest bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a shareholder with significant influence of holding over 20% shareholding in, and also a director of, the Company, has significant shareholding in that related company. Maximum amount outstanding during the year ended 31 December 2014 is approximately HK\$757,000 (2013: HK\$441,000).

The Group's concentration of credit risk by geographical location was mainly in Hong Kong, which accounted for 100%, 100% and 100% (2013: 100%, nil and 100%) of amounts due from associates, a joint venture and a related Company, respectively, as at 31 December 2014.

13. TRADE PAYABLES

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	15,802	2,980
31 – 90 days	619	–
Over 90 days	1,538	15,761
	<u>17,959</u>	<u>18,741</u>

14. BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank loans (<i>Note a</i>)	429,250	457,230
Other borrowings (<i>Note b</i>)	760,000	760,000
	<u>1,189,250</u>	<u>1,217,230</u>
Secured	39,250	44,230
Unsecured	1,150,000	1,173,000
	<u>1,189,250</u>	<u>1,217,230</u>
Carrying amount repayable:		
Within one year		
– With repayable on demand clause	–	23,000
– Without repayable on demand clause	394,980	4,980
More than one year, but not exceeding two years	4,980	394,980
More than two years, but not exceeding five years	774,940	774,940
Exceeding five years	14,350	19,330
	<u>1,189,250</u>	<u>1,217,230</u>
Less: Amounts due within one year shown under current liabilities	<u>(394,980)</u>	<u>(27,980)</u>
	<u>794,270</u>	<u>1,189,250</u>

Notes:

- (a) All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of Hong Kong Inter-Bank Offer Rate (“HIBOR”) plus 1.5% to 2.5% (2013: 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 2014, the effective interest rates on the Group’s and the Company’s borrowings were 3.63% and 2.72% (2013: 3.66% and 2.71%) per annum, respectively.

15. RESERVES

	Attributable to owners of the Company										
	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Share held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 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 joint ventures	-	-	-	-	-	(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 and 1 January 2014	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
Exchange differences arising on translation of foreign operations	-	-	-	-	-	3,067	-	-	-	-	3,067
Share of other comprehensive expense of an associate	-	-	-	-	-	(2,431)	-	-	-	-	(2,431)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(15,422)	-	-	-	-	(15,422)
Fair value loss on available-for-sale investments	-	-	-	-	(1,867)	-	-	-	-	-	(1,867)
Other comprehensive expense for the year	-	-	-	-	(1,867)	(14,786)	-	-	-	-	(16,653)
Profit for the year	-	-	-	-	-	-	-	-	-	1,487,172	1,487,172
Total comprehensive income for the year	-	-	-	-	(1,867)	(14,786)	-	-	-	1,487,172	1,470,519
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	(4,418,042)	-	-	-	-	-	-	-	-	-	(4,418,042)
Exercise of share options	-	-	-	-	-	-	(86,431)	-	-	-	(86,431)
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	(72)	-	-	72	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	108,822	-	55,417	-	164,239
Shares vested under the share award scheme	-	-	-	-	-	-	-	62,691	(46,065)	(16,626)	-
Purchase of shares for unvested shares under share award schemes	-	-	-	-	-	-	-	(99,805)	-	-	(99,805)
Deemed disposal of partial interest in a subsidiary	-	-	1,637	-	-	-	-	-	-	-	1,637
Disposal of partial interest in a subsidiary	-	-	116,977	-	-	-	-	-	-	-	116,977
Dividend paid	-	(181,222)	-	-	-	-	-	-	-	(324,909)	(506,131)
Share of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	-	-	13,819	-	521	-	-	-	-	(521)	13,819
Realization of exchange reserve upon disposal of interest in an associate	-	-	-	-	-	3,259	-	-	-	-	3,259
Realization of exchange reserve upon deregistration of subsidiaries	-	-	-	-	-	129	-	-	-	-	129
Share of net assets changes of an associate	-	-	149,080	-	-	-	-	-	-	-	149,080
Decrease in associate's equity attributable to the Group's interest arising on equity transactions of the associate	-	-	(561,037)	-	-	-	-	-	-	-	(561,037)
Share of net assets changes of a joint venture	-	-	26,434	-	-	-	-	-	-	-	26,434
Shares repurchased	-	-	-	-	-	-	-	-	-	(299,070)	(299,070)
	(4,418,042)	(181,222)	(253,090)	-	521	3,388	22,319	(37,114)	9,352	(641,054)	(5,494,942)
At 31 December 2014	-	30,253	445,188	5,796	201,229	(51,767)	190,349	(137,189)	21,926	6,190,550	6,896,335

16. ACQUISITION OF A SUBSIDIARY

On 26 November 2014, EGT Entertainment Holding Limited, an indirect wholly owned subsidiary of the Company, subscribed for 26,062,294 new shares of EGT at US\$0.54 (equivalent to HK\$4.20) per share with a total consideration of US\$14,074,000 (equivalent to approximately HK\$109,493,000) under EGT's rights issue ("EGT Rights Issue").

Immediately prior to the EGT Rights Issue, the Company indirectly owned 11,450,000 shares of EGT, representing approximately 38.04% of the outstanding shares of EGT. Upon completion of the EGT Rights Issue, the Company indirectly owned 37,512,294 shares of EGT, representing approximately 64.81% of the outstanding shares of EGT. Accordingly, EGT became a subsidiary of the Group and this acquisition has been accounted for using the purchase method. EGT is engaged in slot operations, development and operation of regional casinos and gaming clubs in the Indo-China region and design, manufacture and distribution of gaming chips and plaques.

Assets acquired and liabilities recognized at the date of acquisition were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	113,099
Inventories	24,614
Trade and other receivables	27,611
Amounts due from related companies	6,894
Bank balances and cash (included consideration for share subscription paid by the Group)	148,622
Trade and other payables	(23,188)
Deferred tax liabilities	(1,546)
	<hr/>
	296,106
	<hr/> <hr/>

The fair value of trade and other receivables and amounts due from related companies at the date of acquisition amounted to approximately HK\$34,505,000, which approximates to the gross contractual amounts. Based on the best estimate at acquisition date, the contractual cash flows are expected to be fully collected.

Gain on bargain purchase arising from acquisition:

	<i>HK\$'000</i>
Consideration transferred (<i>Note a</i>)	109,493
Plus: non-controlling interests (35.19% in EGT)	104,199
Less: fair value of identified net assets acquired	(296,106)
	<hr/>
	(82,414)
Interest in an associate	
– Previously held interest before the EGT Rights Issue (<i>Note b</i>)	48,104
	<hr/>
Gain on bargain purchase arising from acquisition	(34,310)
	<hr/> <hr/>

Notes:

- (a) The amount represented consideration paid upon subscription of new shares of EGT at US\$0.54 (equivalent to HK\$4.20) per share in EGT Rights Issue.
- (b) The amount represented the fair value of the Group's previously held interest in EGT. The difference between the fair value and the carrying amount of that interest was recognized in profit or loss as gain on deemed disposal of previously held interest in EGT as an associate of approximately HK\$44,845,000 under other income, other gains or losses.

The non-controlling interests in EGT recognized at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of identified net assets of EGT and amounted to approximately HK\$104,199,000.

Net cash inflow on acquisition of EGT

	<i>HK\$'000</i>
Cash consideration paid	(109,493)
Add: bank balances and cash acquired (included consideration for share subscription paid by the Group)	148,622
	<hr/>
	39,129
	<hr/> <hr/>

Included in the profit for the year ended 31 December 2014 was a post-acquisition loss of approximately HK\$10,031,000 attributable to the business generated by EGT. Revenue for the year ended 31 December 2014 included HK\$22,495,000 generated from EGT.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been HK\$355,000,000, and profit for the year would have been HK\$1,444,386,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

CHAIRMAN & CEO'S STATEMENT

Despite the more challenging market conditions during the past year, Melco has maintained steady growth with its distinctive and exciting expansion not only in Macau but also in other parts of Asia. With projects developed in Macau and overseas, Melco has further strengthened its industry presence and become an international market-leading operator in the gaming, leisure and entertainment industry.

The Group's member companies have driven the satisfactory results achieved over the year, gaining market shares in both mass market and VIP segments. The vital market-leading premium mass market table games business at our flagship integrated entertainment resort City of Dreams pioneered by our core associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment" or "MCE"), continues to deliver profitability and world-class leisure and entertainment offerings. The unique entertainment diversity City of Dreams offers, highlighted by the award-winning water-based extravaganza, *The House of Dancing Water*, and Asia's first cabaret experience, *TABOO*, was further broadened with the launch of SOHO, a contemporary and exclusive street cultural dining experience, and the revamped Kids' City. It is to be further enhanced with the addition of the expanded retail area currently under development and set to open in the first half of 2016.

Expansion of our presence in Macau remains on schedule. Our Hollywood-inspired gaming and entertainment complex, Studio City, is due to open in the third quarter of 2015. This new integrated resort is positioned at the forefront of Asia's 'next generation' of immersive, world-leading, entertainment-driven gaming and leisure destination experiences. Its grand opening will be accompanied by the global premiere of the special short movie "The Audition" set around a Studio City story, the first-ever Hollywood production of Macau and a product of our ambition to embrace and bring some of the biggest Hollywood icons, including Academy Award-winning director Martin Scorsese, Leonardo DiCaprio, Robert De Niro and Brad Pitt, to Macau. We also proudly announced our partnership with the award-winning and internationally renowned "Queen of the Curve" in architecture, Dame Zaha Hadid for the design of the fifth hotel tower at City of Dreams. We are confident that the anticipated additions to our portfolio in Macau will prove popular with our existing and new patrons and add a new dimension to the local leisure and entertainment scene, ultimately maintaining our competitiveness under the challenging market environment.

Apart from Macau, the successful opening of City of Dreams Manila in the Philippines marks as a milestone in our expansion in Asia. By leveraging our successful business approach, we have extended our flagship brand City of Dreams outside of Macau for the first time and introduced it into the Philippines. This new integrated resort houses internationally-renowned hotel brands – the luxurious Crown Towers hotel, celebrity-inspired Nobu Hotel, and the acclaimed Hyatt City of Dreams Manila – and also the world’s first DreamWorks-inspired education-based interactive playspace, “DreamPlay by DreamWorks”, along with two premium nightclubs, Pangaea and Chaos. Within the short period since its opening in late 2014, City of Dreams Manila has already won the esteemed “Integrated Resort of the Year” award at the annual International Gaming Awards which recognizes the very best integrated resorts around the world. The new property is set to boost the appeal of the local tourism landscape and introduce the MCE and City of Dreams brand to tourists from neighboring Southeast Asian countries, ultimately contributing to the strengthening of our presence in the region.

Elsewhere in Asia, Melco continues to seek potential opportunities to diversify our business with other industry players. Our subsidiary Entertainment Gaming Asia Inc. continues to work on establishing new gaming projects in Asia, whilst MelcoLot Limited is focusing on new media technologies and sales platforms in order to capture new market opportunities, and at the same time, pursuing gaming projects in Barcelona, Spain, and in the Republic of Georgia. Furthermore, the gaming and resort development project in Russia’s Primorye Region in which Melco has an interest is expected to open in 2015. These initiatives have demonstrated our intention to maintain a leading position on the global stage in the gaming and entertainment industry.

Looking ahead, despite a new policy direction to move towards a more diversified economy in Macau and concerns of stricter gaming table allocation, enforcement of the smoking ban and possible tightening of visa restrictions on tourist visitations which may have an impact on the gaming market in Macau, the city, as the world’s biggest gaming hub, remains as the most exciting market and a key enabler for sustainable growth and we remain positive about its development prospects in the long term. We are one of the few gaming operators who have heavily invested in non-gaming entertainment attractions over the years, and our diversified and growing portfolio of entertainment offerings will enable us to expand in line with the Central Government’s national development pipeline to further enhance a sustainable business environment in Macau. Melco is well-positioned to maintain its competitive edge as it leads the way to attract more visitations to Macau through providing premium quality entertainment and hospitality.

On a global stage, we remain confident that Asia, supported by a rapidly expanding middle-class and strong economic growth, continues to be the most important and exciting leisure and tourism market in the world. Through our subsidiaries, Melco will continue to expand its presence and identify opportunities in Macau, mainland China, Manila, Cambodia and beyond in countries including Russia, Spain and the Republic of Georgia. At the same time, the Group will continue to seek potential new gaming markets across the world, such as Japan, for future development that would further advance our position as an international market-leading gaming, leisure and entertainment operator, further diversifying our portfolio and expertise on a global scale.

Whilst expanding our business footprint, Melco is constantly committed to maintaining high standards of corporate governance and corporate social responsibility. Over the years, we have strived to deliver greater sustainability in business operations as well as to the community. Efforts made in corporate governance have been recognized through numerous awards achieved over the year and selection as a constituent of Hang Seng Corporate Sustainability Benchmark Index since 2013 significantly demonstrated our contributions as a responsible corporate citizen. We are constantly delivering additional programs to the community as we advance our engagement in corporate social responsibility.

Lastly, I would like to extend my sincere gratitude to our Board of Directors, shareholders, employees and business partners for their important contributions and unwavering support which has enabled us to achieve significant breakthroughs during the year. We look forward to realizing further growth in both Asia and overseas markets as projects in our development pipeline are completed in order to continuously deliver long-term value for our shareholders.

Ho, Lawrence Yau Lung

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Melco has experienced another meaningful year in 2014 with remarkable progress made on our exciting development pipeline in Macau and overseas.

In 2014, the Group's core gaming arm Melco Crown Entertainment, an associate of the Group, once again gained a greater share in both the mass market table games and gaming machine segments in the fourth quarter. City of Dreams, our flagship property in Macau, has continued to enhance the visitor experience through the unveiling of SOHO, a new social hub delivering innovative entertainment and delightful dining experiences to customers, and also revamped Kids' City, the largest playground in Macau. Work on Studio City, the Hollywood-inspired gaming and entertainment complex, remains on track and it is expected to become the next standalone integrated resort when it opens in Macau during the third quarter of 2015. Adding to the excitement, a special short movie set around a Studio City storyline, "The Audition", was produced in collaboration with acclaimed Hollywood producer Brett Ratner, Academy Award-winning film director Martin Scorsese and Hollywood superstars Leonardo DiCaprio, Robert De Niro and Brad Pitt. This special film has taken the entertainment-inspired leisure destination concept to new levels. On the other hand, the development of the new retail precinct and the iconic fifth hotel tower at City of Dreams also ensure that all of our operating assets remain highly competitive in a constantly changing market environment.

Beyond Macau, our first overseas integrated resort City of Dreams Manila developed by Melco Crown (Philippines) Resorts Corporation, a subsidiary of Melco Crown Entertainment, has held its successful opening in Manila. The property offers a world-class collection of brands and attractions, including Crown Towers hotel, Nobu Hotel, Hyatt City of Dreams Manila, a family entertainment center "DreamPlay by DreamWorks" and premium nightclubs "Pangaea" and "Chaos", to both local and international visitors. Its opening has highlighted our commitment to providing the best of entertainment, lodging, food and beverage and gaming to the fast-growing Philippine tourism and leisure market. Beyond Asia, the gaming and resort development project in Russia's Primorye Region, in which the Group has an interest, is in progress and expected to open in 2015, while the Group has submitted a bid to Spanish authorities to operate a casino in Barcelona, Spain which has passed to the second phase of the tender process. The Group's subsidiary, MelcoLot, is also proceeding to establish a casino in the Republic of Georgia.

CORE BUSINESS

Gaming Business in Asia

The Group operates its gaming business through its 34.23%-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 2014, Melco Crown Entertainment delivered a stable financial performance despite challenges encountered throughout the year. Net revenue and Adjusted property EBITDA amounted to US\$4.8 billion and US\$1,285.5 million respectively.

The world-class and unique assets, together with market-leading premium-focused amenities and service standards enabled the Group to once again take share in the mass market table games segments in the fourth quarter of 2014. City of Dreams also registered year-over-year increases in total non-gaming revenue for every quarter during 2014.

As a world-class integrated entertainment resort, City of Dreams has capitalized on top-notch facilities and attractions so as to cater to premium mass-market customers. During the year, the internationally acclaimed water-based show, *The House of Dancing Water*, celebrated its fourth anniversary, while the scintillating *TABOO* cabaret has been continuously thrilling audiences. City of Dreams has also presented a variety of events such as a mega magic show performed by renowned illusion master Franz Harary and the SPLASH poolside party series, to provide an array of entertainment. In addition, SOHO, which delivers an amazing range of dining and entertainment experiences, was launched, and Kids' City has also been revamped to become the largest playground in Macau.

City of Dreams' partnership with respected architect Dame Zaha Hadid for its fifth hotel tower sets the stage for another new iconic landmark in Macau, offering an exciting array of accommodation options. With diversified non-gaming facilities, City of Dreams represents a focal point for the entertainment of international visitors.

To further solidify the Group's leading position in leisure and entertainment, work on more development projects within Macau and outside the city are under progress. Studio City, a cinematically-themed integrated resort, remains on track to open in the third quarter of 2015. The Hollywood-inspired gaming and entertainment complex is set to deliver awe-inspiring entertainment offerings. Highlights include Asia's highest Ferris wheel, the "Golden Eye", a Warner Bros.-themed family entertainment center, a fully-operational TV broadcast studio, "Studio 8", the world's first Batman film franchise digital ride, "DC Comics' Batman Dark Flight", a 5,000-seat multi-purpose live performance arena, "Studio City Event Center", a live magic venue, "The House of Magic" and an Ibiza-style nightlife venue, Pacha Nightclub, as well as approximately 1,600 hotel rooms, a vast array of food and beverage outlets and approximately 350,000 square feet of themed and innovative retail space. This pioneering cinematically-themed resort is poised to change the entertainment landscape in Macau and will be at the forefront of positioning Macau as Asia's leisure, tourism and entertainment capital.

Beyond Macau, City of Dreams Manila in the Philippines has successfully opened. The resort is expected to create critical mass for a gaming hub in Manila's Entertainment City as well as become a game changer for the market. Dedicated to provide the best of entertainment, lodging, food and beverage and gaming to the fast-growing Philippines tourism and leisure market, the successful grand opening represents the Group's maturation in the international leisure and entertainment industry.

Elsewhere, the casino project in Russia's Primorye region, in which the Group has an interest, is progressing smoothly and is expected to be fully operational in 2015. The new gambling zone is in a favorable location to attract visitors from across Asia as well as Russia, which could add impetus to the growth of that region's economy.

Gaming Machine Revenue Participation Business in Southeast Asia

Entertainment Gaming Asia Inc. ("EGT"), a company listed on the NASDAQ Capital Market, recorded consolidated revenue of approximately US\$22.4 million for the 2014 fiscal year, up 4% year-on-year due to an increase in gaming chip and plaque sales partially offset by a decrease in gaming operations revenue.

In November 2014, EGT completed a fully-subscribed rights offering selling 27,777,673 shares for aggregate gross proceeds of approximately US\$15.0 million. The Group's wholly-owned subsidiary, EGT Entertainment Holding Limited, led the deal and increased its ownership from approximately 38.04% to 64.81%.

EGT has an established presence in the gaming markets of Cambodia and the Philippines through its slot operations business. As of 31 December 2014, EGT had more than 1,600 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., in NagaWorld Resort and Casino located in Phnom Penh, Cambodia. EGT's slot operations achieved an average daily net win of US\$105 per machine seat for the 2014 fiscal year, while its operations in NagaWorld achieved an average daily net win of US\$189 per machine seat for the same period.

In June 2014, EGT closed its casino in the Pailin Province of Cambodia and entered into an agreement to sell 100% of the issued capital shares of its wholly-owned subsidiary established for the purposes of owning and operating the casino in Pailin. The share transfer was completed in October 2014.

EGT will continue to seek new gaming project opportunities in emerging gaming markets in Asia.

During the 2014 fiscal year, EGT continued to expand its new manufacturing facilities in Hong Kong for its gaming chips and plaques business in an effort to raise production efficiencies and capacity in preparation for larger orders. EGT's gaming chips and plaques business generated US\$6.0 million in revenue in the 2014 fiscal year, which included two large orders totaling US\$4.0 million for casinos in the Philippines. EGT has a solid pipeline of confirmed orders for the first quarter of 2015 for gaming chips and plaques.

With improved financial flexibility and a focus on expanding its gaming operations combined with its strong customer relationships, on-going product enhancement and diversification efforts for its gaming products business, EGT has the potential to become a meaningful revenue contributor to the Group in the future.

Lottery Management Business in Asia

MelcoLot Limited ("MelcoLot"), in which the Group holds a 40.65% equity interest, is principally engaged in the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the PRC, China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre ("CSLA"). It has established a wide presence in the PRC by managing a network of retail outlets in the country, as well as by providing maintenance and upgrade services for the rapid-draw game "Shi Shi Cai" in Chongqing Municipality. MelcoLot is also a distributor of lottery terminals and parts for CSLA.

During the year ended 31 December 2014, MelcoLot's revenue declined by 17% to HK\$45.3 million attributable to a low margin strategy in the lottery terminals and parts distribution business to maintain market share. The distribution business continues to be the major revenue generator of MelcoLot and contributed approximately 90% of its revenue for 2014, compared to 91% in 2013. MelcoLot recorded a loss of HK\$66.5 million in 2014, against a loss of HK\$13.0 million in 2013. The increase in losses is mainly due to increased benefits costs following a share options grant and net foreign exchange losses. These losses were slightly offset by a 57% decrease in finance cost.

The lottery market has expanded greatly in China over the past 20 years. The proceeds from lottery products have come to constitute a significant part of the government's social welfare fund. According to the data from the Ministry of Finance, lottery sales in China amounted to RMB382.4 billion for the year 2014, representing an increase of 24%. MelcoLot believes the China lottery market will continue to grow very quickly. This assessment 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. As the market is increasingly regulated by the government, MelcoLot will focus on actively pursuing selected lottery projects in China.

MelcoLot has also arranged an open offer and successfully raised gross proceeds of HK\$652.7 million in May 2014. Upon completion of the open offer in 2014, the proceeds have enabled MelcoLot to repay a loan of HK\$251.6 million due to Melco. MelcoLot has strengthened its capital base and provided sufficient surplus capital to support future business growth and any potential asset acquisitions or growth opportunities within or beyond the MelcoLot's existing principal business. MelcoLot intends to examine potential investments that leverage its and Melco's strengths in the gaming, leisure and entertainment industries, including integrated resorts, casino, hotels and lotteries located in emerging of frontier gaming destinations.

MelcoLot is engaged in discussions to launch a high end casino project in the Republic of Georgia. The casino will be strategically located in Tbilisi, the capital city, to attract visitors from the Black Sea area. Concurrently, MelcoLot is making progress in the strategic move of conceiving, planning, and developing a premium integrated resort near Barcelona in Spain. MelcoLot has been actively exploring these investment opportunities aimed at enhancing shareholders' returns.

With a solid financial foundation and a focused line of principal business, it is in the interests of MelcoLot and its shareholders to diversify the business and to actively pursue new business opportunities to regain the growth momentum. MelcoLot will continue to evaluate business opportunities that support its ongoing development, which in turn will help realize its goal of delivering maximum long-term value to shareholders.

NON-CORE BUSINESS

Ski Resorts Business in China

The Group owns 16.69% of Mountain China Resorts (Holding) Limited ("MCR"), which owns and operates Sun Mountain Yabuli Resort ("Yabuli Resort"), one of the most renowned ski resorts in China, located in Heilongjiang Province.

The Club Med Yabuli business, established through a strategic partnership with Club Med Asia S.A. to operate and manage two of the hotels at Yabuli Resort, has been growing progressively over the winter season of 2014. A steady year-on-year rise in revenue was recorded in the 2014 fiscal year, resulting from the successful shift in the company's sales strategy to focus on China's domestic market for the 2014-2015 winter season and the overall improvements in service quality. China's ski market is growing rapidly as this winter sport gains increasingly widespread popularity with the number of skiers substantially increasing, and MCR is capitalizing on the immense market opportunities.

MCR is an official partner and playing field provider of the 2016 World Championships of Snowboarding, the world's most prestigious snowboarding competition to be held in Yabuli. The Yabuli Resort has been upgraded in recent years with a 30,000-square-meter snowboarding park and improved heating system of cable cars and a new mogul ski track, all in anticipation of the games.

The government of Heilongjiang Province has also increased its investment in local infrastructure projects and is working on an interest subsidy scheme to spur development of the local tourism industry.

OUTLOOK

Following a decade of rapid and continuous growth which has transformed Macau into the leading gaming capital worldwide, the local gaming industry is now undergoing an adjustment phase and growth has notably slowed. Looking ahead, the macroeconomic conditions and new government policy direction may affect visitation to Macau and would inevitably have an impact on the local gaming industry. Although some declines in gaming revenue and growth industry-wide are expected in the short term, it is believed that the new government policies will guide Macau towards an increasingly diversified economic development overall which would in the long-run make Macau's gaming and entertainment industry more sustainable and resilient. As a long-time passionate and pioneering force in driving innovative leisure and entertainment development in Macau, and indeed wherever else it operates, Melco is well-positioned to support this new development of Macau's economy towards diversification. At the same time, the Group is continuing to enrich and diversify its portfolio through projects in the pipeline overseas to further broaden its income streams and increase its market share internationally.

Several larger factors including the economic slowdown in China and the Central Government's anti-corruption campaign are expected to continue to affect the number of visitors and especially VIP gaming spending in Macau, our home market. Besides, the Central government has given clear policy direction and set higher requirements for Macau's economy to diversify and become less dependent on a single industry, and hence an emphasis on non-gaming elements in the development of the tourism and leisure industry is expected. Against this backdrop, Melco's business strategy which focuses on creating world-class non-gaming innovative entertainment offerings to drive overall business growth is reinforced. Moving forward, the Group will continue to enhance its entertainment portfolio in Macau through upgrading our flagship property City of Dreams which already houses the nonpareil water-based extravaganza, *The House of Dancing Water*, and Asia's first cabaret experience, *TABOO*, with the fifth hotel tower designed by renowned architect Dame Zaha Hadid. Beyond this, the Group is also opening an exciting mass market focused new property, the Hollywood-inspired new integrated resort Studio City in the third quarter of 2015. These new properties will offer a wide array of unique features designed to attract individuals, tour groups and family tourists as it redefines the tourism and entertainment landscape in Macau. The non-gaming offerings, in return, will also meaningfully support the gaming side of the business by attracting new and returning visitors. While there will be competition from other new properties also scheduled to open in the next few years, the Group is confident that our upcoming new projects are clearly differentiated so as to offer a mass market proposition distinctive from our peers, and can also create synergies and cross-marketing opportunities with our current portfolio of assets.

Locally in Macau, some impact on business from the new smoking ban regulations and the possible tightening tourist visa restrictions is expected in the short term. While fully complying with the new regulations, the Group is also looking for proper ways to better serve our visitors' needs and preferences.

The Central Government and Macau local government are still supportive of the long-term development of Macau, as can be seen in the improved infrastructure such as the Zhuhai-Hong Kong-Macau Bridge, and enhanced immigration policies such as the 24-hour border crossing now open at the Lotus Bridge border immigration point which is only steps away from Studio City. These developments will potentially facilitate more visitations to Macau, especially Cotai, from Zhuhai including Hengqin Island. We believe the continued support from the PRC and the local government will be important growth enabler of our industry, and Macau has potential to further grow and establish itself as a major destination for world-class leisure and entertainment activities to attract visitors from around the globe.

Outside Macau, Melco is strengthening its presence overseas and exploring new opportunities. With the successful opening of City of Dreams Manila, our first integrated resort outside of Macau, our flagship brand City of Dreams makes its overseas debut. The Group is set to ride on the establishment of City of Dreams Manila and its collection of world-class brands and attractions to tap the local tourism market and also capture the growing number of tourists from neighboring countries, not only from China, but also from Southeast Asian markets, who are seeking a novel leisure and entertainment experiences. Beyond Asia, the Group is pushing forward with projects in its pipeline, including a gaming and resort development project scheduled to open in Russia's Primorye Region in 2015 in cooperation with Summit Ascent Holdings Limited and the pursuit of casino projects in Barcelona, Spain and the Republic of Georgia. EGT is also exploring projects in Asia. The Group anticipates that more opportunities can arise as the gaming industry continues to grow worldwide and is carefully observing potential new gaming markets, including Japan.

Melco's financial fundamentals remain strong and the Group has sufficient capital to fuel the development of current and future projects spanning across Asia and Europe. Melco will continue to strive for operational excellence and capitalize on the many opportunities present in this dynamic market to enrich both its gaming and non-gaming portfolio of assets worldwide, in order to realize the Group's vision to become a global leader in the gaming, leisure and entertainment industry.

ACHIEVEMENTS AND AWARDS

Attaining a high degree of transparency and accountability is key to the long-term sustainability of the Group's success. Thus Melco has been committed to maintaining high standards of corporate governance and corporate social responsibility ("CSR"), while pursuing innovation and operational excellence. The Group has earned a number of honors during the past year recognizing its impressive business performance and significant contributions to different groups in society.

Corporate Governance

Melco's efforts to maintain the highest standard of corporate governance has constantly been acclaimed. In 2014, the Group has been honored by *Corporate Governance Asia* magazine with the "Corporate Governance Asia Annual Recognition Award" (received since 2006) and the "Best Investor Relations" at the Asian Excellence Awards. Apart from that, *FinanceAsia* Magazine has named Melco as one of the and has conferred on Melco the "Best Managed Companies in Hong Kong", "Best Corporate Governance" and "Best Investor Relations" awards. In addition, the Group has won the Bronze Prize in the Traditional Annual Report Category at the International ARC Awards.

The visionary leadership of the Melco management has also been widely acknowledged among the business community. Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, has been honored with the "Asian Corporate Director of the Year" award and has also been recognized as the "Asia's Best CEO" by *Corporate Governance Asia* magazine. He has also been named one of the "Best CEO" by *FinanceAsia* magazine.

Corporate Social Responsibility

Since 2013, Melco has been included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index which selects Hong Kong-listed companies that perform well with respect to corporate sustainability. Melco has proudly achieved the "10 Years plus Caring Company Logo" awarded by The Hong Kong Council of Social Service and continued to garner a number of prestigious accolades for its outstanding contributions and actions in fulfilling its corporate social responsibility. The Hong Kong Productivity Council presented the Merit Award to the Group at the 5th Hong Kong Corporate Citizenship Awards. The Group has also received the "Asia's Best CSR" award from *Corporate Governance Asia* magazine for the second consecutive year at the Asian Excellence Recognition Awards and the "Best Corporate Social Responsibility" award from *FinanceAsia* magazine.

Environmental protection has always been an essential aspect of Melco's CSR initiatives as it relates to the best interest of everyone and for the benefit of future generations. In the past year, the Group has continued to engage in plenty of activities, internally and externally, to promote the importance of preserving the environment. For the fourth consecutive years since 2011, Melco has been awarded a Gold Label for its "Low-carbon Office Operation Programme" by WWF Hong Kong in recognition of the Group's energy-saving practices to achieve environmental sustainability.

The Group's Corporate Social Responsibility Report, which reported the details of our efforts in CSR, has been awarded the Gold Prize in the Interactive Annual Report category in the International ARC Awards.

Business Operations

During the year, Melco Crown Entertainment was again included on the *Forbes Asia's* "Fabulous 50" list, a prestigious recognition ranking the best big companies in the region, for the second consecutive year. The Group prides itself in its excellent hospitality and fine-dining services, with Altira Macau earning the "5-Star Award for Lodging" as well as the "5-Star Award for Spa" for Altira Spa from the *Forbes Travel Guide* for the sixth consecutive year since 2010, testimony to the Group's success in delivering a luxurious hospitality experience. Crown Towers at City of Dreams has also been awarded Forbes 5-Star awards for its hotel, spa and restaurants namely Jade Dragon and The Tasting Room for the second consecutive year, being the first hotel in Macau to achieve this status.

In addition, Aurora at Altira Macau was also recognized as "5-Star Restaurants". Both The Tasting Room and Jade Dragon at City of Dreams earned a Michelin 1 Star in the *Michelin Guide Hong Kong and Macau*.

FINANCIAL REVIEW

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment Results:		
Gaming, Leisure and Entertainment	(82,819)	(15,507)
Property and Other Investments	46,436	114,561
	<u>(36,383)</u>	<u>99,054</u>
Share of losses of joint ventures	(139)	(139)
Share of profits of associates	1,693,612	1,760,725
Loss on deemed disposal of interest in an associate	(14,923)	(61,900)
Gain on deemed disposal of previously held interest in an associate	44,845	–
Gain on bargain purchase from acquisition of a subsidiary	34,310	–
Unallocated corporate income	–	22,684
Central administrative costs and other unallocated corporate expenses	(242,296)	(170,240)
Finance costs	(43,918)	(39,203)
	<u>1,435,108</u>	<u>1,610,981</u>
Profit before tax	1,435,108	1,610,981
Income tax credit (expense)	19	(6,865)
	<u>1,435,127</u>	<u>1,604,116</u>
Profit for the year	1,435,127	1,604,116
Non-controlling interests	52,045	(7,401)
	<u>1,487,172</u>	<u>1,596,715</u>

For the year ended 31 December 2014, the Group reported profit attributable to owners of the Company of HK\$1,487.2 million compared to HK\$1,596.7 million for the same period in 2013.

SEGMENT RESULTS

Gaming, Leisure and Entertainment

The gaming, leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 34.23%-owned Melco Crown Entertainment), in which the brief descriptions for the performance of the core Macau gaming business for the year ended 31 December 2014 are included under the heading “SHARE OF PROFITS OF ASSOCIATES” below, (ii) electronic gaming machine participation and design, manufacture and distribution of gaming chips and plaques business (conducted through 64.81%-owned EGT), and (iii) lottery business (conducted through 40.65%-owned MelcoLot), together with other non-core businesses.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
MelcoLot (1)	(66,692)	(4,873)
Jumbo Kingdom (2)	(5,032)	(9,772)
EGT (3)	(10,700)	–
Others (4)	(395)	(862)
	<u>(82,819)</u>	<u>(15,507)</u>

(1) MelcoLot

MelcoLot recorded a loss of HK\$66.5 million for the year ended 31 December 2014 against a loss of HK\$13.0 million for the year 2013, which was mainly attributable to the combined effect of:

- (i) the increase in employee benefits costs from HK\$18.9 million in 2013 to HK\$56.7 million in 2014. The increase was primary due to the non-cash share-based payments of HK\$46.4 million in 2014 (2013: HK\$6.5 million);
- (ii) the increase in other expenses from HK\$7.9 million in 2013 to HK\$15.2 million in 2014 mainly attributable to a net foreign exchange loss of HK\$7.0 million (2013: exchange gain of HK\$6.3 million) resulting from the depreciation of Renmenbi against Hong Kong dollars during 2014; and
- (iii) the decrease in revenue for the year ended 31 December 2014 by HK\$9.3 million and decrease in gross margin from 15.5% in 2013 to 12.5% in 2014.

MelcoLot has fully repaid the amount due to immediate holding company during 2014, which led to the decrease of finance costs from HK\$7.2 million in 2013 to HK\$3.1 million in 2014.

Surplus funds were placed in interest-bearing deposits with banks, which led to the increase in bank interest income from HK\$0.1 million in 2013 to HK\$3.6 million in 2014.

Excluding the aforementioned non-cash share-based payments and net foreign exchange difference, MelcoLot would have recorded a loss comparable and in line with the operating results from 2013.

(2) Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong.

The catering business segment recorded a loss of HK\$5.0 million for the year ended 31 December 2014 compared to a loss of HK\$9.8 million for the same period in 2013. The improvement was mainly due to the closure of J-Kitchen in Beijing in prior year with HK\$10.8 million expenses related to this business, partially offset by the business in Hong Kong resulted a loss of HK\$5.0 million during the current year in comparison to a profit of HK\$1.0 million in 2013.

(3) EGT

On 26 November 2014, EGT Entertainment Holding Limited, an indirect wholly-owned subsidiary, subscribed for 26,062,294 new shares of EGT at US\$0.54 (equivalent to HK\$4.20) per share with a total consideration of US\$14,074,000 (equivalent to approximately HK\$109,493,000) under EGT's rights issue ("EGT Rights Issue").

Immediately prior to the EGT Rights Issue, the Company indirectly owned 11,450,000 shares of EGT, representing 38.04% of the outstanding shares of EGT. Upon completion of the EGT Rights Issue, the Company indirectly owned 37,512,294 shares of EGT, representing approximately 64.81% of the outstanding shares of EGT. Accordingly, EGT became a subsidiary of the Group and EGT's results from 26 November 2014 to 31 December 2014 had been consolidated into the Group's financial statements. As at 31 December 2014, the Group owns approximately 64.81% of EGT.

EGT is engaged in slot operations, development and operation of regional casinos and gaming clubs in the Indo-China region and design, manufacture and distribution of gaming chips and plaques. The segment loss of HK\$10.7 million represents the share from EGT to the Group when EGT became a subsidiary of the Group on 26 November 2014.

The full year performance of EGT during the year under review is described below:

EGT's revenue was US\$22.4 million for the 2014 fiscal year, an increase of 4% compared to US\$21.6 million for the 2013 fiscal year due to higher gaming products sales partially offset by lower gaming operations revenue.

Gaming operations revenue was US\$16.4 million for the 2014 fiscal year, a decrease of 9% compared to US\$18.1 million in the 2013 fiscal year. The decline was primarily due to lower average daily net wins per unit for both NagaWorld and the Philippines operations partially offset by higher revenue from Dreamworld Poipet, which was in full operation for the entire 2014 fiscal year compared to less than eight months in the 2013 fiscal year.

Revenue from gaming products was US\$6.0 million for the 2014 fiscal year compared to US\$3.4 million for the 2013 fiscal year.

EGT reported a net loss of US\$2.8 million for the 2014 fiscal year. It included a net loss of US\$0.3 million from discontinued operations related to Dreamworld Pailin. Excluding the discontinued operations, EGT reported a net loss from continuing operations of US\$2.5 million for the 2014 fiscal year compared to a net loss from continuing operations of US\$1.4 million for the 2013 fiscal year.

The increase in net loss from continuing operations was primarily a result of lower gaming operations revenue and a higher gross margin loss for gaming products for the 2014 fiscal year compared to the prior year. This was partly offset by lower stock-based compensation expenses and an income tax benefit for the fourth quarter of 2014 as compared with an income tax expense for the prior year period. In addition, the increase in net loss from continuing operations was partially offset by a higher gross profit from the Philippines gaming operations due to an increase in fully depreciated gaming assets and lower foreign currency losses for the 2014 fiscal year compared to the prior year period due to the weakening of the United States dollar compared to foreign currencies in the markets in which EGT operates.

(4) Others

Other items mainly consist of professional fees incurred for 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 2014, it recorded a profit of HK\$46.4 million (2013: HK\$114.6 million). The decrease was primarily due to a decrease in revaluation gain of investment properties. The revaluation gain decreased from HK\$88.0 million in 2013 to HK\$10.4 million in 2014.

SHARE OF PROFITS OF ASSOCIATES

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profit of Melco Crown Entertainment (1)	1,693,612	1,760,865
Others	—	(140)
	<u>1,693,612</u>	<u>1,760,725</u>

In previous years, the Group wrote down its investments in MCR and ChariLot to zero. During the year under review, no reversal of impairment loss was considered necessary to the Group from the aforesaid associates, as MCR and ChariLot continued to make losses.

(1) Share of profit of Melco Crown Entertainment

For the year under review, the Group's attributable profit arising from its 34.23% ownership of Melco Crown Entertainment amounted to HK\$1,693.6 million (2013: HK\$1,760.9 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 12 February 2015, it reported net revenue of US\$4.8 billion for the year ended 31 December 2014, versus US\$5.1 billion for the year ended 31 December 2013. The decline in net revenue was primarily attributable to lower group-wide rolling chip revenues, partially offset by improved group-wide mass market table games revenues.

The Adjusted property EBITDA was US\$1,285.5 million, as compared with an Adjusted property EBITDA of US\$1,379.1 million in the 2013. The year-over-year decline in Adjusted property EBITDA were primarily attributable to lower group-wide rolling chip volumes and rolling chip win rate, partially offset by improved group-wide mass market table games revenues.

Melco Crown Entertainment reported net income of US\$608.3 million for the year ended 31 December 2014, compared to a net income of US\$637.5 million in the corresponding period of 2013.

City of Dreams

For the year ended 31 December 2014, net revenue at City of Dreams was US\$3,848.6 million versus US\$3,857.0 million in the year ended 31 December 2013. City of Dreams generated Adjusted EBITDA of US\$1,165.6 million in 2014 compared with US\$1,193.2 million in 2013. Rolling chip volume totaled US\$82.1 billion for 2014, drop from US\$97.0 billion in 2013. In the fourth quarter of 2014, the rolling chip win rate (calculated before discounts and commissions) was 2.8%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, drop for the year totaled US\$5,285.7 million, up from US\$4,664.5 million in 2013. In the fourth quarter of 2014, the mass market table games hold percentage was 36.4% compared to 37.6% in the fourth quarter of 2013.

Altira

For the year ended 31 December 2014, net revenue at Altira Macau was US\$744.9 million versus US\$1,033.8 million in the year ended 31 December 2013. Altira Macau generated Adjusted EBITDA of US\$84.8 million in 2014 compared with US\$147.3 million in 2013. Rolling chip volume totaled US\$33.6 billion for 2014, drop from US\$44.9 billion in 2013. In the fourth quarter of 2014, the rolling chip win rate (calculated before discounts and commissions) was 2.6%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, drop for the year totaled US\$756.7 million, up from US\$724.0 million generated in the previous year. In the fourth quarter of 2014, the mass market table games hold percentage was 18.4% compared with 16.3% in the fourth quarter of 2013.

Mocha Clubs

Net operating revenue from Mocha Clubs totaled US\$147.4 million in the year ended 31 December 2014, drop from US\$148.7 million in the year ended 31 December 2013. Mocha Clubs generated US\$36.3 million of Adjusted EBITDA in 2014, as compared to US\$40.2 million in the previous year. In the fourth quarter of 2014, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,300. The net win per gaming machine per day was US\$261 in the fourth quarter of 2014, as compared with US\$246 in the comparable period in 2013.

City of Dreams Manila

On a fully consolidated basis, Melco Crown Entertainment incurred US\$92.2 million of operating loss during the year ended 31 December 2014 at City of Dreams Manila, which primarily related to pre-opening costs, development costs as well as share-based compensation cost.

LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the year ended 31 December 2014, the Group recognized a loss on deemed disposal of interest in an associate of HK\$14.9 million (2013: HK\$61.9 million) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment.

GAIN ON DEEMED DISPOSAL OF PREVIOUSLY HELD INTEREST IN AN ASSOCIATE

During the year ended 31 December 2014, a gain on deemed disposal of previously held interest in an associate of HK\$44.8 million (2013: nil) was recognized in the consolidated statement of profit or loss. This amount represents realized gain from the reversal of impairment loss on EGT's investment costs upon the completion of EGT Rights Issue and became a subsidiary of the Group.

GAIN ON BARGAIN PURCHASE FROM ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2014, the Group recognized a gain of HK\$34.3 million (2013: nil) on bargain purchase from acquisition of EGT which represented the excess of fair value of identifiable assets and liabilities of EGT acquired over the consideration paid. The gain was resulting from the depressed market value of the acquired business, contributed by its years of losses and the volatility of the share price of EGT between the dates of pricing and completion of EGT Rights Issue.

UNALLOCATED CORPORATE INCOME

For the year ended 31 December 2013, an impaired loan to MCR amounted to CAD3.0 million (equivalent to approximately HK\$22.7 million) was recovered.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses increased by 42% from HK\$170.2 million in 2013 to HK\$242.3 million in 2014. The increase was primarily due to the increase in staff costs, share options and share award expenses during the year.

FINANCE COSTS

Finance costs increased by 12% from HK\$39.2 million in 2013 to HK\$43.9 million in 2014. The increase in interest expenses was mainly due to the full year impact of the HK\$760.0 million guaranteed bonds issued in February 2013.

INCOME TAX (CREDIT) EXPENSE

For the year ended 31 December 2014, income tax credit represents the recognition of deferred tax assets arising from tax losses and utilization of deductible temporary difference in respect of the accelerated accounting depreciation netting off with the provision of current income tax expenses.

For the year ended 31 December 2013, income tax expense represented 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.

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 2014, total assets of the Group were HK\$14,097.1 million (2013: HK\$12,943.1 million) which were financed by shareholders' funds of HK\$12,331.6 million (2013: HK\$11,689.0 million), non-controlling interests of HK\$387.9 million (2013: deficit balance of HK\$73.6 million), current liabilities of HK\$570.8 million (2013: HK\$133.2 million), and non-current liabilities of HK\$806.8 million (2013: HK\$1,194.5 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 3.9 (2013: 12.3).

During the year ended 31 December 2014, the Group recorded a net cash inflow of HK\$344.0 million (2013: HK\$49.7 million). The main cash inflow contributed by the cash raised through investing activities during the year amounted to HK\$662.7 million, mainly from the dividend received, net off with the cash used in operating activities of HK\$54.9 million and financing activities of HK\$263.8 million during the year. As of 31 December 2014, cash and cash equivalents of the Group totaled HK\$549.5 million (2013: HK\$205.5 million). The gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was also maintained at a satisfactory level of 10% as of 31 December 2014 (2013: 10%).

In illustrating the Group's adoption of a prudent treasury policy, 82% of bank balances and cash are put in short-term 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 2014, the Group's bank deposits of HK\$0.9 million (2013: HK\$0.9 million) were pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 31 December 2014, 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 2014, the Group's total available bank loan facilities from various banks amounted to HK\$429.3 million (2013: HK\$459.2 million), of which HK\$39.3 million (2013: HK\$44.2 million) was secured by pledging HK\$170.0 million of the Group's investment properties. As at 31 December 2014, the Group utilized HK\$390.0 million and HK\$39.3 million of unsecured and secured bank loan facilities respectively (2013: unsecured HK\$413.0 million; secured HK\$44.2 million). Details of bank and other borrowings are given in note 14 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

- (i) During the period under review, the Group disposed of 74,208,000 MelcoLot's shares (the "Disposal"), representing 2.36% of the issued share capital of MelcoLot as at 31 December 2014, for an aggregate cash consideration, net of expenses, of approximately HK\$110.2 million in the open market. The consideration was calculated by referencing to the market share price of MelcoLot at the date of disposal.

The gain in respect of the Disposal of approximately HK\$117.0 million, calculated by (a) adding the net liabilities of MelcoLot attributable to the non-controlling interests of approximately HK\$6.8 million and (b) deducting the related costs and expenses of the disposal of approximately HK\$0.4 million from the gross proceeds of the Disposal of approximately HK\$110.6 million, has been credited to special reserve.

- (ii) On 26 November 2014, EGT Entertainment Holding Limited, an indirect wholly owned subsidiary of the Company, subscribed for 26,062,294 new shares of EGT at US\$0.54 (equivalent to HK\$4.20) per share with a total consideration of US\$14.1 million (equivalent to HK\$109.5 million) under EGT Rights Issue.

Immediately prior to the EGT Rights Issue, the Company indirectly owned 11,450,000 shares of EGT, representing approximately 38.04% of the outstanding shares of EGT. Upon completion of the EGT Rights Issue, the Company indirectly owned 37,512,294 shares of EGT, representing approximately 64.81% of the outstanding shares of EGT. Accordingly, EGT became a subsidiary of the Group and this acquisition has been accounted for using the purchase method. EGT is engaged in slot operations, development and operation of regional casinos and gaming clubs in the Indo-China region and design, manufacture and distribution of gaming chips and plaques.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's and associates' employees was 19,766 as of 31 December 2014. Excluding the employees from associates such as Melco Crown Entertainment, MCR and ChariLot Company Limited, the total number of the Group's employees became 829 as of 31 December 2014 (2013: 254). Among the 829 employees, 388 are located in Hong Kong, 441 are located in Philippines, US, Cambodia, Macau and the PRC. The related staff costs for the year ended 31 December 2014, including directors' emoluments, share options expenses and share award expenses, amounted to HK\$303.7 million (2013: HK\$195.0 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 its 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 hires 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 required 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 2014.

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 dollar, Macau Patacas, United States dollar, Renminbi and Philippine Peso. 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 is committed to building strong ties with its stakeholders – a very important group whose continuous support is highly valued and integral to the Group’s long-term stable development. Correspondingly, the Group proactively and regularly reaches out to its investors, updating them on Melco’s latest business developments and plans, as well as the overall outlook of the gaming industry in Macau and overseas, through investor conferences and public announcements.

Melco’s dedication to establish and strengthen investor relations has constantly been recognized by the industry. In 2014, the Group was honored by both *FinanceAsia* magazine and *Corporate Governance Asia* magazine with their “Best Investor Relations” awards. The Group also won the Gold Prize in the Interactive Annual Report Category of the International ARC Awards. In addition, Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, was named “Best CEO” in the Investor Relations category by *Corporate Governance Asia* magazine. The Group is greatly encouraged by the numerous accolades received and will seek to further strengthen relations with its investors through high-quality, effective and transparent communications.

CORPORATE CITIZENSHIP

General Community

Deeply-rooted in our community, Melco fully understands the importance of serving and giving back to the local community where we operate and beyond to ensure a sustainable future for the Company and society. During 2014, the Group has continued our efforts in driving and participating in a wide range of CSR initiatives, both internally and externally, and has contributed meaningfully through donations, sponsorships and staff volunteerism to support charitable projects of non-governmental organizations. Over the year, these programmes benefited 625,000 children, youths, their families and the physically challenged in Hong Kong, Macau and Mainland China.

Internally, the Group has continued to run the Melco CSR Wish Fund and the Melco Volunteer Incentive Scheme in 2014. During the year, another important step the Group has also taken during the year was to broaden the scope of its stakeholder engagement process, which for the first time included an online survey of its staff members' attitudes and opinions on the Group's CSR initiatives, and collected feedback from our stakeholders, both in and outside the Group, to aid our CSR planning. As a result of what we have learned from the survey findings, we are shifting our priorities to longer-term projects in partnership with NGOs that have a greater impact on the community. Externally, we have many charity programs running in Hong Kong, Macau and mainland China aimed at improving the lives of many who are in need. In recognition of our dedication to corporate citizenship, since 2013 Melco has been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index which selects Hong Kong-listed companies that perform well with respect to corporate sustainability, and the Group has also received the "Best CSR" award from *Corporate Governance Asia* magazine for the third consecutive year at the Asian Excellence Recognition Awards and the "Best Corporate Social Responsibility" award from *FinanceAsia* magazine.

2014 Event Highlights – Community

- Donated to the Computer Refurbish Project organized by Caritas Hong Kong Computer Workshop
- Donated mooncakes to Food Angel, Bo Charity Foundation
- Participated in "Wine for Millions 2014" organized by The Community Chest
- Supported The Community Chest annual TV Show – Drum Performance with the Youth

Education

As one of Melco's core charity pillars, education is an important focus of its CSR initiatives. Melco continues to support various educational programs for the underprivileged children in the region through scholarships and sponsorship to give them the opportunities to attend school to learn and broaden their horizons in order to improve their chances in life, and ultimately benefit our community.

2014 CSR Highlights – Education

- Provided support to students through the Lawrence Ho Scholarship Fund established in 2009, including scholarships and work placements, internships and travel subsidies, as well as student prizes and funding for course development and research
- Supported orphans from Huangnan Children's Home (HUNCH) in Mainland China through Christian Action's Education Grant Programme and sponsored the Inspiring Macau Trip for 10 outstanding students

Environment

Preserving the environment has always been a key area of focus for Melco's corporate social responsibility, as it is not only in the best interest of everyone, but also benefits our children and future generations. Melco sees great importance in conserving the resources it consumes as well as reducing the waste it generates and its carbon footprint, in its operations. We have undertaken plenty of activities to advocate the importance of environmental conservation. Signifying our serious commitment, Melco is one of the 960 signatories of the Copenhagen Communiqué which has joined this amazing global community of the world's most senior corporate leaders to form a truly remarkable consensus on the importance of addressing the issue of climate change.

For a series of activities 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. WWF Hong Kong has also again honored Melco as a Diamond Corporate Member for the fourth year since 2011. For seven consecutive years, the Hong Kong Awards for Environmental Excellence has awarded Melco the "Class of Excellence" in the Wastewi\$e Label scheme for its efforts in reducing its carbon footprint. The Group's core associate, Melco Crown Entertainment, has also achieved ISO14064 Greenhouse Gas (GHG) Emissions Inventories and Verification certification for City of Dreams and ISO14001:2004 certification for all of its hotels in Macau.

2014 Event Highlights – Environmental Protection

- Sponsored the 3rd International Conference on Climate Change
- In support of the Government's efforts and pledged to the Energy Saving Charter on indoor temperature
- Encouraged our staff members to adopt a green lifestyle through a Green Monday luncheon
- Took part in WWF's Walk For Nature, an annual fundraising event that takes place at Hong Kong's renowned Mai Po Nature Reserve
- Joined the fundraising event organized by WWF-Hong Kong, the Big Bird Race, held every year since WWF's establishment in 1984.
- Supported the WWF – Earth Hour 2014 as an Associate Sponsor for the sixth consecutive year
- Sponsored International Coastal Cleanup organized by the Green Council and encouraged our corporate volunteer team to join in the effort to remove trash and debris from beaches
- Supported the Forest School and Environmental Play project by Playright to reconnect children with green spaces through play experience
- Support the Green School Program by the Green Council to enhance green awareness and knowledge among school students
- Upgraded the infrastructure at Jumbo Kingdom and its renovation plans over the course of the next two years which will see the adoption of environmentally-friendly and/or other energy-saving equipment.

Youth Development

Youth is our future and we believe that every of them should have equal opportunities in life, whether they come from economically disadvantaged backgrounds, or are facing challenges they cannot cope with on their own. Melco has thus made youth programs a key focus in our CSR program.

We support young people who aspire to a higher education through scholarships and other forms of assistance. Melco continued to benefit the community with programmes designed to help youth such as vocational training for youth with drug addiction problems to give them an opportunity to reintegrate into the community as contributing members of society.

Melco believes a happy and supportive family is important to the healthy development of children. In 2014, we continued to contribute to the “Caring for Our Kids” program to help rebuild child-parent relationships in families with gambling problems and the “Prevention Project” organized by the Hong Kong Lutheran Centre.

2014 Event Highlights – Youth Development

- Sponsored Operation Santa Claus 2014
- Continued to provide funding for Coffee Life – Youth Empowerment Life Skills Training Project organized by The Society for the Aid and Rehabilitation of Drug Abusers (SARDA) to help drug abusers find their way back into society.
- Contributed to the Playright Hospital Play Program
- Donated to the “Establish a Network of Paediatric Eye Care in Linyi, Shandong” project organized by ORBIS International to provide children with medical screening and treatment and education about eye-care, and train school and local health staff in sight protection
- Supported the Community Chest’s Cycling Challenge which raises money for member social welfare agencies to provide services for children and youth
- Sponsorship for Daddy-Daughter Ball 2014 to help raise funds for the Child Development Centre
- Contributed to the “Caring for our Kids” program to help rebuild child-parent relationships in families with gambling problems and the “Prevention Project” organized by the Hong Kong Lutheran Centre

Melco has garnered a number of prestigious awards in recognition of its outstanding contributions and CSR initiatives which have made a positive impact on its community and environment. During 2014, the Group has proudly achieved the “10 Years plus Caring Company Logo” awarded by The Hong Kong Council of Social Service for its continuous efforts in social services engagements since 2005. Melco has received the “President’s Award” from The Community Chest of Hong Kong for the ninth consecutive year since 2006. The Hong Kong Productivity Council has also presented the Merit Award to the Group at the 5th Hong Kong Corporate Citizenship Awards.

On the reporting front, we were recognized by International ARC Awards with Gold Award, Interactive Annual Report – Corporate Social Responsibility Report. This year we continued our effort to present our CSR report for 2014 in accordance with the Global Reporting Initiative (“GRI”) 3.1 Guidelines at a B+ Application Level to ensure a comprehensive level of disclosure on our effort to our stakeholders. In addition we have also referenced the Hong Kong Exchanges and Clearing Limited (HKEx) ESG Reporting Guide, which is best practice and recommended for all listed companies in Hong Kong.

For more information on Melco’s CSR activities, please refer to the Melco CSR Report 2014 or visit the website www.melco-group.com.

FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK7.5 cents per share for the year ended 31 December 2014 (2013: HK20.8 cents per share) to the shareholders whose names appear on the register of members of the Company on 22 June 2015. The proposed dividend is expected to be paid on 6 July 2015.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 12 June 2015. 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, 10 June 2015 to Friday, 12 June 2015 (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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 June 2015.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The proposed final dividend for the year ended 31 December 2014 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, 18 June 2015 to Monday, 22 June 2015 (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, 15 June 2015. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 June 2015.

ADOPTION OF NEW ARTICLES OF ASSOCIATION

In order to bring the Company's Articles of Association into line with the new Companies Ordinance enacted last year, the Board proposes to adopt a new set of Articles of Association (the "New Articles") in substitution of the existing Memorandum and Articles of Association. The adoption of New Articles is subject to approval of the Company's shareholders at the 2015 annual general meeting. A circular setting out the New Articles and the amendments is sent to the shareholders together with the 2014 Annual Report.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2014, apart from the deviation mentioned below.

Under Paragraph A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of a listed company should be separate and performed by different individuals. However, in view of the current 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, 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 until such time as the Board considers that such roles should be assumed by different persons.

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 2014.

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, made up of a non-executive director and three independent non-executive directors, met twice during the year. At the meetings, the audit committee reviewed the accounting principles and practices, the interim report and the annual report of the Group, and discussed auditing, internal control and financial reporting matters with management.

The Group's annual results for the year ended 31 December 2014 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 2014 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 2014, the Company repurchased a total of 15,800,000 shares of the Company at an aggregate consideration of HK\$ 298,299,910.00 (before expenses) on the Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month of Repurchase	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
October	8,995,000	21.00	18.40	178,310,260.00
November	1,005,000	20.60	20.15	20,463,650.00
December	5,800,000	17.70	16.26	99,526,000.00
Total	15,800,000			298,299,910.00

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net assets and earnings per share of the Company.

In addition, during the year ended 31 December 2014, the trustee of The Melco Share Purchase Scheme (the "Share Purchase Scheme") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Hong Kong Stock Exchange a total of 4,890,000 shares of the Company. The total amount paid to acquire these shares during the year was approximately HK\$100,000,000.

Save as disclosed above, there was no purchase, redemption or sale by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

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, 27 March 2015