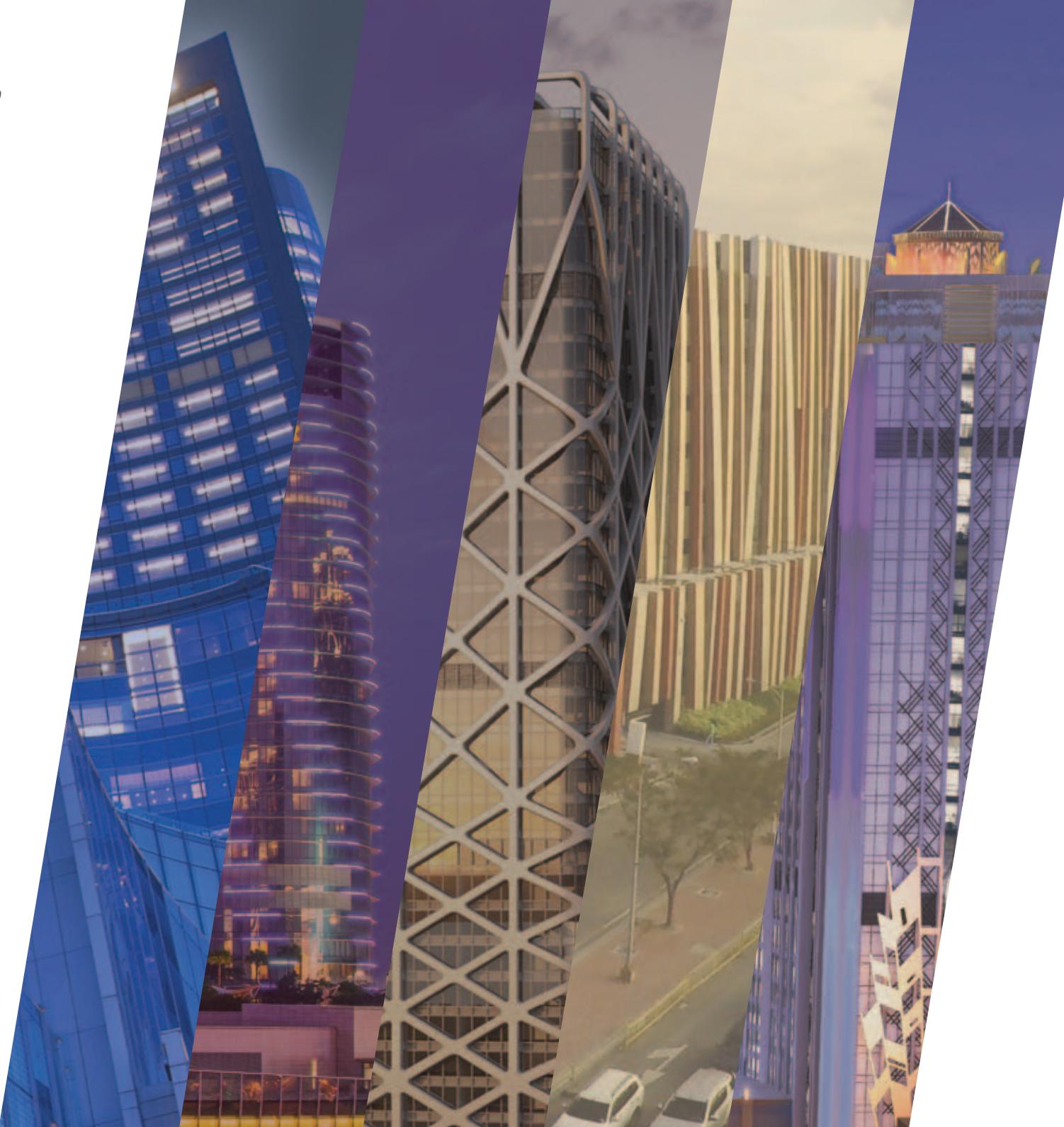




MELCO INTERNATIONAL DEVELOPMENT LIMITED  
(Incorporated in Hong Kong with limited liability)  
A Hong Kong Listed Company (Stock Code: 200)

ANNUAL REPORT 2014





# CITY OF DREAMS MACAU

A premier leisure and entertainment destination in Macau that offers the ultimate in innovative, highly contemporary and world-class leisure experiences that appeal to the rapidly evolving demands of the Asian-leisure consumers.



# CITY OF DREAMS

MANILA



# CITY OF DREAMS MANILA

A world-class entertainment-inspired leisure destination that is set to deliver sophisticated and compelling entertainment experiences to discerning travelers from around the world.







# STUDIO CITY

A Hollywood-inspired, gaming and entertainment complex that will transport the visitor into a stunning cinematic world with awe-inspiring entertainment offerings, it is positioned to become Asia's entertainment capital, to open in 2015.







# CORPORATE SOCIAL RESPONSIBILITY

Committed Corporate Social Responsibility initiatives that pledge to make a difference to the local community in which we have deep roots; to youths whose lives we care about; and to the environment on which our future relies.





# ENTERTAINING POSSIBILITIES ACHIEVING GROWTH

## **VISION**

To contribute to the growth and future of the communities we serve,  
inspiring hope and happiness in people all over the world.

## **MISSION**

To be a dynamic company that leads the field in leisure and  
entertainment, we continually explore new opportunities for growth and  
development that create value for all stakeholders.

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# Financial Highlights

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

**HK\$1,487.2 million**

Profit attributable to owners of the Company was HK\$1,487.2 million for the year ended 31 December 2014, as compared with HK\$1,596.7 million in the year of 2013.

## BASIC EARNINGS PER SHARE

**HK\$0.96**

Basic earnings per share attributable to owners of the Company was HK\$0.96 for the year ended 31 December 2014, as compared with HK\$1.04 for the year ended 31 December 2013.

## PROPOSED FINAL DIVIDEND

**HK7.5 cents  
per share**

The proposed final dividend for the year ended 31 December 2014 is HK7.5 cents per share. Together with the paid interim dividend of HK11.6 cents per share, the total dividends for the year amounted to HK19.1 cents per share, as compared with HK20.8 cents per share in 2013.

# Corporate Profile

**Founded in 1910 and listed on the Hong Kong Stock Exchange in 1927, Melco International Development Limited (“Melco” or the “Company”) is a company with a long history and a bright future. Today, under the leadership of Chairman and CEO Lawrence Ho, Melco has found new energy and direction as a dynamic company that leads the field in the leisure and entertainment sector.**

Melco is in fact a company for a new generation in Asia – a generation of consumers who are eager for new experiences and ways to live their lives to the fullest. Our group companies are responding to the changing dynamics with vibrant, imaginative products and services that fulfill the demands and dreams of this increasingly affluent and ambitious generation.

## **Confidence leads to growth, growth leads to confidence**

Just as growth is central to the Asian economic story, it is a dominant theme in Melco’s unfolding story.

Characterizing all of our Group companies is confidence that stems from recent successes in repositioning businesses for long-term growth and development of unique, proprietary products and services to attain market leadership.

The accolades that Melco has received over the past several years assured us that we are moving in the right direction. The Group is the first ever entertainment company to receive the “Hong Kong Corporate Governance Excellence Awards 2009” by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. In 2014, Melco has been honored with the “Corporate Governance Asia Annual Recognition Award” for the ninth consecutive year since 2006, and the “Best Investor Relations by a Hong Kong Company” for four consecutive years since 2011 by Corporate Governance Asia magazine. Its Chairman and Chief Executive Officer, Mr. Lawrence Ho, has been selected as one of the “Best CEOs in Hong Kong” for the fifth time by Finance Asia magazine in 2014, and has been awarded the “Asian Corporate Director Recognition Awards” for the third year running in 2014 by Corporate Governance Asia Magazine.

Melco was a founding signatory of the Hong Kong Corporate Governance Charter launched by The Chamber of Hong Kong Listed Companies. The aim of the Charter is to strengthen and foster a corporate governance culture among listed companies in Hong Kong.

# Corporate Structure

## Melco Group

### Gaming, Leisure and Entertainment

#### Melco Crown Entertainment Limited

listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 6883) and the NASDAQ Global Select Market (NASDAQ: MPEL)

#### Focus on gaming markets in Asia

##### Macau



**City of Dreams,  
Cotai**  
Premium market



**Altira Macau,  
Taipa**  
VIP market

##### The Philippines



**Mocha Clubs,  
all over Macau**  
Leisure grind market



**Studio City,  
Cotai**  
Mass market

**City of Dreams Manila**  
Mass market

#### Entertainment Gaming Asia Inc.

listed on the NASDAQ Capital Market (NASDAQ: EGT)



**Focus on  
slot machine  
participation  
business and casino  
currency business**

#### MelcoLot Limited

listed on the Growth Enterprise Market of the  
Hong Kong Stock Exchange (Stock code: 8198)



**Focus on Asia's  
lottery business**

#### Jumbo Kingdom



**Focus on  
catering  
business**

### Other Businesses – Property and Other Investments

# 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.

# Chairman & CEO's Statement

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

# Chairman & CEO's Statement

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 and 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.

# Management Discussion and Analysis

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 Philippine tourism and leisure market, the successful grand opening represents the Group's maturation in the international leisure and entertainment industry.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

## **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 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, casinos, hotels and lotteries located in emerging or 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.

# Management Discussion and Analysis

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 Asie 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.

# Management Discussion and Analysis

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

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

## 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 year 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 “Forbes 5-Star Award for Lodging” as well as the “Forbes 5-Star Award for Spa” for Altira Spa 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 a Forbes 5-Star restaurant. Both The Tasting Room and Jade Dragon at City of Dreams earned a Michelin one-star in the *Michelin Guide Hong Kong and Macau*.

# Management Discussion and Analysis

## Financial Review

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

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 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.

# Management Discussion and Analysis

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

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

## (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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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

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.

# Management Discussion and Analysis

## (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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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%).

# Management Discussion and Analysis

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 34 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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## *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 third 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.

# Management Discussion and Analysis

- 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.

# Management Discussion and Analysis

## *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 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](http://www.melco-group.com).

# Management Profile

## DIRECTORS

### Mr. HO, Lawrence Yau Lung (aged 38)

*Executive Director (Chairman and Chief Executive Officer)*

Mr. Ho was appointed the group managing director of the Company in November 2001 after he completed a General Offer for shares of the Company. He was subsequently appointed as chairman and chief executive officer of the Company on 15 March 2006. He is the chairman of the executive committee, finance committee and regulatory compliance committee and a member of the corporate social responsibility committee of the Company and a director of certain subsidiaries of the Company. Mr. Ho is currently the co-chairman and chief executive officer of Melco Crown Entertainment Limited, a company listed on the Hong Kong Stock Exchange and the NASDAQ Global Select Market in the United States, that holds one of six gaming concessions and subconcessions to develop, own and operate casino gaming and entertainment resort facilities in Asia. He is also the chairman and non-executive director of Summit Ascent Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Ho is a director of both Lasting Legend Ltd. and Better Joy Overseas Ltd., substantial shareholders of the Company.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also serves on numerous boards and committees of privately held companies in Hong Kong, Macau and mainland China. He is a member of the Board of Directors, member of the Executive Committee, and a vice patron of The Community Chest of Hong Kong; member of Science and Technology Council of the Macau SAR Government; member of All China Youth Federation; member of Macau Basic Law Promotional Association; chairman of Macau International Volunteers Association; member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary patron of The Canadian Chamber of Commerce in Macao; honorary president of Association of Property Agents and Real Estate Developers of Macau and director Executive of Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honored him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005.

As a socially-responsible young entrepreneur in Hong Kong, Mr. Ho was selected as one of the "Ten Outstanding Young Persons Selection 2006", organized by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine. In 2008, he was granted the "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China. And in 2009, Mr. Ho was selected as one of the "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times, and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014. He was also awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the third time, and was honored as one of the recipients of the Asian Corporate Director Recognition Awards for three consecutive years in 2014.

Mr. Ho graduated with a Bachelor of Arts degree in commerce from the University of Toronto, Canada in June 1999 and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland in July 2009 for his contribution to business, education and the community in Hong Kong, Macau and China.

# Management Profile

## Mr. TSUI Che Yin, Frank (aged 57)

### *Executive Director*

Mr. Tsui has been an Executive Director of the Company since November 2001. He is also a member of the executive committee, finance committee, regulatory compliance committee and corporate social responsibility committee of the Company and a director of certain subsidiaries of the Company. He is currently the chairman and non-executive director of the Company's subsidiary, MelcoLot Limited, a company listed on the Hong Kong Stock Exchange, a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Prior to joining the Group, Mr. Tsui was the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

Mr. Tsui graduated with a bachelor's and a master's degree in business administration from The Chinese University of Hong Kong and with a law degree from the University of London. He also holds a doctoral degree in Business Administration from The University of Newcastle, Australia. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

## Mr. CHUNG Yuk Man, Clarence (aged 52)

### *Executive Director*

Mr. Chung has been an Executive Director of the Company since May 2006. He is also a member of the executive committee, finance committee and corporate social responsibility committee of the Company and a director of certain subsidiaries of the Company. He is currently the chairman and chief executive officer of the Company's subsidiary, Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States, a non-executive director of Melco Crown Entertainment Limited, a company listed on the Hong Kong Stock Exchange and NASDAQ Global Select Market in the United States and the chairman and president of Melco Crown (Philippines) Resorts Corporation, a company listed on the Philippine Stock Exchange. Mr. Chung has more than 25 years of experience in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. He was named one of the "Asian Gaming 50" by Inside Asian Gaming magazine for multiple years.

Mr. Chung obtained a master degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology; and a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

# Management Profile

## **Mr. NG Ching Wo (aged 64)**

### *Non-executive Director*

Mr. Ng has been a Non-executive Director of the Company since September 2004. He is also the chairman of the corporate governance committee and a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Ng is a senior partner of King & Wood Mallesons. Mr. Ng received his L.L.B. from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong. Mr. Ng's practice focused primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, crossborder initial public offerings, tax planning, large-scale international joint ventures and technology transfer.

## **Sir Roger LOBO, C.B.E., LL.D., J.P. (aged 91)**

### *Independent Non-executive Director*

Sir Roger has been an Independent Non-executive Director of the Company since February 1998. He is also the chairman of the audit committee and corporate social responsibility committee and a member of the remuneration committee and nomination committee. Sir Roger is currently an independent non-executive director of Shun Tak Holdings Limited, a company listed on the Hong Kong Stock Exchange, and a director of Johnson & Johnson (HK) Limited. He was previously an independent non-executive director of PCCW Limited and HKT Trust and HKT Limited.

Sir Roger is a prominent figure in Hong Kong and Macau and has served on numerous public offices in the past. He was an Executive Council Member between 1967 and 1985, a Legislative Council Member between 1972 and 1985 (Senior Legislative Council Member between 1980 and 1985) and a Member of Urban Council (1965-1978). In addition, he was Chairman of the Advisory Committee on Post-Retirement Employment (1987-1998), Chairman of Hong Kong Broadcasting Authority (1989-1997) and Chairman and Member of various committees of Independent Commission Against Corruption (1975-1985).

Sir Roger is currently serving on many civic and social services offices. These offices include Vice-Patron of the Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong; Member of the Board of Trustees of Business and Professionals Federation of Hong Kong; Council Member of Caritas Hong Kong; and Honorary Commissioner of Civil Aid Services.

# Management Profile

## **Mr. SHAM Sui Leung, Daniel (aged 59)**

### *Independent Non-executive Director*

Mr. Sham has been an Independent Non-executive Director of the Company since June 2006. He is also the chairman of the remuneration committee and a member of the audit committee and corporate governance committee of the Company. He is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited, a company listed on the Hong Kong Stock Exchange.

Mr. Sham qualified as a chartered accountant in England and Wales, and worked as a certified public accountant in Hong Kong for over 20 years. He has all-round experience in accounting, auditing and other related works, especially in the fields of corporate finance and securities regulations. He was a partner of Moores Rowland Mazars for 14 years until he retired on 31 December 2003. After his retirement, he rejoined Moores Rowland Mazars as a consultant in late 2004 and worked in that capacity until March 2006.

Mr. Sham graduated with a Bachelor of Arts in Economics at University of Leeds. He was a member of the Auditing Standard Committee, the Expert Panel on Listing and the Expert Panel on Securities and the Accountants' Report Task Force of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He was also a member of the Disciplinary Panel of HKICPA.

## **Dr. TYEN Kan Hee, Anthony (aged 59)**

### *Independent Non-executive Director*

Dr. Tyen has been an Independent Non-executive Director of the Company since June 2010. He is also the chairman of the nomination committee and a member of the audit committee and corporate governance committee of the Company. Dr. Tyen is currently an independent director of the Company's subsidiary, Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States. He is currently an independent director of Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange Inc. and an independent non-executive director of Summit Ascent Holdings Limited and ASR Logistics Holdings Limited (formerly known as ASR Holdings Limited), companies listed on the Hong Kong Stock Exchange. He was previously an independent non-executive director of two Hong Kong listed companies, namely, Value Convergence Holdings Limited and Recruit Holdings Limited.

Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practicing certified public accountant in Hong Kong and has over 37 years' experience in auditing, accounting, management and company secretarial practice.

# Management Profile

## SENIOR MANAGEMENT

### Mr. TSANG Yuen Wai, Samuel (aged 60)

*Group Legal Counsel & Company Secretary*

Mr. Tsang joined the Group in November 2001. Mr. Tsang is a solicitor admitted in Hong Kong, England and Australia. As Group Legal Counsel and Company Secretary, Mr. Tsang oversees the legal, corporate and compliance matters of Melco Group. Mr. Tsang has worked as a lawyer with major law firms and listed conglomerates in Hong Kong for over 30 years. He holds a master of laws degree from University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management. He is currently an executive director of MelcoLot Limited, a company listed on the Hong Kong Stock Exchange and a director of Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States, both of which are subsidiaries of the Company.

### Mr. TAM Chi Wai, Dennis, PhD, CPA (Aust), CMA (aged 45)

*Group Finance Director, Qualified Accountant,  
and Head of Human Resources & Administration*

Mr. Tam joined the Group in 2006. He has more than 20 years of experience in corporate finance, accounting, financial control and mergers & acquisitions. Prior to joining the Group, Mr. Tam held senior management positions with various local listed and multinational companies. He currently serves as Group Finance Director and Head of Human Resources & Administration and is in charge of implementing treasury and financial strategies, human resources and administrative functions of the Group. Mr. Tam is currently an executive director of MelcoLot Limited, a company also listed on the Hong Kong Stock Exchange and a director of Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market in the United States, both of which are subsidiaries of the Company.

Mr. Tam obtained his Master Degree in Accounting from Monash University, completed his PhD program at Washington Intercontinental University and was trained at Harvard Business School in Cambridge, Massachusetts. He is the chairman of the board for Greater China for the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of the Institute of Public Accountants, a member of CPA Australia, a member of the Institute of Administrative Management in United Kingdom and advisor of the General Education Development Committee in Peking University Shenzhen Graduate School. Mr. Tam is a former member of Chinese People's Political Consultative Conference, Nan Kang City, Jiang Xi Province. In 2014, Mr. Tam was awarded "Asia's Best CFO (Investor Relations)" at the Asian Excellence Awards by Corporate Governance Asia magazine.

# Management Profile

## **Mr. Andy CHOY (aged 39)**

### *Chief Gaming Officer*

Mr. Choy joined the Group in August 2014. Mr. Choy has been directly involved in a broad set of gaming industry disciplines including database marketing, revenue management, strategic planning, mergers and acquisitions, government relations, mobile gaming, and development. He has worked with the entire spectrum of properties from stand-alone local casinos to major Las Vegas Strip properties to international five-star integrated resorts. He was previously the president and chief executive officer of Riviera Holdings Corporation and senior vice president of operations with Las Vegas Sands overseeing the Sands Macao and the Four Seasons Macao. Prior to that, Mr. Choy worked in interim senior management roles within Icahn Enterprises' asset portfolio including American Casino and Entertainment Properties. Mr. Choy started his career as a consultant with McKinsey and Company and had an extensive career as a seasoned manufacturing and supply chain expert focused on distressed assets before entering the gaming industry. Mr. Choy graduated summa cum laude from the University of California, Berkeley with a degree in Statistics and received an M.B.A. with distinction from Stanford University Graduate School of Business.

## **Mr. LAW Kwok Fai, Alan (aged 53)**

### *Group Internal Audit Director*

Mr. Law joined the Group in 2007. Mr. Law has more than 20 years of experience in public accountancy, financial management and operational risk management. He held management positions in multinational companies including KPMG, Peninsula Hotels Group, Standard Chartered Bank and Citigroup. Prior to joining the Group, he was the Quality Assurance Head of Citigroup Hong Kong for 10 years. Mr. Law obtained his Master Degree of Business Administration from the University of Warwick. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

## **Mr. KO Chun Fung, Henry (aged 55)**

### *Executive Director and Chief Executive Officer of MelcoLot Limited*

Mr. Ko is an executive director and chief executive officer of MelcoLot Limited ("MelcoLot"), a subsidiary of the Company and whose shares are listed on the Hong Kong Stock Exchange. Mr. Ko is a seasoned professional with a strong track record of successful senior positions in Asia. He has led various high profile ventures in the telecom industry. Prior to entering the lottery industry, he was a founder of iAsia Online Systems Limited, and in his capacity as chief executive officer and executive director, nurtured its growth into a leading financial trading solutions vendor in Hong Kong and mainland China. Mr. Ko then went on to set up the lottery business which was subsequently acquired by MelcoLot in late 2007, in his capacity as chief executive officer and executive director of PAL Development Limited. Upon the acquisition of the lottery business, Mr. Ko was appointed as a director and chief executive officer of MelcoLot and continues to lead the lottery business of MelcoLot Group.

# Corporate Governance Report

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. The Group is committed to promoting and maintaining the highest standard of corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risks and the enhancement of performance by the Group. We consider good corporate governance forms the core of a well managed organisation.

## Corporate Governance Practices

### (a) Promulgation of Company's Corporate Governance Code

In 2005, the Group adopted its Code on Corporate Governance (the "Company Code"), which set out the corporate standards and practices used by the Group in directing and managing its business affairs. The Company Code was prepared and revised with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company Code not only formalizes the Group's existing corporate governance principles and practices, it also serves to assimilate practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders. The Company Code has been posted on the Company's website.

### (b) Exceeding compliance requirements

In addition to the code provisions of the CG Code, the Company's corporate governance practices exceed the requirements of the CG Code in a number of aspects:

#### *Code of conduct*

To ensure the highest standard of integrity in our business, the Company has a written Code of Business Conduct and Ethics (the "Code of Conduct") which sets out the ethical standards expected of all employees. Briefings on the Code of Conduct are held for new employees during orientation sessions. The Code of Conduct can be accessed through the Company's intranet.

#### *Whistle-blowing*

The Company considers whistle-blowing channel is a useful means of identifying possible misconduct or fraud risks of a particular operation or function and encourages employees to raise concerns in good faith. The Company has formulated procedures for handling complaints and whistle-blowing. Employees can report cases on (i) suspected violations of the Company policies, especially those related to accounting, internal accounting controls, and auditing matters; (ii) intentional error or suspected fraud in the preparation, review or audit of the Company's financial statements; and (iii) suspected theft or fraudulent activities, in a fair and proper manner.

# Corporate Governance Report

## *Price-sensitive information*

The Company has adopted a price-sensitive information disclosure policy, which sets out the Company's policy in relation to the disclosure of price-sensitive information. This policy is updated from time to time to keep up with current regulations and market practices.

### (c) **Compliance of the Company Code and CG Code**

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the year ended 31 December 2014.

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 Board of Directors**

### **Role of the Board**

The Board is entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. The ultimate responsibility for the day-to-day management of the Company is delegated to the Chief Executive Officer and management.

Lists of (1) duties and powers delegated to the Chief Executive Officer and matters reserved for decision of the Board and (2) division of responsibilities between the Company's Chairman and Chief Executive Officer are given at the Company's website under the section "Corporate Governance".

### **Composition of the Board**

The Board comprises a total of seven Directors, with 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. The number of Independent Non-executive Directors represents more than one-third of the Board and complies with Rule 3.10A of the Listing Rules.

# Corporate Governance Report

The Non-executive Directors, all of whom are independent of the management of the Group's business, are professionals with substantial experience in legal, accounting, financial management and business. The mix of their skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Company maintains a high standard of financial and legal reporting and provide checks and balances to safeguard the interests of the shareholders.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines.

All Directors have formal letters of appointment from the Company, which set out the key terms and conditions of their appointment. Each Non-executive Director was appointed for a term of three years.

Every Director will retire once every three years. This year, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo will retire and will offer themselves for re-election at the forthcoming annual general meeting. The biographies of Mr. Tsui and Mr. Ng have been set out in the circular sent with this report to provide information to shareholders to decide on their re-elections.

## **Board Diversity Policy**

The Board has adopted a board diversity policy. The Company considers diversity can be achieved from different age, gender, cultural and educational background, ethnicity, professional experience, skills and knowledge. All board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

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

## **Directors' Training**

The Company Secretary is responsible for keeping directors informed of changes in laws and regulations and organising continuing development programme. Every director will receive a comprehensive orientation package on appointment.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company has invited King & Wood Mallesons to provide a presentation to our Directors on the topic of "Release of Confidential Information by Directors with Multiple Appointments on Boards of the Same Group". The Company has also sent information on external training courses and articles to Directors. A summary of training received by Directors during 2014 is set out below:

# Corporate Governance Report

Type of Continuous Professional Development	
Attending seminars/workshops/conferences relevant to the business of the Company or directors' duties	Reading regulatory updates

## Executive Directors

Mr. Ho, Lawrence Yau Lung

*(Chairman and Chief Executive Officer)*

✓ ✓

Mr. Tsui Che Yin, Frank

✓ ✓

Mr. Chung Yuk Man, Clarence

✓ ✓

## Non-executive Director

Mr. Ng Ching Wo

✓ ✓

## Independent Non-executive Directors

Sir Roger Lobo

✓ ✓

Mr. Sham Sui Leung, Daniel

✓ ✓

Dr. Tyen Kan Hee, Anthony

✓ ✓

## Board Meetings

The Board met four times during 2014. In addition, the Chairman met the Non-executive Directors once without the presence of the Executive Directors.

Wherever possible, ample notice of the board meetings was given, and board papers were provided in advance to Directors to enable them to prepare for the meetings. The Company Secretary keeps full records of the board meetings.

# Corporate Governance Report

## Board and committee attendance

The attendance records of the Directors at board meetings, board committee meetings and general meetings during the year ended 31 December 2014 are as follows:

Name of Directors	No. of meetings attended/held						
	Corporate						
	Audit			Remuneration	Nomination	Governance	Social
	Board	Committee	Committee	Committee	Committee	Committee	Annual
Meeting	Meeting	Meeting	Meeting	Meeting	Meeting	Meeting	Meeting
<b>Executive Directors</b>							
Mr. Ho, Lawrence Yau Lung	4/4	-	-	-	-	2/2	1/1
Mr. Tsui Che Yin, Frank	4/4	-	-	-	-	2/2	1/1
Mr. Chung Yuk Man, Clarence	4/4	-	-	-	-	2/2	1/1
<b>Non-executive Director</b>							
Mr. Ng Ching Wo	4/4	2/2	1/1	1/1	1/1	-	1/1
<b>Independent Non-executive Directors</b>							
Sir Roger Lobo	2/4	2/2	1/1	1/1	-	2/2	0/1
Mr. Sham Sui Leung, Daniel	4/4	2/2	1/1	-	1/1	-	1/1
Dr. Tyen Kan Hee, Anthony	3/4	2/2	-	1/1	1/1	-	0/1
<b>Average Attendance Rate</b>	89.29%	100%	100%	100%	100%	100%	71.43%

## Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2014.

## Securities Dealings by Directors and Employees

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"). All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings as set out in the Model Code for the year 2014.

The Board has established a Code of Securities Dealings for relevant employees to regulate their dealings in the Company's securities pursuant to Paragraph A.6.4 of the CG Code.

## Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers. The coverage and the amount insured are reviewed annually by the Company.

# Corporate Governance Report

## Delegation by the Board

### Management functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to the Chief Executive Officer.

The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of senior management and assuming responsibility for major decisions, significant transactions and corporate governance. The Board also reviews and approves the Company's annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of management.

The management, under the leadership of the Chief Executive Officer, is responsible for implementing the strategies and plans established by the Board. To ensure effective discharge of the Board's responsibilities, the management submits monthly, quarterly and annual operations reports to the Board. Directors have full and ready access to management on the Company's business and operations.

### Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out in the "Corporate Information" on page 224 of this annual report.

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

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

#### (1) *Executive Committee*

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

#### (2) *Audit Committee*

The Audit Committee is made up of three Independent Non-executive Directors and a Non-executive Director. The role of the Audit Committee is to (a) monitor external auditor's work, appointment and remuneration, (b) review the Group's financial statements and published reports, (c) provide advice and comments thereon to the Board and (d) review and supervise the financial reporting process and internal control procedures of the Group.

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

# Corporate Governance Report

It met twice during the year and:

- (a) reviewed the final financial results of 2013 and interim financial results of 2014;
- (b) reviewed and approved the 2013 annual report and 2014 interim report;
- (c) reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored their implementations;
- (d) reviewed the effectiveness of the internal control system;
- (e) approved and confirmed the internal audit plan for 2014; and
- (f) reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the Company's auditor and their remuneration.

## (3) *Nomination Committee*

The Nomination Committee is made up of one Non-executive Director and two Independent Non-executive Directors. It reviews the Board's size and composition and advises the Board on director appointment. It met once during the year and:

- (a) reviewed the structure, size, composition and diversity of the Board;
- (b) assessed the independence of Independent Non-executive Directors;
- (c) considered and recommended to the Board on Sir Roger Lobo's re-election; and
- (d) recommended to the Board on re-election of other Directors.

## (4) *Remuneration Committee*

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

It met twice during the year and:

- (a) approved the management's proposal on salary revision of and bonus distribution to the Group's employees;
- (b) reviewed and approved remuneration of Directors and senior management; and
- (c) considered and made recommendations to the Board on grant of shares and options to directors, employees and consultants of the Group.

When considering remuneration of Executive Directors and senior management, the committee considers a number of factors, including salaries paid by comparable companies, job responsibilities, and individual and company performance. Details of remuneration of Executive Directors and senior management are set out in note 15 to the consolidated financial statements.

## (5) *Finance Committee*

The Finance Committee is made up of the Company's Executive Directors and the Group Finance Director (in a non-voting capacity). The Finance Committee holds meetings from time to time to discuss financial matters of the Group. It conducts review on Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets, major acquisitions and investments and their funding requirements.

# Corporate Governance Report

## (6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Company's Executive Directors and the Group Legal Counsel and Company Secretary (in a non-voting capacity). The Regulatory Compliance Committee holds meetings from time to time to discuss compliance matters of the Group. It reviews and advises on matters relating to regulation of the Company's gaming business and compliance of applicable laws, regulations and Listing Rules.

## (7) Corporate Social Responsibility Committee

To define best Corporate Social Responsibility ("CSR") practices for the Group and to generate growth and well-being of new generation in Hong Kong, Macau and China in which the Group invests, the Board has established the CSR Committee. The CSR Committee is made up of an Independent Non-executive Director, the Executive Directors and Head of Corporate Communications (in a non-voting capacity). It steers the Group's CSR strategies and oversees implementation of the Group's CSR policies. Details of the Group's CSR activities are given in a separate CSR report. The CSR Committee met twice during the year.

## (8) Corporate Governance Committee

The Corporate Governance Committee was formed to assist the Board to perform corporate governance functions. It is made up of one Non-executive Director, two Independent Non-executive Directors and the Group Legal Counsel and Company Secretary (in a non-voting capacity).

The Board has delegated the following corporate governance duties to the Corporate Governance Committee:

- (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- (b) review and monitor the training and continuous professional development of Directors and senior management;
- (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Corporate Governance Committee met once during the year to review the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management.

## Company Secretary

The Company Secretary supports the Board and Board Committees and facilitates good information flow between them and the Company's management. The current Company Secretary is an employee of the Company and reports to the Group's Chairman and Chief Executive Officer. All Directors have access to the Company Secretary's advice and services. Being the primary channel of communications between the Company and the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Group's corporate governance practices.

During the year, the Company Secretary has complied with the training requirement of the Listing Rules.

# Corporate Governance Report

## Directors' and Auditor's Responsibilities for Accounts

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining the necessary internal control system, ensuring the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of external auditor are set out in the Independent Auditor's Report on pages 75 to 76 of this annual report.

## Auditor's Remuneration

For the year ended 31 December 2014, the Group paid to its auditor, Deloitte Touche Tohmatsu, approximately HK\$2.9 million for audit and non-audit services provided by the auditor. Of this, HK\$1.9 million was for audit services, and HK\$1.0 million was for non-audit services. During the year, the auditor has reviewed the Group's interim accounts and provided tax and consultancy services.

## Internal Controls

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

The Board acknowledges its responsibility for establishing and maintaining a sound system of internal control and risk management to safeguard the shareholders' investment and the Group's assets.

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

## Management Supervision

The Executive Committee and management have defined the organizational structure of the Group and its business units with clear lines of reporting and authorities and have recruited competent personnel to establish an internal control system.

The Executive Committee has endorsed the Risk Management Policy to provide a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The Committee also endorses other policies, procedures, codes and guidelines to mitigate significant inherent risks embedded in the operational activities.

The Executive Committee conducts regular meetings with the management teams of business units to review business plans and strategies, and business performance against budgets and key operations statistics.

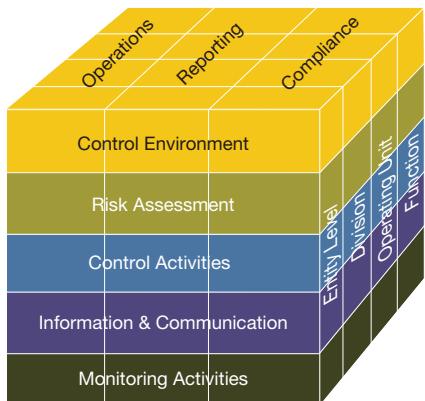
## Group Internal Audit Function

The Group has an Internal Audit Department, which reports directly to the Audit Committee. The department conducts risk assessment and independent review of the group business operations, reports significant internal control and risk management issues and monitors the resolution status. The annual internal audit plan is approved by the Audit Committee.

# Corporate Governance Report

The Internal Audit Department reviews and assesses the adequacy and effectiveness of the Group's internal control system by adopting a risk-based audit approach based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Internal Audit Department adopts the COSO 2013 framework and applies the following five components of the integrated framework to conduct the review assessment:



Extracted from the COSO Internal Controls Integrated Framework - 2013

(1) *Control Environment*

Control environment is a set of standards, processes, and structures that provide the basis for carrying out internal control. The Board and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct. Factors of control environment include ethical values, Board's oversight responsibility and competence of personnel.

(2) *Risk Assessment*

Risk assessment involves a dynamic and iterative process for identifying and analysing relevant risks to the achievement of the objectives, including risks relating to the changing economic, industry, regulatory, business model and operating conditions, as a basis for determining how such risks should be mitigated and managed.

(3) *Control Activities*

Control activities are the actions established by policies and procedures that help ensure that management directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels and at various stages within business processes, and over the technology environment.

(4) *Information and Communication*

Information and communication comprise effective processes and systems to obtain or generate relevant and quality information in support of achievement of the objectives and internal control responsibilities.

# Corporate Governance Report

## (5) Monitoring Activities

Monitoring Activities are a set of processes that assess the adequacy and quality of the internal control system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluation or a combination of two. Internal control deficiencies will be reported in a timely manner to senior management, the Audit Committee, or the Board.

## Audit Committee Supervision

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for 2014 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Audit Committee has also assessed the adequacy of resources, qualifications, experience, training programmes and staff budget of the Group's Finance Department and considers that they are adequate.

## Constitutional Documents

During the year, there was no change in the Company's constitutional documents. Changes reflecting the impact of the new Companies Ordinance will be proposed and considered by shareholders at the 2015 annual general meeting. Details are set out in the circular sent with this annual report.

## Shareholders' Rights

### **Procedures for shareholders to convene extraordinary general meeting and putting forward proposal at annual general meeting**

Under Section 566 of the Companies Ordinance, shareholders holding not less than 5% of the total voting rights may request the directors to call a meeting. The request must state the general nature of business to be dealt with at the meeting and may include the text of a resolution that is intended to be moved at the meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy or in electronic form and must be authenticated by the person(s) making it.

If the directors do not within 21 days from the date of the making of a request (after verification) proceed to convene the general meeting, the shareholders concerned, or any of them representing more than one-half of their voting rights, may themselves convene a general meeting, but any general meeting so convened cannot be held three months after the making of the request.

# Corporate Governance Report

Under Section 615 of the Companies Ordinance, shareholders may request a company to move a resolution at the annual general meeting. The request must be in writing and made by:

- (a) shareholders holding at least 2.5% of the voting rights of shareholders entitled to vote on that resolution; or
- (b) not less than 50 shareholders having the right to vote on that resolution.

The written request may be sent to the Company in hard copy or in electronic form and must identify the resolution of which notice is to be given. It must be authenticated by the person(s) making it and be received by the Company not less than six weeks before the annual general meeting to which the request relates, or, if later, the time at which notice is given of that meeting.

## Procedures for nomination of Directors for election

Under Article 107 of the Company's Articles of Association, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for nomination of Directors for election are available on the Company's website at [www.melco-group.com](http://www.melco-group.com).

## Enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries should be in writing and sent to the Company Secretarial Department or the Corporate Communications Department at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong or by email to [info@melco-group.com](mailto:info@melco-group.com).

## Communication with Shareholders

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

The Board Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2014 AGM and were on hand to answer questions.

The Group's Company Secretarial Department and Corporate Communications Department respond to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors may contact the Company by email via [info@melco-group.com](mailto:info@melco-group.com) or by mail to Group Legal Counsel and Company Secretary at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at [www.melco-group.com](http://www.melco-group.com) also provides a medium to make information of the Group available to shareholders. Shareholders may refer to the "Shareholders' Communication Policy" posted on the Company's website for further details.

# Report of the Directors

The directors have pleasure in submitting to shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

## Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 77 to 78 of this annual report.

The directors recommend the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2014 (2013: HK20.8 cents per ordinary 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

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.

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.

# Report of the Directors

## Fixed Assets

Details of movements in the investment properties and property, plant and equipment during the year are set out in notes 19 and 20, respectively, to the consolidated financial statements.

## Share Capital and Share Options

Details of movements in the share capital and share options of the Company during the year are set out in notes 36 and 38, respectively, to the consolidated financial statements.

## Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 223 of this annual report. This summary does not form part of the audited financial statements.

## Distributable Reserves of the Company

At 31 December 2014, the Company's reserves available for distribution consisted of capital reserve and retained profits of approximately HK\$30,253,000 and HK\$589,218,000 respectively (2013: HK\$211,475,000 and HK\$409,661,000 respectively).

## Major Customers and Suppliers

The five largest customers accounted for approximately 26% of the Group's total turnover for the year (2013: 29%) and the largest customer accounted for approximately 20% of the Group's turnover for the year (2013: 22%). The five largest suppliers accounted for approximately 65% of the Group's total purchases for the year (2013: 75%) and the largest supplier accounted for approximately 49% of the Group's purchases for the year (2013: 59%).

None of the directors, their associates, or any shareholder (which to the knowledge of the directors own more than 5% of the Company's issued shares) has any interest in the Group's five largest suppliers.

# Report of the Directors

## Directors

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

### Executive Directors

Mr. Ho, Lawrence Yau Lung (*Chairman and Chief Executive Officer*)

Mr. Tsui Che Yin, Frank

Mr. Chung Yuk Man, Clarence

### Non-executive Director

Mr. Ng Ching Wo

### Independent Non-executive Directors

Sir Roger Lobo

Mr. Sham Sui Leung, Daniel

Dr. Tyen Kan Hee, Anthony

Biographical details of the directors are set out on pages 30 to 33 of this annual report.

Pursuant to Article 103(A) of the Company's Articles of Association, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election. In addition, pursuant to Paragraph A.4.2 of the Corporate Governance Code as set out in the Listing Rules, every director should be subject to retirement by rotation at least once every three years. In accordance with these provisions, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

## Directors' Service Contracts

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

# Report of the Directors

## Directors' Interests in Contracts of Significance

Save as disclosed in note 42 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of each director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (I) Long positions in the shares and underlying shares of the Company

#### (a) Ordinary shares of the Company

Name of Director	Number of ordinary shares held			Approximate % of total issued shares	
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)	Total	issued shares
Mr. Ho, Lawrence Yau Lung	25,299,132	440,399,077	303,982,187	769,680,396	49.77%
		(Note 5)	(Note 6)		
Mr. Tsui Che Yin, Frank	4,547,660	–	–	4,547,660	0.29%
Mr. Chung Yuk Man, Clarence	4,601,440	–	–	4,601,440	0.30%
Mr. Ng Ching Wo	72,000	–	–	72,000	0.01%
Sir Roger Lobo	72,000	–	–	72,000	0.01%
Mr. Sham Sui Leung, Daniel	72,000	–	–	72,000	0.01%

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

### (I) Long positions in the shares and underlying shares of the Company (Continued)

#### (b) Share options and awarded shares granted by the Company

Name of Director	share options (Notes 2 & 7)	Number of underlying shares held				Approximate % of total issued shares	
		pursuant to share options	Number of awarded shares held	Total			
Mr. Ho, Lawrence Yau Lung	1,700,000	1,100,000	2,800,000	0.18%			
Mr. Tsui Che Yin, Frank	3,070,000	–	3,070,000	0.20%			
Mr. Chung Yuk Man, Clarence	2,507,000	–	2,507,000	0.16%			
Mr. Ng Ching Wo	1,412,000	–	1,412,000	0.09%			
Sir Roger Lobo	1,412,000	–	1,412,000	0.09%			
Mr. Sham Sui Leung, Daniel	1,112,000	–	1,112,000	0.07%			
Dr. Tyen Kan Hee, Anthony	910,000	–	910,000	0.06%			

Notes:

1. As at 31 December 2014, the total number of issued shares of the Company was 1,546,463,555.
2. This represents interests held by the relevant director as beneficial owner.
3. This represents interests held by the relevant director through his controlled corporations.

4. This represents interests held by the relevant director through a discretionary trust of which the relevant director is one of the beneficiaries.
5. The 440,399,077 shares relate to the 291,868,606 shares, 115,509,024 shares, 25,727,447 shares and 7,294,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust respectively, representing approximately 18.87%, 7.47%, 1.66% and 0.47% of the issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is deemed to be interested in the shares held by the aforesaid companies and trust.
6. In addition to the deemed interests as stated in Note 5 above, Mr. Ho, Lawrence Yau Lung is also taken to have interests in the 303,982,187 shares held by Great Respect Limited, representing approximately 19.66% of the issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.
7. Details of share options granted to the directors pursuant to the share option schemes of the Company are set out in the "Share Option Schemes" section of this report and note 38 to the consolidated financial statements.
8. Details of awarded shares granted to the directors pursuant to The Melco Share Purchase Scheme are set out in note 38 to the consolidated financial statements.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

#### (A) MelcoLot Limited ("MelcoLot") (a listed subsidiary of the Company)

##### (a) Ordinary shares of MelcoLot

Name of Director	Number of ordinary shares held			Approximate % of total issued shares of MelcoLot
	Personal interests  (Note 2)	Corporate interests  (Note 3)	Other interests	
			Total	
Mr. Ho, Lawrence Yau Lung	-	1,278,714,329	-	40.65%

(Note 4)

##### (b) Share options granted by MelcoLot

Name of Director	Number of underlying shares held	Approximate % of total issued shares of MelcoLot
	pursuant to share options  (Notes 2 & 5)	
Mr. Ho, Lawrence Yau Lung	11,769,871	0.37%
Mr. Tsui Che Yin, Frank	22,386,400	0.71%

#### Notes:

- As at 31 December 2014, the total number of issued shares of MelcoLot was 3,145,545,326.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- Upon the completion of the open offer of MelcoLot on the basis of three offer shares for every ten shares held by qualifying shareholders at a subscription price of HK\$0.90 per offer share on 29 May 2014 (the "Open Offer"), a total of 295,087,920 offer shares were subscribed by and allotted to Melco LottVentures Holdings Limited ("MLVH"), a wholly owned subsidiary of the Company. Thereafter, MLVH was interested in 1,278,714,329 shares of MelcoLot. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 1,278,714,329 shares of MelcoLot which are being held by MLVH, as a result of his interest in approximately 49.77% of the issued shares of the Company, which, in turn, holds approximately 40.65% of the issued shares of MelcoLot.
- Details of share options granted to the directors pursuant to the share option schemes of MelcoLot are set out in the section headed "Share Option Schemes" of this report and note 38 to the consolidated financial statements.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

#### (B) Entertainment Gaming Asia Inc. ("EGT") (a listed subsidiary of the Company)

##### (a) Shares of EGT

Name of Director	Number of shares held			Approximate % of total issued shares of EGT
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests	
	Total			
Mr. Ho, Lawrence Yau Lung	-	37,512,294 (Note 4)	-	37,512,294 64.81%
Mr. Chung Yuk Man, Clarence	2,338,562	-	-	2,338,562 4.04%
Dr. Tyen Kan Hee, Anthony	30,000	-	-	30,000 0.05%

##### (b) Stock options and restricted shares granted by EGT

Name of Director	Number of underlying shares held pursuant to stock options			Approximate % of total issued shares of EGT
	Number of shares held	restricted	Total	
	(Notes 2 & 5)	(Notes 2)		
Mr. Chung Yuk Man, Clarence	1,210,000	50,000	1,260,000	2.18%
Mr. Sham Sui Leung, Daniel	37,500	-	37,500	0.06%
Dr. Tyen Kan Hee, Anthony	137,500	-	137,500	0.24%

#### Notes:

- As at 31 December 2014, the total number of issued shares of EGT was 57,879,835.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- EGT Entertainment Holding Limited ("EEH"), a wholly owned subsidiary of the Company, has subscribed for 26,062,294 new shares (the "New EGT Shares") in EGT, a company listed on the NASDAQ Capital Market, under EGT's rights issue (the "EGT Rights Issue"). The New EGT Shares comprise 10,565,831 New EGT Shares subscribed by EEH pursuant to the full exercise of its basic subscription right and 15,496,463 New EGT Shares subscribed by EEH pursuant to the exercise of its over subscription right, respectively, under the EGT Rights Issue. The subscription price of the New EGT Shares was US\$0.54 per New EGT Share. Upon completion of the EGT Rights Issue on 26 November 2014, EEH owned 37,512,294 shares in EGT, representing 64.81% of the total issued shares of EGT as enlarged by the EGT Rights Issue. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in the 37,512,294 shares of EGT held by EEH, as a result of his interest in approximately 49.77% of the issued shares of the Company, which, in turn, holds approximately 64.81% of the issued shares of EGT.
- Details of share options granted to the directors pursuant to the EGT 2008 Stock Incentive Plan are set out in the section headed "Share Option Schemes" of this report and note 38 to the consolidated financial statements.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

#### (C) Melco Crown Entertainment Limited ("Melco Crown Entertainment")

##### (a) Ordinary shares of Melco Crown Entertainment

Name of Director	Number of ordinary shares held			Total	Approximate % of total issued shares of Melco Crown Entertainment
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	3,923,006	559,229,043 (Note 4)	559,229,043 (Note 5)	1,122,381,092	68.70%
Mr. Tsui Che Yin, Frank	11,850	–	–	11,850	0.001%
Mr. Chung Yuk Man, Clarence	2,407	–	–	2,407	0.000%

##### (b) Stock options and restricted shares granted by Melco Crown Entertainment

Name of Director	Number of underlying shares held pursuant to stock options (Notes 2 & 6)	Number of restricted shares held (Notes 2 & 7)	Total	Approximate % of total issued shares of Melco Crown Entertainment
Mr. Ho, Lawrence Yau Lung	6,257,682	360,109	6,617,791	0.41%
Mr. Chung Yuk Man, Clarence	194,664	41,868	236,532	0.01%

#### Notes:

- As at 31 December 2014, the total number of issued shares of Melco Crown Entertainment was 1,633,701,920.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 559,229,043 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly owned subsidiary of the Company, as a result of his interest in approximately 49.77% of the issued shares of the Company.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is also taken to be interested in 559,229,043 shares of Melco Crown Entertainment which are being held by Crown Asia Investments Pty. Ltd. ("Crown Asia") because of the rights of first refusal over such shares granted by Crown Asia to Melco Leisure under the amended and restated shareholders' deed entered into among Melco Crown Entertainment, Melco Leisure, the Company, Crown Asia and Crown Resorts Limited (formerly known as Crown Limited) dated 12 December 2007, as a result of his interest in approximately 49.77% of the issued shares of the Company.

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

### (C) Melco Crown Entertainment Limited ("Melco Crown Entertainment") (Continued)

#### (b) Stock options and restricted shares granted by Melco Crown Entertainment (Continued)

6. Details of the 6,257,682 stock options held by Mr. Ho, Lawrence Yau Lung are as follows:

- 2,898,774 stock options granted on 17 March 2009 at exercise price of US\$1.0867 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019
- 755,058 stock options granted on 25 November 2009 at exercise price of US\$1.4267 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 17 March 2018
- 1,446,498 stock options granted on 23 March 2011 at exercise price of US\$2.52333 are divided into 3 tranches exercisable from 23 March 2012, 23 March 2013 and 23 March 2014 respectively to 22 March 2021
- 474,399 stock options granted on 29 March 2012 at exercise price of US\$4.6967 are divided into 3 tranches exercisable from 29 March 2013, 29 March 2014 and 29 March 2015 respectively to 28 March 2022

- 362,610 stock options granted on 10 May 2013 at exercise price of US\$8.42 are divided into 3 tranches exercisable from 10 May 2014, 10 May 2015 and 10 May 2016 respectively to 9 May 2023

- 320,343 stock options granted on 28 March 2014 at exercise price of US\$12.98 are exercisable from 28 March 2017 to 27 March 2024

Details of the 194,664 stock options held by Mr. Chung Yuk Man, Clarence are as follows:

- 56,628 stock options granted on 18 March 2008 at exercise price of US\$4.01333 are divided into 4 tranches exercisable from 18 March 2009, 18 March 2010, 18 March 2011 and 18 March 2012 respectively to 17 March 2018

- 138,036 stock options granted on 17 March 2009 at exercise price of US\$1.0867 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019

7. Details of the 360,109 restricted shares held by Mr. Ho, Lawrence Yau Lung are as follows:

- 79,068 restricted shares will vest on 29 March 2015
- One half of the 120,870 restricted shares will vest on each of the following dates: 10 May 2015 and 10 May 2016
- 160,171 restricted shares will vest on 28 March 2017

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

#### (C) Melco Crown Entertainment Limited ("Melco Crown Entertainment") (Continued)

##### (b) Stock options and restricted shares granted by Melco Crown Entertainment (Continued)

Details of the 41,868 restricted shares held by Mr. Chung Yuk Man, Clarence are as follows:

- 22,590 restricted shares will vest on 29 March 2015
- One half of the 9,669 restricted shares will vest on each of the following dates: 10 May 2015 and 10 May 2016
- One third of the 9,609 restricted shares will vest on each of the following dates: 28 March 2015, 28 March 2016 and 28 March 2017

#### (D) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines")

##### Share options and restricted shares granted by Melco Crown Philippines

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 3)	Number of restricted shares held (Notes 2 & 4)	Total	Approximate % of total issued shares of Melco Crown Philippines
Mr. Ho, Lawrence Yau Lung	15,607,276	7,803,638	23,410,914	0.48%
Mr. Chung Yuk Man, Clarence	10,404,851	5,876,347	16,281,198	0.33%

##### Notes:

1. As at 31 December 2014, the total number of issued shares of Melco Crown Philippines (a listed subsidiary of Melco Crown Entertainment) was 4,911,480,300.
2. This represents interests held by the relevant director as beneficial owner.
3. The stock options granted on 28 June 2013 at exercise price of PHP8.30 are divided into 3 tranches exercisable from 4 March 2015, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.
4. Details of the 7,803,638 restricted shares held by Mr. Ho, Lawrence Yau Lung are as follows:
  - One third of the 7,803,638 restricted shares will vest on each of the following dates: 4 March 2015, 29 April 2015 and 29 April 2016

Details of the 5,876,347 restricted shares held by Mr. Chung Yuk Man, Clarence are as follows:

- One third of the 5,202,425 restricted shares will vest on each of the following dates: 4 March 2015, 29 April 2015 and 29 April 2016
- One third of the 673,922 restricted shares will vest on each of the following dates: 30 May 2015, 30 May 2016 and 30 May 2017

# Report of the Directors

## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Schemes

### (I) The Company

The share option scheme adopted on 8 March 2002 (the "2002 Share Option Scheme") had expired on 7 March 2012. No options may be and have been granted under that scheme after the expiry date, but the options granted before the expiry date continue to be valid and exercisable in accordance with their terms of issue. Subject to the aforesaid, the provisions of the 2002 Share Option Scheme remain in full force and effect, notwithstanding the expiry of the scheme.

At the annual general meeting of the Company held on 30 May 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme"), under which the directors of the Company may, at their discretion, grant to participants of the Scheme options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme will expire on 29 May 2022.

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

### Under the 2002 Share Option Scheme

Category of participants	Number of share options								
	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)
<b>Directors</b>									
Mr. Ho, Lawrence Yau Lung	692,520	-	(692,520)	-	-	-	01.04.2008	10.804	4
	536,000	-	(536,000)	-	-	-	17.12.2008	2.02	5
	230,000	-	(230,000)	-	-	-	03.04.2009	2.99	6
	1,328,000	-	(1,128,000)	-	-	200,000	07.04.2010	3.76	7
	1,200,000	-	(1,200,000)	-	-	-	08.04.2011	5.75	8
	3,986,520	-	(3,786,520)	-	-	200,000			
Mr. Tsui Che Yin, Frank	312,000	-	(312,000)	-	-	-	01.04.2008	10.804	4
	546,000	-	(546,000)	-	-	-	17.12.2008	2.02	5
	160,000	-	(160,000)	-	-	-	03.04.2009	2.99	6
	1,198,000	-	(1,028,000)	-	-	170,000	07.04.2010	3.76	7
	2,200,000	-	(2,200,000)	-	-	-	08.04.2011	5.75	9
	1,320,000	-	(120,000)	-	-	1,200,000	27.01.2012	7.1	10
	5,736,000	-	(4,366,000)	-	-	1,370,000			

# Report of the Directors

## Share Option Schemes (Continued)

### (I) The Company (Continued)

#### Under the 2002 Share Option Scheme (Continued)

Category of participants	Number of share options									Number of share options												
	As at 1 January 2014		Granted during the year		Exercised during the year		Lapsed during the year		Reclassified during the year		As at 31 December 2014		Category of participants	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)													
Mr. Chung Yuk Man, Clarence	400,000	-	(93,000)	-	-	307,000	13.02.2006	11.8	11	Sir Roger Lobo	300,000	-	-	-	-	-	300,000	03.04.2006	15.87	12		
	312,000	-	(312,000)	-	-	-	01.04.2008	10.804	4		51,000	-	-	-	-	-	51,000	28.02.2008	11.5	13		
	546,000	-	(546,000)	-	-	-	17.12.2008	2.02	5		91,000	-	-	-	-	-	91,000	03.04.2009	2.99	6		
	160,000	-	(160,000)	-	-	-	03.04.2009	2.99	6		60,000	-	-	-	-	-	60,000	07.04.2010	3.76	14		
	1,198,000	-	(1,028,000)	-	-	170,000	07.04.2010	3.76	7		350,000	-	-	-	-	-	350,000	08.04.2011	5.75	9		
	2,200,000	-	(2,200,000)	-	-	-	08.04.2011	5.75	9		210,000	-	-	-	-	-	210,000	27.01.2012	7.1	10		
	1,320,000	-	(990,000)	-	-	330,000	27.01.2012	7.1	10		1,062,000	-	-	-	-	-	1,062,000					
	6,136,000	-	(5,329,000)	-	-	807,000				Mr. Sham Sui Leung, Daniel	51,000	-	-	-	-	-	51,000	28.02.2008	11.5	13		
Mr. Ng Ching Wo	300,000	-	-	-	-	300,000	03.04.2006	15.87	12		91,000	-	-	-	-	-	91,000	03.04.2009	2.99	6		
	51,000	-	-	-	-	51,000	28.02.2008	11.5	13		60,000	-	-	-	-	-	60,000	07.04.2010	3.76	14		
	91,000	-	-	-	-	91,000	03.04.2009	2.99	6		350,000	-	-	-	-	-	350,000	08.04.2011	5.75	9		
	60,000	-	-	-	-	60,000	07.04.2010	3.76	14		210,000	-	-	-	-	-	210,000	27.01.2012	7.1	10		
	350,000	-	-	-	-	350,000	08.04.2011	5.75	9		762,000	-	-	-	-	-	762,000					
	210,000	-	-	-	-	210,000	27.01.2012	7.1	10	Dr. Tyen Kan Hee, Anthony	350,000	-	-	-	-	-	350,000	08.04.2011	5.75	9		
	1,062,000	-	-	-	-	1,062,000					210,000	-	-	-	-	-	210,000	27.01.2012	7.1	10		
											560,000	-	-	-	-	-	560,000					
										Sub-total	19,304,520	-	(13,481,520)	-	-	-	5,823,000					

# Report of the Directors

## Share Option Schemes (Continued)

### (I) The Company (Continued)

#### Under the 2002 Share Option Scheme (Continued)

Category of participants	Number of share options								
	As at 1 January 2014		Granted during the year		Exercised during the year		Lapsed during the year		Reclassified during the year
	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)	Exercise	Exercise	Exercise	Exercise	Exercise
Employees	410,000	-	(30,000)	-	-	380,000	13.02.2006	11.8	15
	119,200	-	(27,000)	-	(900)	91,300	01.04.2008	10.804	4
	126,668	-	(126,668)	-	-	-	17.12.2008	2.02	5
	295,000	-	(184,000)	-	-	111,000	03.04.2009	2.99	6
	1,680,000	-	(1,035,000)	-	-	645,000	07.04.2010	3.76	7
	5,750,000	-	(4,656,000)	-	(62,000)	1,032,000	08.04.2011	5.75	9
	3,906,200	-	(1,357,800)	(11,000)	(74,000)	2,463,400	27.01.2012	7.1	10
Sub-total	12,287,068	-	(7,416,468)	(11,000)	(136,900)	4,722,700			

Category of participants	Number of share options								
	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)
Others	3,362,000	-	(450,000)	-	-	2,912,000	13.02.2006	11.8	15
	300,000	-	-	-	-	300,000	03.04.2006	15.87	12
	51,000	-	-	-	-	51,000	28.02.2008	11.5	13
	757,300	-	(648,000)	-	900	110,200	01.04.2008	10.804	4
	184,000	-	(64,000)	-	-	120,000	03.04.2009	2.99	6
	310,000	-	(50,000)	-	-	260,000	07.04.2010	3.76	7
	1,710,000	-	(1,586,000)	-	62,000	186,000	08.04.2011	5.75	9
	737,000	-	(400,000)	-	74,000	411,000	27.01.2012	7.1	10
Sub-total	7,411,300	-	(3,198,000)	-	136,900	4,350,200			
Total	39,002,888	-	(24,095,988)	(11,000)	-	14,895,900			

# Report of the Directors

## Share Option Schemes (Continued)

### (I) The Company (Continued)

#### Under the 2012 Share Option Scheme

Category of participants	Number of share options									
	As at 1 January 2014		Granted during the year		Exercised during the year		Lapsed during the year		Reclassified during the year	
	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)	As at 31 December 2014	Exercise price HK\$	Exercise period (Note)	As at 31 December 2014	Exercise price HK\$	Exercise period (Note)
<b>Directors</b>										
Mr. Ho, Lawrence Yau Lung	1,000,000	-	(1,000,000)	-	-	-	02.04.2013	13.4	16	
	-	1,500,000	-	-	-	1,500,000	03.04.2014	26.65	18	
	1,000,000	1,500,000	(1,000,000)	-	-	1,500,000				
Mr. Tsui Che Yin, Frank	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	17	
	-	700,000	-	-	-	700,000	03.04.2014	26.65	19	
	1,000,000	700,000	-	-	-	1,700,000				
Mr. Chung Yuk Man, Clarence	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	17	
	-	700,000	-	-	-	700,000	03.04.2014	26.65	19	
	1,000,000	700,000	-	-	-	1,700,000				
Mr. Ng Ching Wo	200,000	-	-	-	-	200,000	02.04.2013	13.4	17	
	-	150,000	-	-	-	150,000	03.04.2014	26.65	19	
	200,000	150,000	-	-	-	350,000				

Category of participants	Number of share options						
	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant
							Exercise price HK\$
Sir Roger Lobo	200,000	-	-	-	-	200,000	02.04.2013
	-	150,000	-	-	-	150,000	03.04.2014
	200,000	150,000	-	-	-	350,000	
Mr. Sham Sui Leung, Daniel	200,000	-	-	-	-	200,000	02.04.2013
	-	150,000	-	-	-	150,000	03.04.2014
	200,000	150,000	-	-	-	350,000	
Dr. Tyen Kan Hee, Anthony	200,000	-	-	-	-	200,000	02.04.2013
	-	150,000	-	-	-	150,000	03.04.2014
	200,000	150,000	-	-	-	350,000	
Sub-total	3,800,000	3,500,000	(1,000,000)	-	-	6,300,000	

# Report of the Directors

## Share Option Schemes (Continued)

### (I) The Company (Continued)

#### Under the 2012 Share Option Scheme (Continued)

Category of participants	Number of share options								
	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2014	Date of grant	Exercise price HK\$	Exercise period (Note)
Employees	3,311,000	-	(618,000)	(17,000)	(112,000)	2,564,000	02.04.2013	13.4	17
	-	2,831,000	-	-	-	2,831,000	03.04.2014	26.65	19
	-	200,000	-	-	-	200,000	29.08.2014	20.83	20
Sub-total	3,311,000	3,031,000	(618,000)	(17,000)	(112,000)	5,595,000			
Others	556,000	-	(169,000)	-	112,000	499,000	02.04.2013	13.4	17
	-	245,000	-	-	-	245,000	03.04.2014	26.65	19
Sub-total	556,000	245,000	(169,000)	-	112,000	744,000			
Total	7,867,000	6,776,000	(1,787,000)	(17,000)	-	12,639,000			

#### Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. As at 31 December 2014, the Company had 14,895,900 share options outstanding under the 2002 Share Option Scheme and 12,639,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the outstanding share options would result in the issue of 27,534,900 additional ordinary shares of the Company.
3. During the year ended 31 December 2014, no share options were cancelled under the 2002 Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing prices of the shares of the Company immediately before and on the dates on which the share options were exercised were HK\$23.66 and HK\$24.03 respectively.
4. The share options are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018.
5. The share options are divided into 6 tranches exercisable from 1 February 2009, 1 May 2009, 1 August 2009, 1 November 2009, 1 February 2010 and 1 May 2010 respectively to 16 December 2018.
6. The share options are divided into 3 tranches exercisable from 3 April 2010, 3 April 2011 and 3 April 2012 respectively to 2 April 2019.

# Report of the Directors

## Share Option Schemes (Continued)

### (I) The Company (Continued)

Notes: (Continued)

7. The share options are divided into 6 tranches exercisable from 7 April 2010, 7 April 2011, 7 April 2012, 7 April 2013, 7 April 2014 and 7 April 2015 respectively to 6 April 2020.
8. The share options are divided into 2 tranches exercisable from 5 May 2011 and 8 April 2012 respectively to 7 April 2021.
9. The share options are divided into 4 tranches exercisable from 5 May 2011, 8 April 2012, 8 April 2013 and 8 April 2014 respectively to 7 April 2021.
10. The share options are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022.
11. The share options are divided into 3 tranches exercisable from 1 April 2008, 1 April 2010 and 1 April 2012 respectively to 31 January 2016.
12. The share options are divided into 3 tranches exercisable from 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 2 April 2016.
13. The share options are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 27 February 2018.
14. The share options are divided into 3 tranches exercisable from 7 April 2011, 7 April 2012 and 7 April 2013 respectively to 6 April 2020.

15. The share options are divided into 6 tranches exercisable from 1 April 2008, 1 April 2010, 1 April 2012, 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 31 January 2016.
16. The share options are divided into 2 tranches exercisable from 2 April 2013 and 2 April 2014 respectively to 1 April 2023.
17. The share options are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023.
18. The share options are divided into 2 tranches exercisable from 3 April 2014 and 3 April 2015 respectively to 2 April 2024.
19. The share options are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024.
20. The share options are divided into 3 tranches exercisable from 11 August 2016, 11 August 2017 and 11 August 2018 to 28 August 2024.
21. The category “Others” represents the former directors/employees or consultants of the Group.
22. Details of share options of the 2002 Share Option Scheme and 2012 Share Option Scheme and the share options granted under the schemes are also set out in note 38 to the consolidated financial statements.

# Report of the Directors

## Share Option Schemes (Continued)

### (II) MelcoLot

The share option scheme adopted by MelcoLot on 20 April 2002 (the “MelcoLot 2002 Share Option Scheme”) had expired on 20 April 2012. No options may be and have been granted under that scheme after the expiry date, but the options granted before the expiry date continue to be valid and exercisable in accordance with their terms of issue. Subject to the aforesaid, the provisions of the MelcoLot 2002 Share Option Scheme remain in full force and effect, notwithstanding the expiry of the scheme.

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

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

#### (i) Share options granted to the directors of the Company

Name of Director	Number of share options								
	Before the Open Offer			Adjustment			After the Open Offer		
	As at 1 January 2014	Exercised	Lapsed	for the Open Offer (Note 2)	Granted	Exercised	As at 31 December 2014	Date of grant (Note 2)	Exercise price HK\$ (Note)
<b>Under MelcoLot 2012 Share Option Scheme</b>									
Mr. Ho, Lawrence									
Yau Lung	6,939,000	-	-	446,871	-	-	-	7,385,871	02.07.2013
	-	-	-	-	4,384,000	-	-	4,384,000	11.08.2014
Mr. Tsui Che Yin, Frank	6,000,000	-	-	386,400	-	-	-	6,386,400	02.07.2013
	-	-	-	-	16,000,000	-	-	16,000,000	11.08.2014
Total	12,939,000	-	-	833,271	20,384,000	-	-	34,156,271	

# Report of the Directors

## Share Option Schemes (Continued)

### (II) MelcoLot (Continued)

#### (ii) Share options granted to other eligible participants

Number of share options									
	Before the Open Offer			After the Open Offer			Exercise		
	As at			Adjustment			As at		
	1 January			for the Open Offer			31 December		
	2014	Exercised	Lapsed	(Note 2)	Granted	Exercised	Lapsed	2014	Date of grant (Note 2)
									HK\$ (Note)
Under MelcoLot 2002 Share Option Scheme									
Other eligible participants	583,082	-	-	37,548	-	(568,330)	-	52,300	12.01.2007
	4,971,277	(1,834,420)	-	202,007	-	(195,254)	-	3,143,610	31.03.2008
	3,380,574	(602,738)	-	178,892	-	-	-	2,956,728	16.02.2009
	6,472,882	(5,960,600)	-	32,988	-	(41,840)	(1,346)	502,084	10.07.2009
	4,801,311	(3,006,200)	-	115,603	-	(69,734)	(1,394,683)	446,297	18.11.2010
Total	20,209,126	(11,403,958)	-	567,038	-	(875,158)	(1,396,029)	7,101,019	
Under MelcoLot 2012 Share Option Scheme									
Other eligible participants	16,500,000	-	-	1,062,600	-	-	-	17,562,600	02.07.2013
	-	-	-	-	61,324,000	-	-	61,324,000	11.08.2014
Total	16,500,000	-	-	1,062,600	61,324,000	-	-	78,886,600	

#### Notes:

- For the year ended 31 December 2014, no share options were cancelled under MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing prices of the shares of MelcoLot immediately before and on the dates on which the share options were exercised were HK\$1.17 and HK\$1.24 respectively.
- Upon the completion of the Open Offer on 29 May 2014, the exercise price per share of MelcoLot and number of shares of MelcoLot which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme. For details, please refer to the announcement of MelcoLot dated 28 May 2014.
- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The share options are divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.
- The share options are divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.
- The share options are divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.
- The share options are divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.

# Report of the Directors

## Share Option Schemes (Continued)

### (II) MelcoLot (Continued)

Notes: (Continued)

8. The share options are divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.
9. The share options are divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.
10. The share options are divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.
11. Summaries of the principal terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme and the share options granted under the schemes are also set out in note 38 to the consolidated financial statements.

### (III) EGT

At the annual shareholders meeting of EGT held on 8 September 2008, a new stock option plan (the “EGT 2008 Stock Incentive Plan”) was voted on and became effective on 1 January 2009, which replaced two previous plans, the Amended and Restated 1999 Stock Option Plan and the Amended and Restated 1999 Directors’ Stock Option Plan (the “EGT 1999 Stock Option Plans”). Although the EGT 1999 Stock Option Plans terminated on 31 December 2008, the stock options granted thereunder that were outstanding as of the date of termination shall remain outstanding and subject to termination according to their terms.

The EGT 2008 Stock Incentive Plan allows for incentive awards to eligible recipients consisting of:

- Options to purchase shares that qualify as incentive stock options within the meaning of the Internal Revenue Code;
- Non-statutory stock options that do not qualify as incentive options;
- Restricted stock awards; and
- Performance stock awards which are subject to future achievement of performance criteria or free of any performance or vesting.

Movements of the stock options, which were granted under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan, during the period ended 31 December 2014, are set out below:

# Report of the Directors

## Share Option Schemes (Continued)

### (III) EGT (Continued)

#### (i) Stock options granted to the directors of the Company

Name of Director	Number of stock options						
	As at 26 November 2014	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2014	Date of grant	Exercise price (US\$)
	Exercise period (Note)						
<b>Under EGT 1999 Stock Option Plans</b>							
Mr. Chung Yuk Man, Clarence	7,500	-	-	-	7,500	22.01.2008	14.48
	25,000	-	-	-	25,000	12.02.2008	18.36
	500,000	-	-	-	500,000	29.12.2008	0.68
Mr. Sham Sui Leung, Daniel	25,000	-	-	-	25,000	11.12.2008	0.32
Dr. Tyen Kan Hee, Anthony	25,000	-	-	-	25,000	11.12.2008	0.32
<b>Total</b>	<b>582,500</b>	-	-	-	<b>582,500</b>		

Name of Director	Number of stock options						Exercise price (US\$)	Exercise period (Note)
	As at 26 November 2014	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2014	Date of grant		
<b>Under EGT 2008 Stock Incentive Plan</b>								
Mr. Chung Yuk Man, Clarence	12,500	-	-	-	12,500	12.02.2009	0.52	6
	12,500	-	-	-	12,500	07.01.2010	1.16	7
	125,000	-	-	-	125,000	22.01.2010	1.1	8
	137,500	-	-	-	137,500	03.02.2011	1.44	9
	175,000	-	-	-	175,000	03.01.2012	0.924	10
	25,000	-	-	-	25,000	02.01.2013	1.965	11
	65,000	-	-	-	65,000	02.01.2013	1.965	12
	125,000	-	-	-	125,000	02.01.2014	1.211	13
Mr. Sham Sui Leung, Daniel	12,500	-	-	-	12,500	12.02.2009	0.52	6
Dr. Tyen Kan Hee, Anthony	12,500	-	-	-	12,500	12.02.2009	0.52	6
	12,500	-	-	-	12,500	07.01.2010	1.16	7
	12,500	-	-	-	12,500	03.02.2011	1.44	15
	25,000	-	-	-	25,000	03.01.2012	0.924	16
	25,000	-	-	-	25,000	02.01.2013	1.965	11
	25,000	-	-	-	25,000	02.01.2014	1.211	17
<b>Total</b>	<b>802,500</b>	-	-	-	<b>802,500</b>			

# Report of the Directors

## Share Option Schemes (Continued)

### (III) EGT (Continued)

#### (ii) Stock options granted to other eligible participants

Number of stock options								
	As at 26 November 2014	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2014	Exercise Date of grant	Exercise price (US\$)	Exercise period (Note)
<b>Under EGT 1999 Stock Option Plans</b>								
Other eligible participants	226	-	-	(226)	-	10.12.2004	6.64	22
	221	-	-	-	221	05.01.2005	6.80	23
	2,500	-	-	-	2,500	16.02.2005	7.32	18
	12,500	-	-	-	12,500	07.11.2005	12.00	24
	2,500	-	-	-	2,500	30.01.2006	12.12	19
	7,500	-	-	-	7,500	06.03.2007	9.72	20
	1,250	-	-	-	1,250	07.03.2007	9.60	21
	1,250	-	-	-	1,250	07.03.2007	9.60	25
	4,000	-	-	-	4,000	10.09.2007	12.44	26
	30,000	-	-	-	30,000	22.01.2008	14.48	3
	31,250	-	-	-	31,250	12.02.2008	16.88	27
	49,750	-	-	-	49,750	12.02.2008	18.36	28
	50,000	-	-	-	50,000	21.05.2008	4.88	29
	50,000	-	-	-	50,000	11.12.2008	0.32	14
	112,500	-	-	-	112,500	11.12.2008	0.32	30
<b>Total</b>	<b>355,447</b>	-	-	(226)	<b>355,221</b>			

	Number of stock options						Exercise price (US\$)	Exercise period (Note)		
	As at 26 November 2014		Granted during the period		Exercised during the period					
	As at 31 December 2014	Date of grant	During the period	During the period	Lapsed during the period	As at 31 December 2014				
<b>Under EGT 2008 Stock Incentive Plan</b>										
Other eligible participants	75,000	-	-	-	-	75,000	12.02.2009	0.52		
	37,500	-	-	-	-	37,500	07.01.2010	1.16		
	37,500	-	-	-	(37,500)	-	07.01.2010	1.16		
	150,001	-	-	-	-	150,001	12.03.2010	1.04		
	137,502	-	-	-	-	137,502	13.05.2010	1.06		
	37,500	-	-	(37,500)	-	-	14.05.2010	1.06		
	18,750	-	-	-	-	18,750	17.08.2010	0.96		
	603,619	-	-	-	-	603,619	03.02.2011	1.44		
	37,500	-	-	-	-	37,500	03.02.2011	1.44		
	50,000	-	-	(50,000)	-	-	03.02.2011	1.06		
	75,000	-	-	-	-	75,000	03.01.2012	0.924		
	25,000	-	-	-	-	25,000	20.07.2012	2.17		
	15,000	-	-	-	-	15,000	07.09.2012	2.14		
	75,000	-	-	-	-	75,000	02.01.2013	1.965		
	75,000	-	-	-	-	75,000	11.03.2013	1.874		
	75,000	-	-	-	-	75,000	02.01.2014	1.211		
<b>Total</b>	<b>1,524,872</b>	-	-	(125,000)	<b>1,399,872</b>					

# Report of the Directors

## Share Option Schemes (Continued)

### (III) EGT (Continued)

Notes:

1. EGT has become a subsidiary of the Company on 26 November 2014.
2. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.
3. The stock options may be exercised from 23 July 2008 to 22 January 2018.
4. The stock options may be exercised from 15 May 2008 to 14 November 2017.
5. The stock options may be exercised from 29 December 2009 to 29 December 2018.
6. The stock options may be exercised from 13 August 2009 to 12 February 2019.
7. The stock options may be exercised from 8 July 2010 to 7 January 2020.
8. The stock options may be exercised from 1 January 2011 to 22 January 2020.
9. The stock options are divided into 2 tranches exercisable from 4 August 2011 and 1 January 2012 respectively to 3 February 2021.
10. The stock options are divided into 2 tranches exercisable from 4 July 2012 and 1 January 2013 respectively to 3 January 2022.
11. The stock options may be exercised from 3 July 2013 to 2 January 2023.
12. The stock options may be exercised from 2 January 2016 to 2 January 2023.
13. The stock options granted on 2 January 2014 are subject to vesting and risk of forfeiture based on EGT's ability to meet certain financial and non-financial performance targets as of and for the fiscal year ending 31 December 2014. The determination of the vesting or forfeiture of shares shall be made by the Compensation Committee of EGT's Board of Directors on or before 30 April 2015. The exercise period of the options is from 3 July 2014 to 2 January 2024.
14. The stock options may be exercised from 12 June 2009 to 11 December 2018.
15. The stock options may be exercised from 4 August 2011 to 3 February 2021.
16. The stock options may be exercised from 4 July 2012 to 3 January 2022.
17. The stock options may be exercised from 3 July 2014 to 2 January 2024.
18. The stock options may be exercised from 17 August 2005 to 16 February 2015.
19. The stock options may be exercised from 31 July 2006 to 30 January 2016.
20. The stock options may be exercised from 7 September 2007 to 6 March 2017.
21. The stock options may be exercised from 8 September 2007 to 7 March 2017.
22. The stock options may be exercised from 10 December 2004 to 10 December 2014.
23. The stock options may be exercised from 5 January 2005 to 5 January 2015.
24. The stock options are divided into 2 tranches exercisable from 7 November 2007 and 7 November 2008 respectively to 7 November 2015.
25. The stock options may be exercised from 8 September 2007 to 7 March 2017.
26. The stock options may be exercised from 18 November 2007 to 10 September 2017.

# Report of the Directors

## Share Option Schemes (Continued)

### (III) EGT (Continued)

Notes: (Continued)

27. The stock options are divided into 3 tranches exercisable from 14 November 2008, 14 November 2009 and 14 November 2010 respectively to 14 November 2017.
28. The stock options may be exercised from 13 August 2008 to 14 November 2017.
29. The stock options are divided into 3 tranches exercisable from 21 May 2009, 21 May 2010 and 21 May 2011 respectively to 21 May 2018.
30. The stock options are divided into 3 tranches exercisable from 11 December 2009, 11 December 2010 and 11 December 2011 respectively to 11 December 2018.
31. The stock options are divided into 5 tranches exercisable from 7 January 2011, 31 December 2011, 7 January 2012, 7 January 2013 respectively to 7 January 2020.
32. The stock options may be exercised from 12 March 2011 to 12 March 2020.
33. The stock options are divided into 3 tranches exercisable from 13 May 2011, 13 May 2012 and 13 May 2013 respectively to 13 May 2020.
34. The stock options are divided into 2 tranches exercisable from 13 May 2011 and 31 December 2011 respectively to 14 May 2020.
35. The stock options are divided into 3 tranches exercisable from 17 August 2011, 17 August 2012 and 17 August 2013 respectively to 17 August 2020.
36. The stock options are divided into 3 tranches exercisable from 3 February 2012, 3 February 2013 and 3 February 2014 respectively to 3 February 2021.

37. The stock options may be exercised from 31 December 2011 to 3 February 2021.
38. The stock options are divided into 3 tranches exercisable from 7 September 2013, 7 September 2014 and 7 September 2015 respectively to 7 September 2022.
39. The stock options are divided into 3 tranches exercisable from 11 March 2014, 11 March 2015 and 11 March 2016 respectively to 11 March 2023.
40. The stock options are divided into 3 tranches exercisable from 20 July 2013, 20 July 2014 and 20 July 2015 respectively to 20 July 2022.
41. No stock option was cancelled under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan during the period ended 31 December 2014.
42. Summaries of the principal terms of the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan and the stock options granted under the plans are also set out in note 38 to the consolidated financial statements.

## Directors' Interests in Competing Business

Mr. Ho, Lawrence Yau Lung has effective beneficial interests in Shun Tak Holdings Limited (“STHL”), Sociedade de Turismo e Diversões de Macau, S.A. (“STD”M”) and SJM Holdings Limited (“SJM”) of not more than 2%. These effective beneficial interests are held through a number of intermediary companies in which Mr. Ho has interest. STHL, STD and SJM are involved in hotel and casino business, which competes with the business of the Company’s associate, Melco Crown Entertainment Limited, in Macau. Mr. Ho is not a director of STHL, STD and SJM and has no involvement with, and does not exercise any control or influence on, management and operation of STHL, STD and SJM.

Save as disclosed, during the year, no director has been interested in any business apart from the Company’s business, which competes or is likely to compete, either directly or indirectly, with the Company’s business which is required to be disclosed pursuant to the Listing Rules.

# Report of the Directors

## Connected Transaction

Pursuant to Chapter 14A of the Listing Rules, the following connected transaction of the Company requires disclosure in the annual report of the Company:

On 20 November 2014, MelcoLot, a subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Firich Enterprises Co., Ltd. ("Firich"), Oz Gaming Georgia, LLC ("Oz") and Express Wealth Enterprise Limited ("Express Wealth"). Express Wealth is a company formed for the purpose of carrying out a casino project in Tbilisi, the Republic of Georgia (the "Casino Project").

Pursuant to the Subscription Agreement, Firich agrees to subscribe for 5,530 ordinary shares in Express Wealth at a consideration of US\$50,000,000 (equivalent to approximately HK\$389,000,000) and Oz agrees to subscribe for 200 ordinary shares in Express Wealth at a consideration of US\$200 (equivalent to approximately HK\$1,560) (the "Subscription"). Out of the 5,530 ordinary shares that Firich has agreed to subscribe for, Firich will endeavour to procure that 1,535 ordinary shares be allocated to and taken up by Rich Development Co. Ltd. ("RD") and 833 ordinary shares be allocated to and taken up by Syncmold Enterprise Corp. ("Syncmold").

Assuming Firich has allocated 1,535 and 833 ordinary shares in Express Wealth to RD and Syncmold respectively, the equity interests in Express Wealth will be held as to approximately 42.70% by MelcoLot, approximately 31.62% by Firich, approximately 15.35% by RD, approximately 8.33% by Syncmold and approximately 2.00% by Oz.

Express Wealth will utilise the net proceeds from the Subscription of approximately US\$49,890,000 (equivalent to approximately HK\$388,144,000) to fund the costs and expenses related to securing the lease arrangements in respect of the project site of the Casino Project and payments under that lease, and the general development, implementation and running of the Casino Project.

Firich is a substantial shareholder (as defined in the Listing Rules) of Beijing Telenet Information Technology Ltd. ("BTI"), a subsidiary of MelcoLot. Pursuant to Rule 14A.101 of the Listing Rules, Firich is a connected person at the subsidiary level of the Company and the entering by MelcoLot of the Subscription Agreement with Firich, constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details of the transaction were set out in the joint announcement of the Company and MelcoLot dated 20 November 2014.

## Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures

As at 31 December 2014, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

# Report of the Directors

## Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures (Continued)

### Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying Shares held	Approximate % of total issued shares	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	291,868,606	–	18.87%	2
Lasting Legend Ltd.	Beneficial owner	115,509,024	–	7.47%	2
Great Respect Limited	Beneficial owner	303,982,187	–	19.66%	4
SG Trust (Asia) Ltd	Trustee	303,982,187	–	19.66%	4
	Trustee	407,377,630	–	26.34%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	25,299,132	2,800,000	1.82%	7
	Interest of controlled corporations	440,399,077	–	28.48%	3
	Beneficiary of a trust	303,982,187	–	19.66%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	769,680,396	2,800,000	49.95%	6, 7
The Capital Group Companies, Inc.	Interest of controlled corporation	83,621,000	–	5.41%	–
Southeastern Asset Management, Inc.	Investment manager	312,243,788	–	20.19%	–

### Notes:

- As at 31 December 2014, the total number of issued shares of the Company was 1,546,463,555.
- The 291,868,606 shares held by Better Joy Overseas Ltd. and the 115,509,024 shares held by Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.
- The 440,399,077 shares relate to the 291,868,606 shares, 115,509,024 shares, 25,727,447 shares and 7,294,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust respectively, representing approximately 18.87%, 7.47%, 1.66% and 0.47% of the issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is deemed to be interested in the shares held by the aforesaid companies and trust.
- Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members (including his father, Dr. Ho Hung Sun, Stanley). SG Trust (Asia) Ltd is the trustee of the aforesaid discretionary family trust. Mr. Ho, Lawrence Yau Lung is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.
- The 407,377,630 shares relate to the same block of shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. referred to in Note 2 above.

# Report of the Directors

## Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures (Continued)

### Long positions in the shares and underlying shares of the Company (Continued)

Notes: (Continued)

6. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.
7. Regarding the interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

### Directors' Rights to Acquire Shares or Debentures

Save for the share option scheme and the share award schemes disclosed in note 38 to the consolidated financial statements, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to acquire or which enables the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Purchase, Sale or Redemption 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 repurchase are as follows:

Month of Repurchase	Number of shares repurchased	Highest	Lowest	Aggregate
		price paid per share	price paid per share	consideration paid
		HK\$	HK\$	HK\$
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
<b>Total</b>	<b>15,800,000</b>			<b>298,299,910.00</b>

The repurchases were made 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, under the scheme, purchased on the Stock Exchange 4,890,000 shares of the Company. The amount paid to acquire these shares was approximately HK\$99,805,000.

# Report of the Directors

## Purchase, Sale or Redemption of the Company's Listed Securities (Continued)

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

## Sufficiency of Public Float

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

## Corporate Governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 36 to 47 of this annual report.

## Emolument Policy

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards. Particulars of the emoluments of directors on a named basis for the year are set out in note 15 to the consolidated financial statements.

The Company has adopted a share option scheme and two share incentive award schemes, as an incentive to directors and employees. Details of the schemes are set out in note 38 to the consolidated financial statements.

## 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.

## Donations

During the year, the Group made charitable and other donations amounting to approximately HK\$3,030,000 (2013: HK\$2,310,000).

## Auditor

The financial statements of the Company for the year ended 31 December 2014 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Ho, Lawrence Yau Lung**

*Chairman and Chief Executive Officer*

Hong Kong, 27 March 2015

# Independent Auditor's Report

**Deloitte.**

德勤

TO THE MEMBERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED

新濠國際發展有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 222, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditor's Report

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	7	<b>201,735</b>	183,274
Other income, other gains or losses	9	<b>94,730</b>	53,927
Investment income	10	<b>3,554</b>	2,363
Purchases and changes in inventories of finished goods and work in progress		<b>(76,445)</b>	(76,841)
Raw materials and consumables used		<b>(1,421)</b>	–
Employee benefits expense	11	<b>(303,674)</b>	(194,981)
Depreciation of property, plant and equipment		<b>(8,751)</b>	(6,766)
Increase in fair value of investment properties	19	<b>10,370</b>	88,000
Loss on deemed disposal of interest in an associate	24	<b>(14,923)</b>	(61,900)
Other expenses		<b>(119,622)</b>	(97,478)
Finance costs	12	<b>(43,918)</b>	(39,203)
Share of losses of joint ventures		<b>(139)</b>	(139)
Share of profits of associates		<b>1,693,612</b>	1,760,725
Profit before tax	13	<b>1,435,108</b>	1,610,981
Income tax credit (expense)	14	<b>19</b>	(6,865)
Profit for the year		<b>1,435,127</b>	1,604,116

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<b>6,545</b>	(6,126)
Fair value (loss) gain on available-for-sale investments		<b>(1,867)</b>	1,867
Share of exchange difference of an associate		<b>(2,431)</b>	(40,698)
Share of exchange difference of joint ventures		<b>(15,422)</b>	(201)
Other comprehensive expense for the year, net of income tax		<b>(13,175)</b>	(45,158)
Total comprehensive income for the year		<b>1,421,952</b>	1,558,958
Profit (loss) for the year attributable to:			
Owners of the Company		<b>1,487,172</b>	1,596,715
Non-controlling interests		<b>(52,045)</b>	7,401
		<b>1,435,127</b>	1,604,116
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		<b>1,470,519</b>	1,554,813
Non-controlling interests		<b>(48,567)</b>	4,145
		<b>1,421,952</b>	1,558,958
Earnings per share	18		
Basic (HK\$)		<b>0.96</b>	1.04
Diluted (HK\$)		<b>0.94</b>	1.02

# Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investment properties	19	<b>170,000</b>	159,000
Property, plant and equipment	20	<b>123,693</b>	14,281
Goodwill	21	—	—
Other intangible assets	22	<b>5,700</b>	5,700
Interests in joint ventures	23	<b>39,218</b>	28,034
Interests in associates	24	<b>11,465,997</b>	11,088,180
Amount due from a joint venture	30	<b>53,562</b>	—
Deposits and other tax receivables		<b>11,215</b>	—
Available-for-sale investments	26	—	5,825
Deferred tax assets		<b>1,101</b>	—
		<b>11,870,486</b>	11,301,020

# Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Current assets</b>			
Inventories	27	<b>22,276</b>	2,345
Trade receivables	28	<b>20,930</b>	43,824
Prepayments, deposits and other receivables		<b>66,724</b>	37,023
Held-for-trading investments	29	<b>173</b>	175
Amounts due from associates	30	<b>7,788</b>	12,164
Amount due from a related company	30	<b>160</b>	441
Pledged bank deposits		<b>947</b>	947
Bank deposits with original maturity over three months	32	<b>1,558,002</b>	1,339,590
Bank balances and cash	32	<b>549,578</b>	205,542
		<b>2,226,578</b>	1,642,051

# Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Current liabilities</b>			
Trade payables	33	<b>17,959</b>	18,741
Other payables	33	<b>123,219</b>	53,562
Dividend payable		<b>1,451</b>	184
Taxation payable		<b>33,160</b>	32,778
Borrowings – due within one year	34	<b>394,980</b>	27,980
		<b>570,769</b>	133,245
<b>Net current assets</b>		<b>1,655,809</b>	1,508,806
<b>Total assets less current liabilities</b>		<b>13,526,295</b>	12,809,826
<b>Non-current liabilities</b>			
Deferred tax liabilities	35	<b>5,912</b>	5,229
Other payables		<b>6,575</b>	–
Borrowings – due after one year	34	<b>794,270</b>	1,189,250
		<b>806,757</b>	1,194,479
		<b>12,719,538</b>	11,615,347

# Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Capital and reserves</b>			
Share capital	36	<b>5,435,321</b>	768,190
Reserves		<b>6,896,335</b>	10,920,758
Equity attributable to owners of the Company		<b>12,331,656</b>	11,688,948
Non-controlling interests		<b>387,882</b>	(73,601)
		<b>12,719,538</b>	11,615,347

The consolidated financial statements on pages 77 to 222 were approved and authorized for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

**Ho, Lawrence Yau Lung**  
*DIRECTOR*

**Tsui Che Yin, Frank**  
*DIRECTOR*

# Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	25	<b>1,544,833</b>	1,419,286
Other intangible assets	22	<b>5,700</b>	5,700
Amounts due from subsidiaries	31	<b>4,704,608</b>	3,759,223
		<b>6,255,141</b>	5,184,209
<b>Current assets</b>			
Prepayments, deposits and other receivables		<b>16,061</b>	14,387
Amounts due from associates	30	—	616
Amounts due from subsidiaries	31	<b>130,033</b>	1,095,634
Bank deposits with original maturity over three months	32	<b>1,236,137</b>	1,192,006
Bank balances and cash	32	<b>47,011</b>	112,102
		<b>1,429,242</b>	2,414,745
<b>Current liabilities</b>			
Other payables		<b>6,060</b>	3,321
Amounts due to subsidiaries	31	<b>1,145,233</b>	1,281,463
Dividend payable		<b>1,451</b>	184
Borrowings – due within one year	34	<b>390,000</b>	—
		<b>1,542,744</b>	1,284,968

# Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Net current (liabilities) assets</b>		<b>(113,502)</b>	1,129,777
<b>Total assets less current liabilities</b>		<b>6,141,639</b>	6,313,986
<b>Non-current liabilities</b>			
Amount due to a subsidiary	31	<b>33,975</b>	38,955
Borrowings – due after one year	34	–	390,000
		<b>33,975</b>	428,955
		<b>6,107,664</b>	5,885,031
<b>Capital and reserves</b>			
Share capital	36	<b>5,435,321</b>	768,190
Reserves	37	<b>672,343</b>	5,116,841
		<b>6,107,664</b>	5,885,031

**Ho, Lawrence Yau Lung**

*DIRECTOR*

**Tsui Che Yin, Frank**

*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000 (Note c)	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	768,190	4,418,042	211,475	698,278	5,796	202,575	(40,369)	168,030	(100,075)	12,574	5,344,432	11,688,948	(73,601)	11,615,347
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,067	–	–	–	–	3,067	3,478	6,545
Share of other comprehensive expense of an associate	–	–	–	–	–	–	(2,431)	–	–	–	–	(2,431)	–	(2,431)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(15,422)	–	–	–	–	(15,422)	–	(15,422)
Fair value loss on available-for-sale investments	–	–	–	–	–	(1,867)	–	–	–	–	–	(1,867)	–	(1,867)
Other comprehensive (expense) income for the year	–	–	–	–	–	(1,867)	(14,786)	–	–	–	–	(16,653)	3,478	(13,175)
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	1,487,172	1,487,172	(52,045)	1,435,127
Total comprehensive income (expense) for the year	–	–	–	–	–	(1,867)	(14,786)	–	–	–	1,487,172	1,470,519	(48,567)	1,421,952
Transfer upon abolition of par value under the Hong Kong Companies Ordinance (Note d)	4,418,042	(4,418,042)	–	–	–	–	–	–	–	–	–	–	–	–
Exercise of share options	249,089	–	–	–	–	–	(86,431)	–	–	–	–	162,658	–	162,658
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	26,879	191,118	
Shares vested under the share award schemes	–	–	–	–	–	–	–	62,691	(46,065)	(16,626)	–	–	–	–
Purchase of shares for unvested shares under share award schemes	–	–	–	–	–	–	–	(99,805)	–	–	(99,805)	–	(99,805)	
Deemed disposal of partial interest in a subsidiary	–	–	–	1,637	–	–	–	–	–	–	–	1,637	(1,637)	–
Disposal of partial interest in a subsidiary	–	–	–	116,977	–	–	–	–	–	–	–	116,977	(6,774)	110,203
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(3,320)	(3,320)
Dividend paid (Note 17)	–	–	(181,222)	–	–	–	–	–	–	–	(324,909)	(506,131)	–	(506,131)
Share of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	–	–	–	13,819	–	521	–	–	–	–	(521)	13,819	–	13,819
Realization of exchange reserve upon deemed disposal of interest in an associate	–	–	–	–	–	–	3,259	–	–	–	–	3,259	–	3,259
Realization of exchange reserve upon deregistration of subsidiaries	–	–	–	–	–	–	129	–	–	–	–	129	–	129
Share of net assets changes of an associate	–	–	–	149,080	–	–	–	–	–	–	–	149,080	–	149,080
Decrease in an associate's equity attributable to the Group's interest arising on equity transactions of the associate	–	–	–	(561,037)	–	–	–	–	–	–	–	(561,037)	–	(561,037)
Share of net assets changes of a joint venture	–	–	–	26,434	–	–	–	–	–	–	–	26,434	–	26,434
Shares repurchased	–	–	–	–	–	–	–	–	–	–	(299,070)	(299,070)	–	(299,070)
Capital contribution from non-controlling shareholders in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	390,703	390,703
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	104,199	104,199
	4,667,131	(4,418,042)	(181,222)	(253,090)	–	521	3,388	22,319	(37,114)	9,352	(641,054)	(827,811)	510,050	(317,761)
At 31 December 2014	5,435,321	–	30,253	445,188	5,796	201,229	(51,767)	190,349	(137,189)	21,926	6,190,550	12,331,656	387,882	12,719,538

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Property revaluation HK\$'000	Other revaluation reserve HK\$'000 (Note c)	Exchange reserve HK\$'000	Share options reserve HK\$'000	under share award schemes HK\$'000	Share awards HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	766,483	4,386,213	234,495	(81,074)	5,796	200,723	3,400	125,839	(27,481)	19,728	3,740,311	9,374,433	(76,539)	9,297,894
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(2,870)	–	–	–	–	(2,870)	(3,256)	(6,126)
Share of other comprehensive expense of an associate	–	–	–	–	–	–	(40,698)	–	–	–	–	(40,698)	–	(40,698)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(201)	–	–	–	–	(201)	–	(201)
Fair value gain on available-for-sale investments	–	–	–	–	–	1,867	–	–	–	–	–	1,867	–	1,867
Other comprehensive expense for the year	–	–	–	–	–	1,867	(43,769)	–	–	–	–	(41,902)	(3,256)	(45,158)
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,596,715	1,596,715	7,401	1,604,116
Total comprehensive income for the year	–	–	–	–	–	1,867	(43,769)	–	–	–	1,596,715	1,554,813	4,145	1,558,958
Exercise of share options	1,707	31,829	–	–	–	–	–	(11,143)	–	–	–	22,393	–	22,393
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	53,334	–	30,895	–	84,229	3,659	87,888
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)	–	(103,252)
Deemed disposal of partial interest in a subsidiary	–	–	–	24,167	–	–	–	–	–	–	–	24,167	(24,167)	–
Disposal of partial interest in a subsidiary	–	–	–	160,943	–	–	–	–	–	–	–	160,943	(11,940)	149,003
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(96)	(96)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(7,028)	(7,028)
Dividend paid (Note 17)	–	–	(23,020)	–	–	–	–	–	–	–	–	(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)	–	(1,438)
Share of net assets changes of an associate	–	–	–	595,680	–	–	–	–	–	–	–	595,680	–	595,680
Capital contribution from non-controlling shareholder in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	38,355	38,355
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	10	10
	1,707	31,829	(23,020)	779,352	–	(15)	–	42,191	(72,594)	(7,154)	7,406	759,702	(1,207)	758,495
At 31 December 2013	768,190	4,418,042	211,475	698,278	5,796	202,575	(40,369)	168,030	(100,075)	12,574	5,344,432	11,688,948	(73,601)	11,615,347

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Notes:

- (a) Pursuant to a scheme of capital reduction, which became effective on 29 June 1993, the Supreme Court of Hong Kong approved the cancellation of the Company's share premium account which, on that date, was stated at HK\$127,274,212. By virtue of the same court's sanction, the issued and fully paid share capital of the Company was also reduced by HK\$230,510,521 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, in the aggregate amount of HK\$357,784,733 were transferred to a capital reserve account. The capital reserve account is distributable to the shareholders of the Company if there is no outstanding debt or claim against the Company which was in existence on the effective date of the capital reduction. In view of the fact that the Company receives no claim, demand, action or proceedings in respect of any such debt or claim since June 1993 and in view of the fact that any such debt or claim has been statute-barred under Hong Kong law and irrecoverable against the Company, the Company is of the view that the reserve is distributable to the Company's shareholders.
- (b) Special reserve brought forward from previous year represented (1) the difference between the consideration paid and the aggregate of goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in a former subsidiary, which subsequently became an associate of the Group acquired in previous years, (2) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in subsidiary, (3) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of partial interest of a subsidiary, (4) deemed disposal of partial interest in a subsidiary in relation to the exercise of share option by non-controlling interests and (5) share of net assets changes of an associate in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries. In current year, additional amount of approximately HK\$116,977,000 represents the difference by which the non-controlling interests are adjusted and the fair value of consideration received in relation to the disposal of partial interest of a subsidiary, MelcoLot Limited ("MelcoLot") and additional amount of approximately HK\$1,637,000 arises from the deemed disposal of partial interest in MelcoLot in relation to the exercise of share option by non-controlling interests. Another additional amount of approximately HK\$149,080,000 represents share of net assets changes of an associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries, Melco Crown (Philippines) Resorts Corporation ("MCP") while the reducing amount of approximately HK\$561,037,000 represents decrease in Melco Crown Entertainment's equity attributable to the Group's interests arising from its shares repurchase transaction. The remaining additional amount of approximately HK\$26,434,000 represents share of net assets changes of a joint venture, Oriental Regent Limited ("Oriental Regent") in relation to the deemed contribution from shareholders of Oriental Regent as a result of provision of non-interest bearing loan to Oriental Regent.
- (c) Other revaluation reserve mainly represents the share of a joint venture's revaluation reserve. In October 2009, a joint venture distributed certain equity investments to the Group as dividends in specie. The accumulated gain of approximately HK\$175,050,000 on the holding of those equity investments as available-for-sale investments by the joint venture was therefore shared by the Group and included in other revaluation reserve.
- (d) The Company's shares have no par value from the commencement date of the Hong Kong Companies Ordinance (Chapter 622) (i.e. 3 March 2014).

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,435,108</b>	1,610,981
Adjustments for:			
Share of profits of associates		(1,693,612)	(1,760,725)
Increase in fair value of investment properties		(10,370)	(88,000)
Share-based payment expense		<b>191,118</b>	87,888
Loss on deemed disposal of interest in an associate		<b>14,923</b>	61,900
Finance costs		<b>43,918</b>	39,203
Recovery of a fully impaired loan to an associate		–	(22,684)
Depreciation of property, plant and equipment		<b>8,751</b>	6,766
Loss on disposal of property, plant and equipment		<b>1,182</b>	5,768
Impairment loss on property, plant and equipment		<b>1,347</b>	–
Interest income		(33,576)	(20,038)
Dividend income		(3,556)	(2,386)
Bad debts written off		<b>6,378</b>	659
Share of losses of joint ventures		<b>139</b>	139
Loss from fair value change of held-for-trading investments		<b>2</b>	23
Loss from fair value change of available-for-sale investments		<b>2,478</b>	–
Gain on bargain purchase from acquisition of a subsidiary	39	(34,310)	–
Gain on deemed disposal of previously held interest in an associate	39	(48,104)	–
– Gain on remeasurement of previously held equity interest		<b>3,259</b>	–
– Reclassification of foreign exchange translation loss of EGT (as defined in note 39) previously accumulated in exchange reserve			
Operating cash flows before movements in working capital		<b>(114,925)</b>	(80,506)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES (Continued)</b>		
Decrease in inventories	<b>4,683</b>	233
Decrease in trade receivables	<b>28,006</b>	21,321
Increase in prepayments, deposits and other receivables	<b>(14,836)</b>	(7,109)
Decrease (increase) in amounts due from associates	<b>11,270</b>	(11,989)
Decrease (increase) in amount due from a related company	<b>281</b>	(441)
Decrease in amounts due to associates	—	(10,396)
Decrease in trade payables	<b>(5,715)</b>	(29,938)
Increase (decrease) in other payables	<b>6,111</b>	(800)
Cash used in operating activities	<b>(85,125)</b>	(119,625)
Income tax paid	<b>(462)</b>	(895)
Interest received	<b>30,700</b>	11,245
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(54,887)</b>	(109,275)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Placement of bank deposits with original maturity over three months		(1,558,002)	(1,339,590)
Advance to a joint venture		(53,562)	–
Purchase of property, plant and equipment		(7,778)	(1,712)
Addition to investment properties		(630)	–
Investments in joint ventures		–	(28,374)
Redemption of bank deposits with original maturity over three months upon maturity		1,339,590	573,625
Dividend received from an associate		900,303	–
Acquisition of a subsidiary, net of cash acquired	39	39,129	(185)
Dividend received from unlisted investment		3,556	2,386
Proceeds from disposal of property, plant and equipment		155	2,181
Proceeds from disposal of investment properties		–	156,000
Repayment of amounts due from associates		–	22,684
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>662,761</b>	(612,985)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from an open offer of a subsidiary	387,123	–
Proceeds from exercise of share options	162,658	22,393
Proceeds from disposal of partial interests in subsidiaries	110,203	148,907
Receipts of earnest money from a project partner	58,350	–
Capital contribution from non-controlling shareholder	3,580	38,355
Proceeds from issuance of guaranteed bonds	–	760,000
Dividend paid	(514,979)	(23,274)
Payment for repurchase of ordinary shares	(299,070)	–
Purchase of shares for unvested shares under the share award schemes	(99,805)	(103,252)
Interest paid	(43,918)	(39,203)
Repayments of bank borrowings	(27,980)	(31,980)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(263,838)</b>	771,946
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>344,036</b>	49,686
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>205,542</b>	155,856
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> , represented by bank balances and cash	<b>549,578</b>	205,542

# 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 disclosed in the "Corporate Information" section of the annual report.

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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### 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 <sup>1</sup>	Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>	Amendments to HKFRS10, HKFRS 12 and HKAS 28	Investment Entities: Applying the consolidation Exception <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>	Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle <sup>6</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>	Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>5</sup>	Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>		
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>5</sup>		
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>		
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>5</sup>		

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### New and revised HKFRSs in issue but not yet effective (Continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- <sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with early application permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### HKFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### Investments in associates and joint ventures

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates and joint ventures (Continued)

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Revenue from the sales of goods is recognized when the goods, including lottery terminals and parts, and gaming chips and plaques are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of catering services and other services are recognized when the services are provided.

Revenue from provision of services and solutions for distribution of lottery products is recognized when the right to receive the income, which is calculated on a commission basis, has been established upon the sale of the lottery products by the lottery retail and other outlets.

Revenue from electronic gaming machine participation are measured by the aggregate net difference between gaming winnings and losses less accruals for the anticipated payouts of progressive slot jackpots, customer incentives and commitment fees.

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognized.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

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

#### *The Group as lessor*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of exchange reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Retirement benefits costs

Payments to defined contribution retirement benefit plans including scheme registered under the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

### Taxation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Share-based payment arrangements

#### *Equity settled share-based payment transactions*

Share options/share awards granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

The fair value of services received determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share awards reserve). When the awarded shares are vested, the amount previously recognized in share awards reserve and the amount of the relevant treasury shares will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognized in share awards reserve will be recognized as income immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payment arrangements (Continued)

#### *Equity settled share-based payment transactions (Continued)*

##### Share options/share awards granted to employees (Continued)

At the end of the reporting period, the Group and the Company revises its estimates of the number of options and awarded shares that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve and share awards reserve, respectively.

##### Share options granted to consultants

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

### Intangible assets

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets*

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

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

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

#### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the investment income line item. Fair value is determined in the manner described in Note 6(c).

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, long-term deposits and receivables, amounts due from subsidiaries, a joint venture, associates and a related company, bank deposits with original maturity over three months, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

##### AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity investments held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to dividends are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of other revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the “other revaluation reserve” is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

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

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated under the heading of other revaluation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments*

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

#### Equity instrument

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

#### Effective interest method

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

Interest expense is recognized on an effective interest basis.

#### Other financial liabilities

Other financial liabilities, including trade and other payables, amounts due to subsidiaries, dividend payable and borrowings are subsequently measured at amortized cost, using the effective interest method.

#### *Derecognition*

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Derecognition (Continued)*

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

#### **Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs which are not capitalized to qualifying assets are recognized in profit or loss in the period in which they are incurred.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

#### *Control over MelcoLot*

Note 43 describes that MelcoLot is a subsidiary of the Group although the Group has only 40.65% ownership interest and voting rights in MelcoLot as of 31 December 2014. MelcoLot is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange since 17 May 2002. The Group's ownership interest in MelcoLot has decreased from 43.93% as at 1 January 2014 to 40.65% as of 31 December 2014 and the remaining 59.35% of shareholdings are owned by large numbers of shareholders that are unrelated to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgements in applying accounting policies (Continued)

#### *Control over MelcoLot (Continued)*

The directors assessed whether or not the Group has control over MelcoLot based on whether the Group has the practical ability to direct the relevant activities of MelcoLot unilaterally. In making their judgement, the directors mainly considered (i) the Group's absolute size of shareholding in MelcoLot and the relative size of and dispersion of the shareholdings owned by the other shareholders; (ii) the composition of the executive members of the board of MelcoLot, majority of whom are executives of the Company; and (iii) the fact that all the key management personnel of MelcoLot such as executive directors and chief executive officer in MelcoLot were appointed by the Company. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of MelcoLot and therefore the Group has control over MelcoLot.

#### *Classification of Oriental Regent as a joint venture*

Note 23 describes that Oriental Regent is a joint venture of the Group. The directors assessed whether or not Oriental Regent is under the joint control of the Group based on their analyses of how the relevant activities of Oriental Regent are directed. Summit Ascent Russia Limited ("SARL") is a wholly owned subsidiary of Summit Ascent Holdings Limited. Mr. Ho, Lawrence Yau Lung is a shareholder with significant influence by holding over 20% shareholding in and is also a director of, both the Company and Summit Ascent Holdings Limited. SARL has 60% equity interest in Oriental Regent and accordingly the Group and SARL has in aggregate 65% equity interest in Oriental Regent. The Group has the contractual right to appoint one director of Oriental Regent. The directors considered that Oriental Regent is under the joint control of the Group as the relevant activities of Oriental Regent require unanimous written approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgements in applying accounting policies (Continued)

#### *Classification of Oriental Regent as a joint venture (Continued)*

In addition, Oriental Regent is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances specifying the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Oriental Regent is classified as a joint venture of the Group.

#### **Key sources of estimation uncertainty**

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

#### *Estimated impairment of trade receivables, prepayments, deposits and other receivables, amounts due from associates and a joint venture*

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of trade receivables, prepayments, deposits and other receivables, amounts due from associates and a joint venture are approximately HK\$20,930,000 (2013: HK\$43,824,000), HK\$66,724,000 (2013: HK\$37,023,000), HK\$7,788,000 (2013: HK\$12,164,000) and HK\$53,562,000 (2013: nil), respectively. Allowances for doubtful debts of HK\$6,378,000 (2013: HK\$659,000) have been provided in current financial period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### *Share-based payments*

The Company recognizes share-based compensation expense on options granted. Share-based compensation expense is based on the estimated fair value of each option at its grant date, the estimation of which requires management to make assumptions about future volatility of the Company's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. The fair value of the share options granted by the Company on 3 April 2014 and 29 August 2014 during the year were estimated at HK\$105,530,000 and HK\$2,221,000 respectively (2 April 2013: HK\$57,670,000) and the amount associated with share-based payments by the Company for the year ended 31 December 2014 is HK\$144,891,000 (2013: HK\$81,363,000).

## 5. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that the Group and the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group and the Company consists of net debt, which includes the bank and other borrowings disclosed in Note 34, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS

### 6a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>			<b>Financial assets</b>	
Fair value through profit or loss			Loans and receivables (including cash and cash equivalents)	
– Held-for-trading investments	173	175		6,132,679 6,170,851
Loans and receivables (including cash and cash equivalents)	2,232,810	1,624,856		
Available-for-sale financial assets	–	5,825		
<b>Financial liabilities</b>			<b>Financial liabilities</b>	
Amortized cost	1,284,954	1,261,934	Amortized cost	1,571,439 1,711,410

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, deposits, trade and other payables, amounts due from (to) subsidiaries, a joint venture, a related party and associates, pledged bank deposits, bank deposits, bank balances and cash and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

#### *Market risk*

##### (i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group and the Company have certain bank deposits, amounts due from associates, trade and other receivables and trade and other payables denominated in currency other than the functional currency of the relevant group entities.

The Group currently does not implement hedging activity to hedge against foreign currency exposure but the directors of the Company closely monitor the foreign currency exposure of the Group and the Company.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### (i) Currency risk (Continued)

	THE GROUP			
	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
United States dollar ("USD")	489,166	1,089	(61,123)	–
Renminbi ("RMB")	103,034	38,371	(15,690)	(15,635)

	THE COMPANY			
	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
USD	1,362,498	1,007,423	–	(114,726)

#### Sensitivity analysis

The Group and the Company are mainly exposed to the USD and RMB against Hong Kong dollar, the functional currency of relevant group entities.

The following table details the Group's and the Company's sensitivity to a 1% increase or decrease in Hong Kong dollars against USD and 5% increase or decrease in Hong Kong dollars against RMB. 1% and 5% are the sensitivity rates used for USD and RMB, respectively, when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% or 5% change in foreign currency rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### (i) Currency risk (Continued)

##### Sensitivity analysis (Continued)

A negative number below indicates a decrease in profit where Hong Kong dollars strengthen 1% or 5% against the relevant currency. For a 1% or 5% weakening of Hong Kong dollars against the relevant foreign currency, there would be an equal and opposite impact on the profit.

For the years ended 31 December 2014 and 2013, a negative number below indicates a decrease in profit for the year of the Company where Hong Kong dollars strengthen 1% against USD. For 1% weakening of Hong Kong dollars against USD, there would be an equal and opposite impact on the profit for the year of the Company.

THE GROUP	
USD	RMB
Impact (a)	Impact (b)
HK\$'000	HK\$'000
<b>2014: Profit for the year</b>	<b>(4,280)</b>
2013: Profit for the year	(11)

THE COMPANY	
USD	
Impact (a)	
HK\$'000	
<b>2014: Profit for the year</b>	<b>(13,625)</b>
2013: Profit for the year	(8,927)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### (i) Currency risk (Continued)

###### Sensitivity analysis (Continued)

- (a) This is mainly attributable to the exposure on outstanding USD bank deposits and payables of the Group and the Company at the year end.
- (b) This is mainly attributable to the exposure on outstanding RMB bank deposits and payables of the Group at the year end.

##### (ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to amounts due from associates, pledged bank deposits and bank deposits with original maturity over three months and guaranteed bonds which carried interest at fixed rate (see Notes 30, 32 and 34 for details). The Group and the Company currently do not enter into any hedging instrument for fair value interest rate risk.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Notes 32 and 34 for details). It is the Group's and Company's policy to keep its receivables and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-Bank Offer Rate ("HIBOR") arising from the Group's and the Company's Hong Kong dollars denominated borrowings and amount due to subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### (ii) Interest rate risk (Continued)

###### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately HK\$222,000 (2013: HK\$1,893,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately HK\$2,017,000 (2013: HK\$2,219,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate amounts due to subsidiaries, bank borrowings and bank balances.

###### *Credit risk*

As at 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position provided by the Group and the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Credit risk (Continued)*

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

As at 31 December 2014, the Group has concentration of credit risk as 63% (2013: 61%) of the Group's bank balances are placed in one bank. Given the counterparty is bank with good reputation, the Group considers that the credit risk associated with the bank balances is low.

As at 31 December 2014, the Group has concentration of credit risk as 64% (2013: 92%) of the Group's trade receivables are due from the Group's five largest customers which operate in the People's Republic of China ("PRC") and the Philippines. The principal activities of which include trading of lottery terminals and parts, and distribution of gaming chips and plaques. Given the close business relationship between the Group and these customers and their good repayment history, the Group considers that the credit risk associated with the balances of the customers is low.

The Company's significant concentration of credit risk is mainly on the amounts due from subsidiaries and the Company considers the credit risk is mitigated after considering the financial position of these subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk*

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group and the Company rely on borrowings as a significant source of liquidity, details of which are set out in Note 34. As at 31 December 2014, the Group and the Company had no available unused banking facilities (2013: HK\$2,000,000 and nil, respectively).

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

Liquidity and interest risk tables

#### THE GROUP

	On									Total	Carrying amount at 31.12.2014		
	Weighted average	demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	undiscounted cash flows					
	interest rate		months	to 1 year	years	years	5 years						
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000					
<b>2014</b>													
<b>Non-derivative financial liabilities</b>													
Trade and other payables	–	92,096	619	1,538	–	–	–	–	94,253	94,253			
Dividend payable	–	1,451	–	–	–	–	–	–	1,451	1,451			
Borrowings	3.63%	4,040	7,749	418,501	37,068	813,055	14,711	1,295,124	1,189,250				
		97,587	8,368	420,039	37,068	813,055	14,711	1,390,828	1,284,954				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk (Continued)*

##### Liquidity and interest risk tables (Continued)

##### THE GROUP (Continued)

	Weighted average interest rate	On						Over years 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2013				
		demand or less than 1 month	1 – 3 months	3 months	1 – 2 years	2 – 5 years								
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000								
2013														
Non-derivative financial liabilities														
Trade and other payables	–	28,759	–	15,761	–	–	–	–	44,520	44,520				
Dividend payable	–	184	–	–	–	–	–	–	184	184				
Borrowings	3.66%	27,418	7,763	36,027	430,285	844,849	19,981	1,366,323	1,217,230					
		56,361	7,763	51,788	430,285	844,849	19,981	1,411,027	1,261,934					

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above analysis. As at 31 December 2014 and 31 December 2013, the aggregate carrying amounts of these bank loans amounted to nil and HK\$23,000,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. As at 31 December 2013, the directors believe that such bank loans will be repaid 9 months after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$23,372,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

Liquidity and interest risk tables (Continued)

#### THE COMPANY

	On								Carrying amount at 31.12.2014		
	Weighted average	demand or		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
		less than 1 month	1 – 3 months								
	interest rate	1 month	months		to 1 year	years	years	5 years			
<b>2014</b>											
<b>Non-derivative financial liabilities</b>											
Other payables	–	780	–	–	–	–	–	–	780		
Amounts due to subsidiaries	2.67%	1,145,695	938	4,218	5,532	16,071	14,407	1,186,861	1,179,208		
Dividend payable	–	1,451	–	–	–	–	–	1,451	1,451		
Borrowings	2.72%	900	1,713	390,523	–	–	–	393,136	390,000		
		1,148,826	2,651	394,741	5,532	16,071	14,407	1,582,228	1,571,439		

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk (Continued)*

##### Liquidity and interest risk tables (Continued)

##### THE COMPANY (Continued)

	Weighted average interest rate	On						Total undiscounted cash flows	Carrying amount at 31.12.2013	
		demand or less than 1 month	1 – 3 months	3 months	1 – 2 years	2 – 5 years	Over 5 years			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
2013										
Non-derivative financial liabilities										
Other payables	–	808	–	–	–	–	–	808	808	
Amounts due to subsidiaries	2.67%	1,257,317	215	25,087	5,616	16,330	19,676	1,324,241	1,320,418	
Dividend payable	–	184	–	–	–	–	–	184	184	
Borrowings	2.71%	899	1,711	7,977	393,133	–	–	403,720	390,000	
		1,259,208	1,926	33,064	398,749	16,330	19,676	1,728,953	1,711,410	

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

### THE GROUP

	Financial assets	Fair value at		
		31 December 2014	31 December 2013	Fair value hierarchy
		HK\$'000	HK\$'000	
1)	Listed equity securities classified as held-for-trading investments on the consolidated statement of financial position	173	175	Level 1
2)	Private equity investments classified as AFS on the consolidated statement of financial position	—	5,825	Level 3

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6c. Fair value measurements of financial instruments (Continued)

- (i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)*

There were no transfers between Levels 1 and 2 in the current and prior years.

The fair value of the financial assets included in the level 3 category above has been determined in accordance with generally accepted pricing models, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Reconciliation of Level 3 fair value measurements of financial assets

Unlisted equity securities  
HK\$'000

At 1 January 2013	3,958
Fair value change recognized in other comprehensive income	1,867

At 31 December 2013 and 1 January 2014	5,825
Fair value change recognized in other comprehensive expense	(1,867)
Fair value change recognized in profit or loss	(2,478)
Disposal	(1,480)

At 31 December 2014	-
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# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6c. Fair value measurements of financial instruments (Continued)

- (i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)*

Reconciliation of Level 3 fair value measurements of financial assets (Continued)

For the year ended 31 December 2014, included in profit or loss is a loss of approximately HK\$2,478,000 (2013: nil) relates to available-for-sale investments held during the reporting period. The fair value losses on available-for-sale investments are included in "Other expenses".

For the year ended 31 December 2014, included in other comprehensive expense is a loss of approximately HK\$1,867,000 (2013: gain of HK\$1,867,000) relate to available-for-sale investments held during the reporting period and is reported as changes of "Other Revaluation Reserve".

- (ii) *Fair value of financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements that are not measured at fair value on a recurring basis approximate their fair values.

## 7. REVENUE

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. 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 39), two new businesses 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### 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 HK\$'000	Property and Other Investments HK\$'000	Segments' Total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	164,272	37,463	201,735	–	201,735
Inter-segment sales	793	1,331	2,124	(2,124)	–
Total revenue	165,065	38,794	203,859	(2,124)	201,735
Segment results	(82,819)	46,436	(36,383)	–	(36,383)
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				(242,296)	
Profit before tax				1,435,108	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

2013

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' Total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	157,473	25,801	183,274	–	183,274
Inter-segment sales	769	1,505	2,274	(2,274)	–
Total revenue	158,242	27,306	185,548	(2,274)	183,274
Segment results	(15,507)	114,561	99,054	–	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				(170,240)	
Profit before tax				1,610,981	

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

#### Segment assets

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

### Segment liabilities

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### Other segment information

2014

*Amounts included in the measure of segment profit or loss and segment assets:*

	Gaming, Leisure and Entertainment	Property and Other Investments	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

2013

*Amounts included in the measure of segment profit or loss and segment assets:*

	Gaming, Leisure and Entertainment	Property and Other Investments	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are mainly located in Hong Kong, the 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 7.

### 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 HK\$'000	2013 HK\$'000
Customer A <sup>1,2</sup>	<b>N/A</b>	39,331
Customer B <sup>1</sup>	<b>40,240</b>	10,064

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 9. OTHER INCOME, OTHER GAINS OR LOSSES

	2014 HK\$'000	2013 HK\$'000
Service fees from associates	<b>10,114</b>	11,087
Service fees from a related company	<b>240</b>	240
Recovery of a fully impaired loan to an associate	–	22,684
Exchange gain, net	–	8,610
Gain on bargain purchase from acquisition of a subsidiary	<b>34,310</b>	–
Gain on deemed disposal of previously held interest in EGT (Note 39)	–	–
– Gain on remeasurement of previously held equity interest	<b>48,104</b>	–
– Reclassification of foreign exchange translation loss of EGT previously accumulated in exchange reserve	<b>(3,259)</b>	–
	<b>44,845</b>	–
Others	<b>5,221</b>	11,306
	<b>94,730</b>	53,927

## 10. INVESTMENT INCOME

	2014 HK\$'000	2013 HK\$'000
Dividend income from unlisted investments	<b>3,556</b>	2,386
Loss from fair value change of held-for-trading investments	<b>(2)</b>	(23)
	<b>3,554</b>	2,363

## 11. EMPLOYEE BENEFITS EXPENSE

	2014 HK\$'000	2013 HK\$'000
Wages, salaries and staff welfare	<b>97,675</b>	89,356
Discretionary bonus	<b>11,744</b>	14,823
Reversal of provision for annual leave	<b>(6)</b>	(263)
Termination benefits	–	101
Provision (reversal of provision) for long service payment	<b>77</b>	(41)
Retirement benefit scheme contributions	<b>2,721</b>	2,606
Share-based payment expense	<b>191,118</b>	87,888
Others	<b>345</b>	511
Total employee benefits expense including directors' emoluments	<b>303,674</b>	194,981

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 12. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>10,957</b>	11,089
Bank borrowings not wholly repayable within five years	<b>718</b>	804
Guaranteed bonds wholly repayable within five years	<b>32,239</b>	26,679
Interest expenses to suppliers and others	<b>4</b>	631
	<b>43,918</b>	39,203

## 13. PROFIT BEFORE TAX

	2014 HK\$'000	2013 HK\$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	<b>3,086</b>	3,263
Allowance for doubtful debts	<b>6,378</b>	659
Impairment loss on property, plant and equipment	<b>1,347</b>	–
Loss from fair value change of available-for-sale investments	<b>2,478</b>	–
Loss on disposal of property, plant and equipment	<b>1,182</b>	5,768
and after crediting:		
Gross rental income from properties	<b>3,887</b>	8,954
Less: direct operating expenses from investment properties that generated rental income during the year	<b>(258)</b>	(511)
Net rental income	<b>3,629</b>	8,443

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 14. INCOME TAX (CREDIT) EXPENSE

	2014 HK\$'000	2013 HK\$'000
PRC Enterprise Income Tax – current year	<b>349</b>	278
Macau Complementary Tax – current year	<b>446</b>	5,784
Other jurisdictions – current year	<b>49</b>	–
Deferred taxation – current year (Note 35)	<b>(863)</b>	803
	<b>(19)</b>	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 HK\$'000	2013 HK\$'000
Profit before tax	<b>1,435,108</b>	1,610,981
Tax at Hong Kong Profits Tax rate of 16.5%	<b>236,793</b>	265,812
Tax effect of share of results of associates and joint ventures	<b>(279,423)</b>	(290,497)
Tax effect of expenses not deductible for tax purposes	<b>46,115</b>	32,363
Tax effect of income not taxable for tax purposes	<b>(22,315)</b>	(15,531)
Tax effect of deductible temporary difference not recognized	<b>–</b>	347
Utilization of tax losses previously not recognized	<b>(330)</b>	–
Tax effect of tax losses not recognized	<b>23,633</b>	17,985
Others	<b>(4,492)</b>	(3,614)
Tax (credit) expense for the year	<b>(19)</b>	6,865

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

### Directors' and Chief Executive's emolument

The emoluments paid or payable to each of the seven directors were as follows:

2014

	Mr. Ho, Lawrence	Mr. Tsui Che Yin,	Mr. Chung Yuk Man,	Mr. Ng Ching	Sir Roger	Mr. Sham Sui Leung,	Dr. Tyen Kan Hee,	Total
	Yau Lung	Frank	Clarence	Wo	Lobo	Daniel	Anthony	HK\$'000
Fees	–	–	–	420	420	380	380	1,600
Other emoluments								
Salaries and other benefits	–	3,285	2,888	–	–	–	35	6,208
Discretionary bonus (Note)	–	1,778	889	–	–	–	–	2,667
Retirement benefit scheme contributions	17	17	17	–	–	–	–	51
Share-based compensation	80,873	18,632	9,563	1,956	1,956	1,956	1,956	116,892
Total emoluments	80,890	23,712	13,357	2,376	2,376	2,336	2,371	127,418

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### Directors' and Chief Executive's emolument (Continued)

2013

	Mr. Ho, Lawrence Yau Lung HK\$'000	Mr. Tsui Che Yin, Frank HK\$'000	Mr. Chung Yuk Man, Clarence HK\$'000	Mr. Ng Ching Wo HK\$'000	Sir Roger Lobo HK\$'000	Mr. Sham Sui Leung, Daniel HK\$'000	Dr. Tyen Kan Hee, Anthony HK\$'000	Total HK\$'000
Fees	–	–	–	420	420	380	380	1,600
Other emoluments								
Salaries and other benefits	–	2,760	2,582	–	–	–	–	5,342
Discretionary bonus (Note)	–	773	1,546	–	–	–	–	2,319
Retirement benefit scheme contributions	16	16	16	–	–	–	–	48
Share-based compensation	37,481	7,978	6,656	1,203	1,203	1,203	1,198	56,922
Total emoluments	37,497	11,527	10,800	1,623	1,623	1,583	1,578	66,231

Note: The discretionary bonus is determined based on the Group's financial performance for the years ended 31 December 2014 and 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 15. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Mr. Ho, Lawrence Yau Lung is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Except for one director who waived emoluments of approximately HK\$1,200,000 (2013: HK\$1,200,000), no other directors waived any emoluments in the year ended 31 December 2014 (2013: nil). No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2014, 3,500,000 share options under the share option scheme of the Company, 20,384,000 share options under the share option scheme of MelcoLot and 2,200,000 awarded shares under the share awards scheme of the Company (2013: 3,800,000, 17,252,000 and 2,500,000 respectively) were granted to directors of the Company in respect of their services provided to the Group, further details are set out in Note 38.

### Senior Management emolument

The emoluments paid or payable to senior management (excluding directors) during the year fell within the following bands:

	Number of individuals	
	2014	2013
HK\$1,500,001 to HK\$2,000,000	-	2
HK\$2,000,001 to HK\$2,500,000	2	-
HK\$10,500,001 to HK\$11,000,000	-	1
HK\$11,000,001 to HK\$11,500,000	1	1
HK\$22,000,001 to HK\$22,500,000	1	-
HK\$22,500,001 to HK\$23,000,000	1	-
	<b>5</b>	4

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) are directors and the chief executive of the Company whose emoluments are included in Note 15 above. The emoluments of the remaining two (2013: two) individuals were as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<b>5,318</b>	4,347
Discretionary bonus	<b>2,079</b>	1,741
Retirement benefit scheme contributions	<b>35</b>	32
Share-based compensation	<b>37,182</b>	15,785
	<b>44,614</b>	21,905

Their emoluments were within the following bands:

	<b>Number of employees</b>	
	<b>2014</b>	2013
HK\$10,500,001 to HK\$11,000,000	-	1
HK\$11,000,001 to HK\$11,500,000	-	1
HK\$22,000,001 to HK\$22,500,000	<b>1</b>	-
HK\$22,500,001 to HK\$23,000,000	<b>1</b>	-
	<b>2</b>	2

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 17. DIVIDEND

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

## 18. EARNINGS PER SHARE

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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<b>1,487,172</b>	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	<b>(13,322)</b>	(15,486)
Earnings for the purpose of diluted earnings per share	<b>1,473,850</b>	1,581,229

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 18. EARNINGS PER SHARE (Continued)

	2014 '000	2013 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,547,791</b>	1,533,865
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	<b>21,880</b>	23,771
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,569,671</b>	1,557,636

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 (see Note 38) because the adjusted exercise price of those options and unvested awarded shares are higher than average market price of the Company's shares.

## 19. INVESTMENT PROPERTIES

	THE GROUP  2014  HK\$'000	2013  HK\$'000
At 1 January	<b>159,000</b>	227,000
Additions	<b>630</b>	–
Disposals	<b>–</b>	(156,000)
Net increase in fair value recognized in profit or loss	<b>10,370</b>	88,000
At 31 December	<b>170,000</b>	159,000
Unrealized gain on property revaluation included in profit or loss	<b>10,370</b>	42,000

The carrying value of investment properties shown above comprises:

	2014  HK\$'000	2013  HK\$'000
Properties in Hong Kong	<b>170,000</b>	159,000

The Group's investment properties in Hong Kong are situated on leasehold land held under long term leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 19. INVESTMENT PROPERTIES (Continued)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties amounting to HK\$170,000,000 (2013: HK\$159,000,000) are pledged to banks for obtaining the banking facilities for certain subsidiaries of the Group.

### Fair value measurements and valuation processes

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation technique and inputs to the model.

The fair value of the Group's investment properties as at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, being independent qualified professional valuers not connected with the Group.

The fair value was determined based on direct comparison method. Direct comparison method is by making reference to market transaction of similar properties in similar location to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate which approximate to 30%. The bulk discount rate is derived from analyzing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 19. INVESTMENT PROPERTIES (Continued)

### Fair value measurements and valuation processes (Continued)

#### Investment properties

#### held by the Group in the consolidated statement of financial position

	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Investment property	Level 3	Direct comparison method		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking space between the comparable and the property, of sales amount ranging from HK\$480,000 to HK\$500,000 (2013: HK\$450,000 to HK\$480,000) for car parking spaces.	An increase in the unit sale rate used would result in an increase in fair value measurement of the investment properties by the same percentage increase, and vice versa.
		(2) Bulk discount rate	Bulk discount rate, taking into account the restriction on the terms that the car parking spaces have to be disposed as a whole rather than on an individual basis. Bulk discount rate which approximate to 30% (2013: 30%) has been used for valuation.	A slight increase in discount rate used would result in a significant decrease in fair value measurement to the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	<b>Level 3 HK\$'000</b>	<b>Fair value HK\$'000</b>
Properties in Hong Kong		
At 31 December 2014	170,000	170,000
At 31 December 2013	159,000	159,000

There were no transfers into or out of Level 3 during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 20. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	Gaming equipment	Restaurant		Furniture, fixtures and equipment		Machinery and equipment		Motor vehicles	Construction in progress	Total
		vessels, ferries and pontoons	Leasehold improvements	and equipment	and equipment					
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
<b>COST</b>										
At 1 January 2013	–	75,284	20,318	76,110	5,402	1,947	–	179,061		
Exchange adjustments	–	–	10	11	29	19	–	69		
Additions	–	36	–	1,582	26	68	–	1,712		
Acquisition of a subsidiary	–	–	–	2	20	–	–	22		
Disposals and written off	–	(163)	(5,337)	(2,476)	(1,693)	(8)	–	(9,677)		
At 31 December 2013	–	<b>75,157</b>	<b>14,991</b>	<b>75,229</b>	<b>3,784</b>	<b>2,026</b>	–	<b>171,187</b>		
Exchange adjustments	<b>310</b>	–	(12)	(48)	(41)	(24)	–	<b>185</b>		
Additions	<b>37</b>	<b>1,583</b>	<b>2,399</b>	<b>2,680</b>	<b>1,052</b>	–	<b>27</b>	<b>7,778</b>		
Acquisition of a subsidiary (Note 39)	<b>45,539</b>	–	<b>17,022</b>	<b>9,486</b>	<b>29,419</b>	<b>626</b>	<b>11,007</b>	<b>113,099</b>		
Disposals and written off	(131)	(357)	–	(1,391)	(937)	–	(126)	(2,942)		
At 31 December 2014	<b>45,755</b>	<b>76,383</b>	<b>34,400</b>	<b>85,956</b>	<b>33,277</b>	<b>2,628</b>	<b>10,908</b>	<b>289,307</b>		

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 20. PROPERTY, PLANT AND EQUIPMENT (Continued)

THE GROUP (Continued)	Restaurant		Furniture, fixtures		Machinery		Motor vehicles	Construction in progress	Total
	Gaming equipment	ferries and pontoons	Leasehold improvements	and equipment	and equipment				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>									
At 1 January 2013	–	65,255	15,107	70,417	9	1,050	–	151,838	
Exchange adjustments	–	–	7	8	6	9	–	30	
Provided for the year	–	3,335	307	1,648	1,254	222	–	6,766	
Eliminated on disposals and written off	–	(155)	(586)	(861)	(121)	(5)	–	(1,728)	
At 31 December 2013	–	68,435	14,835	71,212	1,148	1,276	–	156,906	
Exchange adjustments	262	–	(6)	(21)	(11)	(9)	–	215	
Provided for the year	1,739	2,932	774	1,550	1,505	251	–	8,751	
Impairment losses recognized in profit or loss	–	–	–	–	1,347	–	–	1,347	
Eliminated on disposals and written off	–	(264)	–	(1,280)	(61)	–	–	(1,605)	
At 31 December 2014	2,001	71,103	15,603	71,461	3,928	1,518	–	165,614	
<b>CARRYING VALUES</b>									
At 31 December 2014	43,754	5,280	18,797	14,495	29,349	1,110	10,908	123,693	
At 31 December 2013	–	6,722	156	4,017	2,636	750	–	14,281	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Gaming equipment	20% to 33 $\frac{1}{3}$ %
Restaurant vessels, ferries and pontoons	5% to 10%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% to 33 $\frac{1}{3}$ %
Machinery and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	10% to 33 $\frac{1}{3}$ %

## 21. GOODWILL

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 22. OTHER INTANGIBLE ASSETS

	<b>THE GROUP AND THE COMPANY</b>	HK\$'000
<b>COST</b>		
At 1 January 2013, 31 December 2013, and 31 December 2014	<b>5,700</b>	

Other intangible assets represent club memberships and debenture with indefinite useful lives and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts.

## 23. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 23. INTERESTS IN JOINT VENTURES (Continued)

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

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership		Principal activities
			held by the Group 2014	2013	
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	<b>50.00%</b>	50.00%	Inactive
PALTECH Company Limited ("PALTECH") (Note a)	Hong Kong	Ordinary shares	<b>60.00%</b>	60.00%	Inactive
Power Way Group Limited ("Power Way") (Note b)	British Virgin Islands/ Hong Kong	Ordinary shares	<b>67.03%</b>	67.03%	Inactive
Oriental Regent (Note c)	Hong Kong	Ordinary shares	<b>5.00%</b>	5.00%	Investment holding
BCN Integrated Resorts 2, S.A.U. ("BCN") (Note d)	Spain	Ordinary shares	<b>50.00%</b>	-	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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 23. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 23. INTERESTS IN JOINT VENTURES (Continued)

### Summarized financial information of material joint ventures (Continued)

*Oriental Regent*

	2014	2013
	HK\$'000	HK\$'000
Current assets	<b>874,142</b>	321,435
Non-current assets	<b>491,145</b>	291,029
Current liabilities	<b>(6,563)</b>	(28,020)
Non-current liabilities	<b>(580,137)</b>	(23,774)

The above amounts of assets and liabilities include  
the following:

Cash and cash equivalents	<b>847,830</b>	305,562
Current financial liabilities (excluding trade and other payables and provisions)	<b>-</b>	(247)
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>(571,502)</b>	(23,774)

	2014	31.12.2013 (date of acquisition) to
	HK\$'000	HK\$'000
Revenue	-	-
Loss for the year/period	<b>(2,723)</b>	(2,786)
Other comprehensive expense for the year/period (Note)	<b>(307,865)</b>	(4,029)
Total comprehensive expense for the year/period	<b>(310,588)</b>	(6,815)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 23. INTERESTS IN JOINT VENTURES (Continued)

### Summarized financial information of material joint ventures (Continued)

#### Oriental Regent (Continued)

	2014 HK\$'000	1.11.2013 (date of acquisition) to 31.12.2013 HK\$'000
The above loss for the year/period include the following:		
Depreciation and amortization	<b>(474)</b>	–
Interest income	<b>1,345</b>	–
Interest expenses	<b>(28,955)</b>	(411)
Income tax credit	<b>1,452</b>	102

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 23. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

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

## 24. INTERESTS IN ASSOCIATES

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. INTERESTS IN ASSOCIATES (Continued)

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

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership		Principal activities
			2014	2013	
Melco Crown Entertainment (Note b)	Cayman Islands/ Macau/Philippines	Ordinary shares	<b>34.23%</b>	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") (Notes b and d)	Canada/PRC	Ordinary shares	<b>16.69%</b>	16.69%	Operating of ski resorts
EGT (Notes b and e)	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") (Note c)	Hong Kong	Ordinary shares	<b>40.00%</b>	40.00%	Provision of services for distribution of lottery products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. INTERESTS IN ASSOCIATES (Continued)

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 Depository 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 30) 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 39) as set out in Note 39.

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, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. INTERESTS IN ASSOCIATES (Continued)

### Summarized financial information of material associates

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

#### *Melco Crown Entertainment*

	2014 HK\$'000	2013 HK\$'000
<b>Current assets</b>		
Cash and cash equivalents	<b>12,429,756</b>	10,750,069
Bank deposits with original maturity over three months	<b>860,592</b>	4,877,593
Restricted cash	<b>11,257,925</b>	5,992,810
Other current assets	<b>2,704,764</b>	2,874,442
<b>Total</b>	<b>27,253,037</b>	24,494,914
<b>Non-current assets</b>		
Property and equipment and related land use rights	<b>44,512,640</b>	33,823,169
Gaming subconcession	<b>3,328,237</b>	3,773,541
Other non-current assets	<b>7,056,227</b>	7,016,491
<b>Total</b>	<b>54,897,104</b>	44,613,201

	2014 HK\$'000	2013 HK\$'000
<b>Current liabilities</b>		
Accrued expenses and other current liabilities	<b>(7,880,401)</b>	(7,269,103)
Current portion of long-term debt	<b>(2,044,195)</b>	(2,042,763)
Other current liabilities	<b>(374,895)</b>	(362,967)
<b>Total</b>	<b>(10,299,491)</b>	(9,674,833)
<b>Non-current liabilities</b>		
Long-term debt	<b>(28,319,441)</b>	(17,667,555)
Capital lease obligations, due after one year	<b>(2,163,050)</b>	(1,968,566)
Other non-current liabilities	<b>(781,851)</b>	(518,703)
<b>Total</b>	<b>(31,264,342)</b>	(20,154,824)
<b>Non-controlling interests</b>	<b>(6,373,812)</b>	(5,615,612)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. INTERESTS IN ASSOCIATES (Continued)

### Summarized financial information of material associates (Continued)

*Melco Crown Entertainment (Continued)*

	2014 HK\$'000	2013 HK\$'000
Revenue	<b>38,762,441</b>	40,815,327
Profit for the year attributable to the owners of Melco Crown Entertainment	<b>4,490,810</b>	4,884,704
Profit for the year attributable to the non-controlling interests of Melco Crown Entertainment	<b>480,687</b>	287,417
Profit for the year	<b>4,971,497</b>	5,172,121
Other comprehensive expense for the year	<b>(12,113)</b>	(113,083)
Total comprehensive income for the year	<b>4,959,384</b>	5,059,038
Dividends received from the associate during the year	<b>900,303</b>	–

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. INTERESTS IN ASSOCIATES (Continued)

### Summarized financial information of material associates (Continued)

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 be completed 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 HK\$'000	2013 HK\$'000
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	<b>(48,180)</b>	(39,243)
Remove of unrecognized share of losses of EGT upon completion of EGT Rights Issue	<b>58,402</b>	—
Cumulative unrecognized share of losses of associates	<b>(459,935)</b>	(470,157)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 25. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	1,544,833	1,419,286

Details of the Company's principal subsidiaries at 31 December 2014 are set out in Note 43.

## 26. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Unlisted equity security, at fair value	—	5,825

Unlisted equity security represented unlisted equity investment held by a subsidiary of the Company in an investment holding company before it was disposed of during the year. The investee is engaged in investment in listed and unlisted equity and debt investment. A fair value loss of approximately HK\$4,345,000 is recognized during the year up to the date of disposal of this investment (2013: gain of HK\$1,867,000) with reference to the estimated fair value of underlying investments, which mainly represented listed equity investment held by this investment holding company.

## 27. INVENTORIES

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Raw materials	14,523	—
Work-in-process	4,667	—
Finished goods	1,174	—
Food and beverages	1,912	2,345
	22,276	2,345

As at 31 December 2014 and 2013, there was no inventory carried at net realizable value.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. 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 presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates.

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. TRADE RECEIVABLES (Continued)

### Aging of trade receivables which are past due but not impaired

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
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
	<b>3,561</b>	30,258

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

## 29. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2014 represents equity securities listed in Hong Kong of approximately HK\$173,000 (2013: HK\$175,000).

## 30. AMOUNTS DUE FROM ASSOCIATES/A JOINT VENTURE/A RELATED COMPANY

### THE GROUP

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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 30. AMOUNTS DUE FROM ASSOCIATES/A JOINT VENTURE/A RELATED COMPANY (Continued)

### THE GROUP (Continued)

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.

#### THE COMPANY

As at 31 December 2013, the amounts due from associates are unsecured, non-interest bearing and repayable on demand. The amount was fully settled in 2014.

## 31. AMOUNTS DUE FROM (TO) SUBSIDIARIES

#### THE COMPANY

As at 31 December 2014, amounts due from subsidiaries are unsecured and non-interest bearing. Except for amounts due from subsidiaries of approximately HK\$130,033,000 (2013: HK\$1,095,634,000) which is repayable on demand and expected to be settled within one year, the remaining amounts due from subsidiaries are expected to be settled after one year. Imputed interest income of approximately HK\$125,547,000 (2013: HK\$100,327,000) from amounts due from subsidiaries repayable after one year is derived from interest rate of HIBOR plus 2.45% (2013: HIBOR plus 2.46%) per annum. During the year ended 31 December 2014, the Company recognized an impairment loss of approximately HK\$68,787,000 (2013: HK\$56,407,000) on amounts due from subsidiaries in view that these subsidiaries continue to be loss making.

#### *Movement in allowance for amounts due from subsidiaries*

	2014 HK\$'000	2013 HK\$'000
At 1 January	<b>730,021</b>	673,614
Impairment losses recognized	<b>68,787</b>	56,407
At 31 December	<b>798,808</b>	730,021

As at 31 December 2014, amounts due to subsidiaries include (i) approximately HK\$1,140,253,000 (2013: HK\$1,257,218,000) which are unsecured, non-interest bearing and repayable on demand; and (ii) HK\$38,955,000 (2013: HK\$40,200,000) which is unsecured, interest bearing at HIBOR plus 2% per annum, in which HK\$4,980,000 (2013: HK\$1,245,000) is repayable within one year and the remaining portion is repayable after one year. As at 31 December 2013, the amount also included HK\$23,000,000 which was unsecured, interest bearing at HIBOR plus 2.45% per annum and repayable within one year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### THE GROUP AND THE COMPANY

Bank deposits with original maturity over three months carry fixed interest rate at about 1.9% (2013: 1.7%) per annum. Bank balances and cash comprised of cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less carrying prevailing deposit interest rate at about 0.3% (2013: 0.5%) per annum.

## 33. TRADE AND OTHER PAYABLES

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

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

Included in the Group's other payables mainly represent (i) the discretionary bonus accrual which is determined based on the Group's financial performance for the year, (ii) accrual for operating expenses, (iii) deposits received from tenants; and (iv) advance of earnest money of approximately HK\$58,350,000 (2013: nil) from an investment project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("Express Wealth"), a wholly owned subsidiary held by MelcoLot, which was formed for the purpose of obtaining the gaming license and to undertake the proposed casino project situated in a project site owned by Dhabi Group Georgia, LCC and located in Tbilisi, Georgia. At the date of approval of these consolidated financial statements, the subscription has not yet completed and the parties have agreed to extend the deadline for satisfaction of the conditions precedent to completion of the subscription.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 34. BORROWINGS

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans (Note a)	<b>429,250</b>	457,230	<b>390,000</b>	390,000
Other borrowings (Note b)	<b>760,000</b>	760,000	—	—
	<b>1,189,250</b>	1,217,230	<b>390,000</b>	390,000
Secured	<b>39,250</b>	44,230	—	—
Unsecured	<b>1,150,000</b>	1,173,000	<b>390,000</b>	390,000
	<b>1,189,250</b>	1,217,230	<b>390,000</b>	390,000
Carrying amount repayable:				
Within one year				
– With repayable on demand clause	—	23,000	—	—
– Without repayable on demand clause	<b>394,980</b>	4,980	<b>390,000</b>	—
More than one year, but not exceeding two years	<b>4,980</b>	394,980	—	390,000
More than two years, but not exceeding five years	<b>774,940</b>	774,940	—	—
Exceeding five years	<b>14,350</b>	19,330	—	—
	<b>1,189,250</b>	1,217,230	<b>390,000</b>	390,000
Less: Amounts due within one year shown under current liabilities	( <b>394,980</b> )	(27,980)	( <b>390,000</b> )	—
	<b>794,270</b>	1,189,250	—	390,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 34. BORROWINGS (Continued)

Notes:

- (a) All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.5% to 2.5% (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.

## 35. DEFERRED TAX LIABILITIES

### THE GROUP

The followings are the major deferred tax (liabilities) assets recognized by the Group and movements thereon during the current and prior year:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	(18,683)	7,891	(10,792)
Credit (charge) to profit or loss for the year	108	(911)	(803)
Derecognition upon disposals of investment properties	6,366	–	6,366
At 31 December 2013 and 1 January 2014	<b>(12,209)</b>	<b>6,980</b>	<b>(5,229)</b>
Credit to profit or loss for the year	754	109	863
Acquisition of a subsidiary (Note 39)	(1,546)	–	(1,546)
At 31 December 2014	<b>(13,001)</b>	<b>7,089</b>	<b>(5,912)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## **35. DEFERRED TAX LIABILITIES (Continued)**

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK\$810,764,000 (2013: HK\$668,878,000). A deferred tax asset has been recognized in respect of HK\$42,954,000 (2013: HK\$42,298,000) tax losses to the extent that it is probable that future taxable temporary differences will be available against which the temporary differences can be utilized. No deferred tax asset has been recognized in respect of the remaining tax loss of HK\$767,810,000 (2013: HK\$626,580,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK\$53,908,000 (2013: HK\$44,028,000) that are allowed to be carried forward and utilized against the income which shall not exceed 5 years which is up to 2019. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$9,250,000 (2013: HK\$11,254,000) in respect of the accelerated accounting depreciation. No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

As at 31 December 2014, the Company has approximately HK\$231,551,000 (2013: HK\$135,471,000) unused tax loss. No deferred tax asset has been recognized in respect of the tax loss due to the unpredictability of future profit streams. Tax loss may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 36. SHARE CAPITAL

### THE GROUP AND THE COMPANY

	Number of ordinary shares		Amount	
	2014	2013	2014	2013
			HK\$'000	HK\$'000
<b>Authorized:</b>				
At the beginning and end of the year, shares with no par value/HK\$0.5 each (Note a)	<b>2,000,000,000</b>	2,000,000,000	<b>N/A</b>	1,000,000
<b>Issued and fully paid:</b>				
At the beginning of the year, shares of HK\$0.5 each	<b>1,536,380,567</b>	1,532,966,567	<b>768,190</b>	766,483
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance effective on 3 March 2014 (Note b)	–	–	<b>4,418,042</b>	–
Share cancelled during the year	<b>(15,800,000)</b>	–	–	–
Exercise of share options	<b>25,882,988</b>	3,414,000	<b>249,089</b>	1,707
At the end of the year, ordinary shares with no par value/ shares of HK\$0.5 each	<b>1,546,463,555</b>	1,536,380,567	<b>5,435,321</b>	768,190

### Notes:

- (a) Under the Hong Kong Companies Ordinance (Chapter 622) effective on 3 March 2014, the concept of "authorized share capital" had been abolished and the Company's shares no longer have a par value. However, the Company is required to disclose the authorized capital if the Company include a maximum number of shares in its articles of association.
- (b) The Company's shares have no par value from the commencement date of the Hong Kong Companies Ordinance (Chapter 622 ) (i.e. 3 March 2014).

As at 31 December 2014, the Company's 6,290,385 (2013: 3,750,385) and 75,000 (2013: 75,000) issued shares with an aggregate nominal value of approximately HK\$3,145,000 (2013: HK\$1,875,000) and HK\$38,000 (2013: HK\$38,000) were held by the Company's share purchase scheme and share subscription scheme, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 37. RESERVES

### THE COMPANY

	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	held under share award schemes HK\$'000	Shares Share award reserve HK\$'000	(Accumulated) losses)/ Retained Profits HK\$'000	Total HK\$'000
At 1 January 2013	4,386,213	234,495	125,839	(27,481)	19,728	(531,020)	4,207,774
Profit for the year	—	—	—	—	—	933,290	933,290
Exercise of share options	31,829	—	(11,143)	—	—	—	20,686
Recognition of equity-settled share based payments	—	—	50,468	—	30,895	—	81,363
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)
Dividend paid (Note 17)	—	(23,020)	—	—	—	—	(23,020)
At 31 December 2013	<b>4,418,042</b>	<b>211,475</b>	<b>165,164</b>	<b>(100,075)</b>	<b>12,574</b>	<b>409,661</b>	<b>5,116,841</b>
Profit for the year	—	—	—	—	—	820,090	820,090
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	<b>(4,418,042)</b>	—	—	—	—	—	<b>(4,418,042)</b>
Exercise of share options	—	—	(86,431)	—	—	—	(86,431)
Recognition of equity-settled share based payments	—	—	<b>89,474</b>	—	<b>55,417</b>	—	<b>144,891</b>
Transfer of share option reserve upon expiry of share options	—	—	(72)	—	—	<b>72</b>	—
Shares vested under the share award schemes	—	—	—	<b>62,691</b>	<b>(46,065)</b>	<b>(16,626)</b>	—
Shares repurchased	—	—	—	—	—	(299,070)	(299,070)
Purchase of shares for unvested shares under share award schemes	—	—	—	(99,805)	—	—	(99,805)
Dividend paid (Note 17)	—	(181,222)	—	—	—	(324,909)	(506,131)
At 31 December 2014	—	<b>30,253</b>	<b>168,135</b>	<b>(137,189)</b>	<b>21,926</b>	<b>589,218</b>	<b>672,343</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES

### Share option scheme

#### (i) *The Company*

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

The share option scheme which was adopted by the Company on 8 March 2002 (the "2002 Share Option Scheme") had expired on 7 March 2012. Following the expiry of the 2002 Share Option Scheme, the shareholders of the Company adopted a new share option scheme (the "2012 Share Option Scheme") on 30 May 2012. Under the 2012 Share Option Scheme, the directors of the Company may, at their discretion, grant to any Participants (as defined below) share options to subscribe for the Company's shares (each a "Share" or collectively the "Shares"), subject to the terms and conditions stipulated therein. Notwithstanding the expiry of the 2002 Share Option Scheme, the share options which had been granted during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

The following is a summary of the principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme:

#### (i) Purpose

To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

#### (ii) Participants

The participants shall be (1) directors of the Company or any of its subsidiaries (within the meaning of the Hong Kong Companies Ordinance) or associated companies (companies in which the Company directly or indirectly holds not less than 20% and not more than 50% of its shareholding); and (2) executives and employees of and consultants, professional and other advisers to the Company or any of its subsidiaries or associated companies.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) *The Company (Continued)*

The following is a summary of the principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme: (Continued)

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

The total number of Shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme, 2012 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders. Following the expiry of the 2002 Share Option Scheme, no further share options can be granted thereunder.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at 31 December 2014, the total number of Shares available for issue under the 2012 Share Option Scheme is 108,912,038 Shares (representing approximately 7.04% of the Shares in issue) and a total of 14,895,900 and 12,639,000 Shares (representing approximately 0.96% and 0.82%, respectively, of the Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme and 2012 Share Option Scheme respectively.

#### (iv) Maximum entitlement to each Participant under the schemes

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

In addition, any share options granted to a substantial shareholder and/or an independent non-executive director of the Company, or any of their associates, which would result in the shares issued and to be issued upon the exercise of all options granted to such person within any twelve-month period being more than 0.1% of the Shares in issue at any time and with an aggregate value (based on the price of the Shares on the date of grant) in excess of HK\$5 million, are subject to shareholders' approval in general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

The following is a summary of the principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme: (Continued)

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

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

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

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

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

Under the 2002 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 14 days from the date of grant and HK\$1.00 is payable on acceptance of the grant of an option.

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

#### (viii) The basis of determining the exercise price

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share.

#### (ix) The remaining life of the schemes

The 2002 Share Option Scheme had expired on 7 March 2012. No further options shall thereafter be offered under the 2002 Share Option Scheme but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

The 2012 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption until 29 May 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

Movements of the share options under the 2002 Share Option Scheme and 2012 Share Option Scheme during the year ended 31 December 2014 are set out below:

##### (a) The 2002 Share Option Scheme

Category of participants	Number of share options										Share price at date of grant of options	Exercise price of share options		
	Outstanding													
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	at 31.12.2013	Reclassified during & 1.1.2014 the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014				
Directors <sup>5</sup>	400,000	–	–	–	400,000	–	–	(93,000)	–	307,000	13.02.2006	11.75		
Directors <sup>6</sup>	600,000	–	–	–	600,000	–	–	–	–	600,000	03.04.2006	15.70		
Directors <sup>7</sup>	153,000	–	–	–	153,000	–	–	–	–	153,000	28.02.2008	11.50		
Directors <sup>8</sup>	1,316,520	–	–	–	1,316,520	–	–	(1,316,520)	–	–	01.04.2008	10.70		
Directors <sup>9</sup>	1,628,000	–	–	–	1,628,000	–	–	(1,628,000)	–	–	17.12.2008	2.02		
Directors <sup>10</sup>	823,000	–	–	–	823,000	–	–	(550,000)	–	273,000	03.04.2009	2.99		
Directors <sup>11</sup>	3,724,000	–	–	–	3,724,000	–	–	(3,184,000)	–	540,000	07.04.2010	3.76		
Directors <sup>14</sup>	180,000	–	–	–	180,000	–	–	–	–	180,000	07.04.2010	3.76		
Directors <sup>20</sup>	1,200,000	–	–	–	1,200,000	–	–	(1,200,000)	–	–	08.04.2011	5.75		
Directors <sup>12</sup>	5,800,000	–	–	–	5,800,000	–	–	(4,400,000)	–	1,400,000	08.04.2011	5.75		
Directors <sup>13</sup>	3,480,000	–	–	–	3,480,000	–	–	(1,110,000)	–	2,370,000	27.01.2012	7.10		
Sub-total	19,304,520	–	–	–	19,304,520	–	–	(13,481,520)	–	5,823,000				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

##### (a) The 2002 Share Option Scheme (Continued)

Category of participants	Number of share options										Date of grant of share options	Share price at date of grant of share options HK\$	Exercise price of share options HK\$
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2013 & 1.1.2014	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014			
Employees <sup>4</sup>	850,000	–	(440,000)	–	410,000	–	–	(30,000)	–	380,000	13.02.2006	11.75	11.80
Employees <sup>8</sup>	358,200	–	(239,000)	–	119,200	(900)	–	(27,000)	–	91,300	01.04.2008	10.70	10.804
Employees <sup>9</sup>	195,668	–	(69,000)	–	126,668	–	–	(126,668)	–	–	17.12.2008	2.02	2.02
Employees <sup>10</sup>	359,000	–	(64,000)	–	295,000	–	–	(184,000)	–	111,000	03.04.2009	2.99	2.99
Employees <sup>11</sup>	2,141,000	–	(461,000)	–	1,680,000	–	–	(1,035,000)	–	645,000	07.04.2010	3.76	3.76
Employees <sup>12</sup>	6,620,000	–	(870,000)	–	5,750,000	(62,000)	–	(4,656,000)	–	1,032,000	08.04.2011	5.75	5.75
Employees <sup>13</sup>	4,049,200	–	(143,000)	–	3,906,200	(74,000)	–	(1,357,800)	(11,000)	2,463,400	27.01.2012	7.10	7.10
Sub-total	14,573,068	–	(2,286,000)	–	12,287,068	(136,900)	–	(7,416,468)	(11,000)	4,722,700			
Others <sup>4,21</sup>	3,362,000	–	–	–	3,362,000	–	–	(450,000)	–	2,912,000	13.02.2006	11.75	11.80
Others <sup>6,21</sup>	300,000	–	–	–	300,000	–	–	–	–	300,000	03.04.2006	15.70	15.87
Others <sup>7,21</sup>	51,000	–	–	–	51,000	–	–	–	–	51,000	28.02.2008	11.50	11.50
Others <sup>8,21</sup>	757,300	–	–	–	757,300	900	–	(648,000)	–	110,200	01.04.2008	10.70	10.804
Others <sup>10,21</sup>	190,000	–	(6,000)	–	184,000	–	–	(64,000)	–	120,000	03.04.2009	2.99	2.99
Others <sup>11,21</sup>	572,000	–	(262,000)	–	310,000	–	–	(50,000)	–	260,000	07.04.2010	3.76	3.76
Others <sup>12,21</sup>	2,400,000	–	(690,000)	–	1,710,000	62,000	–	(1,586,000)	–	186,000	08.04.2011	5.75	5.75
Others <sup>13,21</sup>	850,000	–	(113,000)	–	737,000	74,000	–	(400,000)	–	411,000	27.01.2012	7.10	7.10
Sub-total	8,482,300	–	(1,071,000)	–	7,411,300	136,900	–	(3,198,000)	–	4,350,200			
Total	42,359,888	–	(3,357,000)	–	39,002,888	–	–	(24,095,988)	(11,000)	14,895,900			
Share options exercisable at year end	25,257,488				29,173,088					11,848,500			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

(i) *The Company (Continued)*

(b) The 2012 Share Option Scheme

Category of participants	Number of share options										Share price at date of grant of share options HK\$	Exercise price of share options HK\$		
	Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2013 & 1.1.2014		Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014			
Directors <sup>15</sup>	–	2,800,000	–	–	2,800,000	–	–	–	–	–	2,800,000	02.04.2013	13.20	13.40
Directors <sup>18</sup>	–	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–	–	–	02.04.2013	13.20	13.40
Directors <sup>16</sup>	–	–	–	–	–	–	2,000,000	–	–	–	2,000,000	03.04.2014	26.65	26.65
Directors <sup>19</sup>	–	–	–	–	–	–	1,500,000	–	–	–	1,500,000	03.04.2014	26.65	26.65
Sub-total	–	3,800,000	–	–	3,800,000	–	3,500,000	(1,000,000)	–	–	6,300,000			
Employees <sup>15</sup>	–	3,349,000	(38,000)	–	3,311,000	(112,000)	–	(618,000)	(17,000)	2,564,000	02.04.2013	13.20	13.40	
Employees <sup>16</sup>	–	–	–	–	–	–	2,831,000	–	–	–	2,831,000	03.04.2014	26.65	26.65
Employees <sup>17</sup>	–	–	–	–	–	–	200,000	–	–	–	200,000	29.08.2014	20.65	20.83
Sub-total	–	3,349,000	(38,000)	–	3,311,000	(112,000)	3,031,000	(618,000)	(17,000)	–	5,595,000			
Others <sup>15,21</sup>	–	575,000	(19,000)	–	556,000	112,000	–	(169,000)	–	–	499,000	02.04.2013	13.20	13.40
Others <sup>16,21</sup>	–	–	–	–	–	–	245,000	–	–	–	245,000	03.04.2014	26.65	26.65
Sub-total	–	575,000	(19,000)	–	556,000	112,000	245,000	(169,000)	–	–	744,000			
Total	–	7,724,000	(57,000)	–	7,667,000	–	6,776,000	(1,787,000)	(17,000)	–	12,639,000			
Share options exercisable at year end	–				2,128,000					4,554,000				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
2. As at 31 December 2014, the Company had 14,895,900 share options outstanding under the 2002 Share Option Scheme and 12,639,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 27,534,900 additional ordinary shares of the Company and additional share capital of approximately HK\$379,161,000 before issuance expenses.
3. During the year ended 31 December 2014, 11,000 share options and 17,000 share options were lapsed under the 2002 Share Option Scheme and 2012 Share Option Scheme respectively, and no share options were cancelled under the 2002 Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the dates on which the options were exercised was HK\$23.66 and HK\$24.03 respectively.

4. The options granted on 13 February 2006 were divided into 6 tranches exercisable from 1 April 2008, 1 April 2010, 1 April 2012, 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 31 January 2016.
5. The options granted on 13 February 2006 were divided into 3 tranches exercisable from 1 April 2008, 1 April 2010 and 1 April 2012 respectively to 31 January 2016.
6. The options granted on 3 April 2006 were divided into 3 tranches exercisable from 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 2 April 2016.
7. The options granted on 28 February 2008 were divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 27 February 2018.
8. The options granted on 1 April 2008 were divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018.
9. The options granted on 17 December 2008 were divided into 6 tranches exercisable from 1 February 2009, 1 May 2009, 1 August 2009, 1 November 2009, 1 February 2010 and 1 May 2010 respectively to 16 December 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

Notes: (Continued)

10. The options granted on 3 April 2009 were divided into 3 tranches exercisable from 3 April 2010, 3 April 2011 and 3 April 2012 respectively to 2 April 2019.
11. The options granted on 7 April 2010 were divided into 6 tranches exercisable from 7 April 2010, 7 April 2011, 7 April 2012, 7 April 2013, 7 April 2014 and 7 April 2015 respectively to 6 April 2020.
12. The options granted on 8 April 2011 were divided into 4 tranches exercisable from 5 May 2011, 8 April 2012, 8 April 2013 and 8 April 2014 respectively to 7 April 2021.
13. The options granted on 27 January 2012 were divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022.
14. The options granted on 7 April 2010 were divided into 3 tranches exercisable from 7 April 2011, 7 April 2012 and 7 April 2013 respectively to 6 April 2020.

15. The options granted on 2 April 2013 were divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023.
16. The options granted on 3 April 2014 were divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024.
17. The options granted on 29 August 2014 were divided into 3 tranches exercisable from 11 August 2016, 11 August 2017 and 11 August 2018 respectively to 28 August 2024.
18. The options granted on 2 April 2013 were divided into 2 tranches exercisable from 2 April 2013 and 2 April 2014 respectively to 1 April 2023.
19. The options granted on 3 April 2014 were divided into 2 tranches exercisable from 3 April 2014 and 3 April 2015 respectively to 2 April 2024.
20. The options granted on 8 April 2011 were divided into 2 tranches exercisable from 5 May 2011 and 8 April 2012 respectively to 7 April 2021.
21. The category "Others" represents the former directors/employees or consultants of the Group. The fair value of the share options granted to consultants are measured with reference to the fair value of equity instruments granted as the consultants are in a contractual arrangement in providing services similar to those rendered by the Group's employees.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (i) The Company (Continued)

During the year ended 31 December 2014, the Company granted a total of 6,576,000 share options on 3 April 2014 and 200,000 share options on 29 August 2014 to the directors and certain employees and consultants of the Company under the 2012 Share Option Scheme. For the options granted on 3 April 2014, the validity period of the options granted is ten years, from 3 April 2014 to 2 April 2024. The options entitle the grantees to subscribe for a total of 6,576,000 shares at an exercise price of HK\$26.65 per share of the Company. The closing price of the shares of the Company immediately before and on the dates on which the options were granted was HK\$26.80 and HK\$26.65 respectively. For the options granted on 29 August 2014, the validity period of the options granted is ten years, from 29 August 2014 to 28 August 2024. The options entitle the grantees to subscribe for a total of 200,000 shares at an exercise price of HK\$20.83 per share of the Company. The closing price of the shares of the Company immediately before and on the dates on which the options were granted was HK\$20.85 and HK\$20.65 respectively.

The estimated fair values of the 6,576,000 share options granted on 3 April 2014 and 200,000 share options granted on 29 August 2014 were approximately HK\$105,530,000 and HK\$2,221,000 respectively. The fair value per option granted on 3 April 2014 and 29 August 2014 was HK\$16.05 and HK\$11.10 respectively.

The inputs into the Binomial model were as follows:

	Share options grant date		
	29 August 2014	3 April 2014	2 April 2013
Share price at date of grant			
of share options	<b>HK\$20.65</b>	<b>HK\$26.65</b>	HK\$13.20
Exercise price	<b>HK\$20.83</b>	<b>HK\$26.65</b>	HK\$13.40
Expected volatility	<b>61%</b>	<b>61%</b>	64%
Expected life	<b>10 years</b>	<b>10 years</b>	10 years
Risk-free rate	<b>1.85%</b>	<b>2.36%</b>	1.09%
Expected dividend yield	<b>1.60%</b>	<b>0.80%</b>	0.19%
Suboptimal exercise factor	<b>3.9</b>	<b>3.2 – 3.8</b>	2.2 – 2.6

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (I) The Company (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group and the Company recognized total expenses of approximately HK\$89,474,000 for the year ended 31 December 2014 (2013: HK\$50,468,000) in relation to the share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

#### (II) MelcoLot (a listed subsidiary of the Company)

The share option scheme adopted by MelcoLot at the general meeting on 20 April 2002 (the "MelcoLot's 2002 Share Option Scheme") has expired on 20 April 2012. No further options shall thereafter be granted under MelcoLot's 2002 Share Option Scheme but the share options granted thereunder prior to the expiry date of MelcoLot's 2002 Scheme will continue to be valid and exercisable in accordance with the terms of MelcoLot's 2002 Share Option Scheme.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) *MelcoLot (a listed subsidiary of the Company) (Continued)*

The following is a summary of the principal terms of the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme:

##### (i) Purpose

The purpose of the MelcoLot's 2002 Share Option Scheme is to encourage the eligible participants to achieve the long-term performance targets set by MelcoLot and at the same time allows its participants to enjoy the results of MelcoLot attained through their efforts and contributions.

The purpose of the MelcoLot's 2012 Share Option Scheme is to enable MelcoLot to grant options to the eligible participants in order to recognize and motivate the contribution of the employees of MelcoLot and to provide incentives and help MelcoLot in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of MelcoLot.

##### (ii) Participants

The participants of the MelcoLot's 2002 Share Option Scheme shall be the directors, employees, advisers or business consultants of MelcoLot or any of its subsidiaries.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) *MelcoLot (a listed subsidiary of the Company) (Continued)*

The following is a summary of the principal terms of the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme: (Continued)

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

The total number of MelcoLot's shares which may be issued upon exercise of all share options to be granted under the MelcoLot's 2002 Share Option Scheme, MelcoLot's 2012 Share Option Scheme and any other schemes of MelcoLot must not in aggregate exceed 10% of MelcoLot's shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of MelcoLot's shareholders. Following the expiry of the MelcoLot's 2002 Share Option Scheme, no further share options can be granted thereunder.

The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the MelcoLot's 2012 Share Option Scheme and any other schemes of MelcoLot must not exceed 30% of MelcoLot's shares in issue from time to time. As at the date of

this annual report, the number of MelcoLot's shares available for issue under the MelcoLot's 2012 Share Option Scheme is 109,962,383, representing approximately 3.50% of the issued shares of MelcoLot.

##### (iv) Maximum entitlement of each participant under the schemes

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) *MelcoLot (a listed subsidiary of the Company) (Continued)*

The following is a summary of the principal terms of the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme: (Continued)

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

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

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

As determined by MelcoLot's Board upon the grant of an option.

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

Under the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant and HK\$1.00 is payable on acceptance of the grant of an option.

(viii) The basis of determining the exercise price

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

(ix) The remaining life of the scheme

The MelcoLot's 2002 Share Option Scheme had expired on 20 April 2012 and all the outstanding share options granted under the MelcoLot's 2002 Share Option Scheme and yet to be exercised shall remain valid. The MelcoLot's 2012 Share Options Scheme shall be valid and effective for a period of ten years from the date of adoption until 17 May 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) MelcoLot (a listed subsidiary of the Company) (Continued)

Movements of the share options under the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme during the year ended 31 December 2014 are set out below:

##### (a) Share options granted by MelcoLot to the directors of the Company

Category of participant	Number of share options												Share price at date of grant of share	Exercise price of options			
	Outstanding																
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	at 31.12.2013 & 1.1.2014	Exercised before open offer	Adjustment open offer	Granted open offer	Exercised open offer	Lapsed open offer	Outstanding at 31.12.2014 share options						
	1.1.2013	the year	the year	the year	& 1.1.2014	open offer	open offer	open offer	open offer	open offer	31.12.2014	share options	options	HK\$			
<b>(i) MelcoLot's 2002 Share Option Scheme</b>																	
Directors <sup>3,6</sup>	6,622,256	-	(6,622,256)	-	-	-	-	-	-	-	-	31.03.2008	0.89	0.638			
Directors <sup>3,8</sup>	5,241,200	-	(5,241,200)	-	-	-	-	-	-	-	-	10.07.2009	0.32	0.263			
Directors <sup>3,9</sup>	6,551,500	-	(6,551,500)	-	-	-	-	-	-	-	-	18.11.2010	0.15	0.109			
Total	18,414,956	-	(18,414,956)	-	-	-	-	-	-	-	-						
Share options exercisable at year end	18,414,956				-												

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) MelcoLot (a listed subsidiary of the Company) (Continued)

##### (a) Share options granted by MelcoLot to the directors of the Company (Continued)

Category of participant	Number of share options												Share price at date of grant of share options	Exercise price of share options HK\$			
	Outstanding																
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	at 31.12.2013 & 1.1.2014	Exercised before open offer	Adjustment open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding at 31.12.2014	Date of grant of share options					
	at the year	the year	the year	the year	& 1.1.2014	open offer	open offer	open offer	open offer	open offer	31.12.2014	share options	options	HK\$			
<b>(ii) MelcoLot's 2012 Share Option Scheme</b>																	
Directors <sup>3,10</sup>	-	17,252,000	(4,313,000)	-	12,939,000	-	833,271	-	-	-	13,772,271	02.07.2013	0.54	0.511			
Directors <sup>11</sup>	-	-	-	-	-	-	-	20,384,000	-	-	20,384,000	11.08.2014	1.14	1.14			
Total	-	17,252,000	(4,313,000)	-	12,939,000	-	833,271	20,384,000	-	-	34,156,271						
Share options exercisable at year end	-				-						14,782,757						

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) MelcoLot (a listed subsidiary of the Company) (Continued)

##### (b) Share options granted by MelcoLot to other eligible participants

Category of participant	Number of share options												Share price at date of grant of share	Exercise price of options
	Outstanding											Date of grant of share		
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	at 31.12.2013 & 1.1.2014	Exercised before open offer	Adjustment open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding at 31.12.2014	share options		
(i) MelcoLot's 2002 Share Option Scheme													HK\$	HK\$
Others <sup>3,4,12</sup>	1,572,360	-	(1,572,360)	-	-	-	-	-	-	-	-	20.02.2003	0.14	0.105
Others <sup>3,5,12</sup>	1,588,736	-	(1,005,654)	-	583,082	-	37,548	-	(568,330)	-	52,300	12.01.2007	0.09	0.063
Others <sup>3,6,12</sup>	26,692,118	-	(17,841,043)	(3,879,798)	4,971,277	(1,834,420)	202,007	-	(195,254)	-	3,143,610	31.03.2008	0.89	0.638
Others <sup>3,7,12</sup>	15,068,450	-	(11,687,876)	-	3,380,574	(602,738)	178,892	-	-	-	2,956,728	16.02.2009	0.30	0.215
Others <sup>3,8,12</sup>	33,720,570	-	(27,031,489)	(216,199)	6,472,882	(5,960,600)	32,988	-	(41,840)	(1,346)	502,084	10.07.2009	0.32	0.263
Others <sup>3,9,12</sup>	37,199,417	-	(32,109,840)	(288,266)	4,801,311	(3,006,200)	115,603	-	(69,734)	(1,394,683)	446,297	18.11.2010	0.15	0.109
Total	115,841,651	-	(91,248,262)	(4,384,263)	20,209,126	(11,403,958)	567,038	-	(875,158)	(1,396,029)	7,101,019			
Share options exercisable at year end	115,841,651				20,209,126						7,101,019			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

(II) MelcoLot (*a listed subsidiary of the Company*) (Continued)

(b) Share options granted by MelcoLot to other eligible participants (Continued)

Category of participant	Number of share options												Share price at date of grant of share options	Exercise price of share options HK\$			
	Outstanding																
	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	at 31.12.2013 & 1.1.2014	Exercised before open offer	Adjustment open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding at 31.12.2014	Date of grant of share options					
	at the year	the year	the year	the year	& 1.1.2014	open offer	open offer	open offer	open offer	open offer	31.12.2014	share options	options	HK\$			
<b>(ii) MelcoLot's 2012 Share Option Scheme</b>																	
Others <sup>3,10,12</sup>	-	22,000,000	(5,500,000)	-	16,500,000	-	1,062,600	-	-	-	17,562,600	02.07.2013	0.54	0.511			
Others <sup>11,12</sup>	-	-	-	-	-	-	-	61,324,000	-	-	61,324,000	11.08.2014	1.14	1.14			
Total	-	22,000,000	(5,500,000)	-	16,500,000	-	1,062,600	61,324,000	-	-	78,886,600						
Share options exercisable at year end	-				-						36,490,200						

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) MelcoLot (a listed subsidiary of the Company) (Continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the year ended 31 December 2014, 1,396,029 share options were lapsed under MelcoLot's 2002 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of MelcoLot immediately before and on the dates on which the share options were exercised were HK\$1.17 and HK\$1.24 respectively.
3. Upon the completion of the open offer of MelcoLot on 29 May 2014, the exercise price per share of MelcoLot and number of shares of MelcoLot which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme. For details, please refer to the announcement of MelcoLot dated 28 May 2014.
4. The share options granted on 20 February 2003 were divided into 4 tranches exercisable from 20 February 2004, 20 February 2005, 20 February 2006 and 20 February 2007 respectively to 19 February 2013.

5. The share options granted on 12 January 2007 were divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.
6. The share options granted on 31 March 2008 were divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.
7. The share options granted on 16 February 2009 were divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.
8. The share options granted on 10 July 2009 were divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.
9. The share options granted on 18 November 2010 were divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.
10. The share options granted on 2 July 2013 were divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) MelcoLot (a listed subsidiary of the Company) (Continued)

Notes: (Continued)

11. The share options granted on 11 August 2014 were divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.
12. The category "Others" represents the directors, employees, former directors or consultants of MelcoLot.

The estimated fair values of the 81,708,000 share options granted on 11 August 2014 was approximately HK\$64,316,000. The fair value per option granted during the year ended 31 December 2014 was HK\$1.27.

The fair value of share options granted by MelcoLot during the year ended 31 December 2014 were calculated using the Binomial model. The inputs into the model were as follows:

	Share options grant date	
	11 August 2014	2 July 2013
Exercise price	<b>HK\$1.14</b>	HK\$0.544
Expected volatility	<b>86%</b>	85%
Expected life	<b>10 years</b>	10 years
Risk-free rate	<b>1.97%</b>	2.03%
Expected dividend yield	<b>0%</b>	0%
Suboptimal exercise factor	<b>2.8 – 3.3</b>	2.8

Expected volatility was determined by using the historical volatility of MelcoLot's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (II) *MelcoLot (a listed subsidiary of the Company) (Continued)*

The Group recognized a total expense of HK\$46,383,000 (2013: HK\$6,525,000) for the year ended 31 December 2014 in relation to share options granted by MelcoLot.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

#### (III) *EGT (a listed subsidiary of the Company)*

At the annual shareholders meeting of EGT held on 8 September 2008, a new stock option plan (the "EGT 2008 Stock Incentive Plan") was voted on and became effective on 1 January 2009, which replaced two previous plans, the Amended and Restated 1999 Stock Option Plan and the Amended and Restated 1999 Directors' Stock Option Plan (the "EGT 1999 Stock Option Plans"). Notwithstanding the EGT 1999 Stock Option Plans being terminated on 31 December 2008, the stock options granted thereunder that were outstanding as of the date of termination shall remain outstanding and subject to termination according to their terms.

The EGT 2008 Stock Incentive Plan allows for incentive awards to eligible recipients consisting of:

- Options to purchase shares of common stock that qualify as incentive stock options within the meaning of the Internal Revenue Code;
- Non-statutory stock options that do not qualify as incentive options;
- Restricted stock awards; and
- Performance stock awards which are subject to future achievement of performance criteria or free of any performance or vesting.

The following is a summary of the principal terms of the EGT 2008 Stock Incentive Plan:

#### (i) Purpose

The EGT 2008 Stock Incentive Plan is intended to advance the interests of EGT and its stockholders by enabling EGT and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation, and to reward those individuals who contribute to the achievement of economic objectives.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (a listed subsidiary of the Company) (Continued)

The following is a summary of the principal terms of the EGT 2008 Stock Incentive Plan: (Continued)

##### (ii) Participants

All employees and any subsidiary employees (including officers and directors who are also employees), as well as all non-employee directors and other consultants, advisors and other persons who provide services to EGT will be eligible to receive incentive awards under the EGT 2008 Stock Incentive Plan.

##### (iii) Maximum number of shares available for issue under the EGT 2008 Stock Incentive Plan

The maximum number of EGT shares reserved for issuance under the EGT 2008 Stock Incentive Plan is 5,000,000.

As at 31 December 2014, a total of 2,187,372 Shares (representing approximately 0.04% of the issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the EGT 2008 Stock Incentive Plan.

##### (iv) Remaining life of the EGT 2008 Stock Incentive Plan

The EGT 2008 Stock Incentive Plan will terminate on 31 December 2018.

### Options

#### (a) The basis of determining the exercise price

The exercise price shall not be less than 100% of the fair market value of one share on the date of grant, unless the participant owns more than 10% of the total combined voting power of all classes of stock of EGT or any parent or subsidiary corporation of EGT, in which case the exercise price shall then be 110% of the fair market value.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (a listed subsidiary of the Company) (Continued)

The following is a summary of the principal terms of the EGT 2008 Stock Incentive Plan: (Continued)

#### Options (Continued)

##### (b) Period and payment on acceptance of options

The period under which an option may be exercised shall be such period as the compensation committee of EGT may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date of grant. Exercise of an option shall be paid entirely in cash.

No consideration on acceptance of an offer of the grant of an option. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

##### (c) Non-statutory stock options

The aggregate fair market value of shares with respect to which incentive stock options may become exercisable by a participant for the first time during any calendar year may not exceed US\$100,000 (equivalent to approximately HK\$778,000). Any incentive stock options in excess of this amount will be treated as non-statutory stock options.

#### *Restricted stock awards*

A restricted stock award is an award of share vesting at such times and in such installments as may be determined by the compensation committee and, until it vests, that is subject to restrictions on transferability and the possibility of forfeiture. Restricted stock awards may be subject to any restrictions or vesting conditions that the compensation committee deems appropriate, including that the participant remains continuously employed by EGT or a subsidiary for a certain period.

#### *Performance stock awards*

A performance stock award is an award of share that may be subject to the future achievement of specified performance criteria determined by the compensation committee of EGT or be free of any performance or vesting conditions. The compensation committee of EGT may select one criterion or multiple criteria for measuring performance, which may be based on company or business unit performance or the individual performance of the participant or any other measure.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (a listed subsidiary of the Company) (Continued)

Movements of the stock options, which were granted under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan, during the year ended 31 December 2014, are set out below:

##### (a) Stock options granted to the directors of the Company

Category of participant	Number of share options						Share price at the date of grant of stock options US\$	Exercise price of stock options US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014	Date of grant of stock options		
<b>(i) Under EGT 1999 Stock Option Plans</b>								
Directors <sup>2</sup>	7,500	–	–	–	7,500	22.01.2008	14.96	14.48
Directors <sup>3</sup>	25,000	–	–	–	25,000	12.02.2008	16.88	18.36
Directors <sup>13</sup>	50,000	–	–	–	50,000	11.12.2008	0.24	0.32
Directors <sup>4</sup>	500,000	–	–	–	500,000	29.12.2008	0.60	0.68
Total	582,500	–	–	–	582,500			
Share options exercisable at year end	582,500				582,500			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

(III) EGT (a listed subsidiary of the Company) (Continued)

(a) Stock options granted to the directors of the Company (Continued)

Category of participant	Number of share options						Share price at the date of grant of stock options	Exercise price of stock options		
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014	Date of grant of stock options				
<b>(ii) Under EGT 2008 Stock Incentive Plan</b>										
Directors <sup>5</sup>	<b>37,500</b>	–	–	–	<b>37,500</b>	12.02.2009	0.48	0.52		
Directors <sup>6</sup>	<b>25,000</b>	–	–	–	<b>25,000</b>	07.01.2010	1.24	1.16		
Directors <sup>7</sup>	<b>125,000</b>	–	–	–	<b>125,000</b>	22.01.2010	1.08	1.1		
Directors <sup>8</sup>	<b>137,500</b>	–	–	–	<b>137,500</b>	03.02.2011	1.48	1.44		
Directors <sup>14</sup>	<b>12,500</b>	–	–	–	<b>12,500</b>	03.02.2011	1.48	1.44		
Directors <sup>9</sup>	<b>175,000</b>	–	–	–	<b>175,000</b>	03.01.2012	0.92	0.924		
Directors <sup>15</sup>	<b>25,000</b>	–	–	–	<b>25,000</b>	03.01.2012	0.92	0.924		
Directors <sup>10</sup>	<b>50,000</b>	–	–	–	<b>50,000</b>	02.01.2013	2.05	1.965		
Directors <sup>11</sup>	<b>65,000</b>	–	–	–	<b>65,000</b>	02.01.2013	2.05	1.965		
Directors <sup>12</sup>	<b>125,000</b>	–	–	–	<b>125,000</b>	02.01.2014	1.21	1.211		
Directors <sup>16</sup>	<b>25,000</b>	–	–	–	<b>25,000</b>	02.01.2014	1.21	1.211		
Total	<b>802,500</b>	–	–	–	<b>802,500</b>					
Share options exercisable at year end	<b>637,500</b>				<b>637,500</b>					

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

(III) *EGT (a listed subsidiary of the Company) (Continued)*

(b) Stock options granted to other eligible participants

Category of participant	Number of share options						Share price at the date of grant of stock options US\$	Exercise price of stock options US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014	Date of grant of stock options		
<b>(i) Under EGT 1999 Stock Option Plans</b>								
Other <sup>22, 40</sup>	226	–	–	(226)	–	10.12.2004	6.52	6.64
Other <sup>23, 40</sup>	221	–	–	–	221	05.01.2005	7	6.80
Other <sup>17, 40</sup>	2,500	–	–	–	2,500	16.02.2005	7.6	7.32
Other <sup>24, 40</sup>	12,500	–	–	–	12,500	07.11.2005	12.12	12.00
Other <sup>18, 40</sup>	2,500	–	–	–	2,500	30.01.2006	13.04	12.12
Other <sup>19, 40</sup>	7,500	–	–	–	7,500	06.03.2007	9.88	9.72
Other <sup>20, 40</sup>	1,250	–	–	–	1,250	07.03.2007	9.6	9.60
Other <sup>25, 40</sup>	1,250	–	–	–	1,250	07.03.2007	9.6	9.60
Other <sup>26, 40</sup>	4,000	–	–	–	4,000	10.09.2007	11.8	12.44
Other <sup>2, 40</sup>	30,000	–	–	–	30,000	22.01.2008	14.96	14.48
Other <sup>28, 40</sup>	31,250	–	–	–	31,250	12.02.2008	16.88	16.88
Other <sup>29, 40</sup>	49,750	–	–	–	49,750	12.02.2008	16.88	18.36
Other <sup>30, 40</sup>	50,000	–	–	–	50,000	21.05.2008	4.96	4.88
Other <sup>13, 40</sup>	50,000	–	–	–	50,000	11.12.2008	0.24	0.32
Other <sup>32, 40</sup>	112,500	–	–	–	112,500	11.12.2008	0.24	0.32
Total	355,447	–	–	(226)	355,221			
Share options exercisable at year end	335,447				335,221			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

(III) EGT (a listed subsidiary of the Company) (Continued)

(b) Stock options granted to other eligible participants (Continued)

Category of participant	Number of share options						Date of grant of stock options	Share price at the date of grant of stock options US\$	Exercise price of stock options US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014				
<b>(ii) Under EGT 2008 Stock Incentive Plan</b>									
Other <sup>5, 40</sup>	75,000	—	—	—	75,000		12.02.2009	0.48	0.52
Other <sup>6, 40</sup>	37,500	—	—	—	37,500		07.01.2010	1.24	1.16
Other <sup>35, 40</sup>	37,500	—	—	(37,500)	—		07.01.2010	1.24	1.16
Other <sup>36, 40</sup>	150,001	—	—	—	150,001		12.03.2010	1.08	1.04
Other <sup>37, 40</sup>	137,502	—	—	—	137,502		13.05.2010	1.04	1.06
Other <sup>38, 40</sup>	37,500	—	—	(37,500)	—		14.05.2010	1.04	1.06
Other <sup>34, 40</sup>	18,750	—	—	—	18,750		17.08.2010	1	0.96
Other <sup>33, 40</sup>	603,619	—	—	—	603,619		03.02.2011	1.48	1.44
Other <sup>14, 40</sup>	37,500	—	—	—	37,500		03.02.2011	1.48	1.44
Other <sup>31, 40</sup>	50,000	—	—	(50,000)	—		03.02.2011	1.48	1.06
Other <sup>15, 40</sup>	75,000	—	—	—	75,000		03.01.2012	0.92	0.924
Other <sup>27, 40</sup>	25,000	—	—	—	25,000		20.07.2012	2.21	2.17
Other <sup>39, 40</sup>	15,000	—	—	—	15,000		07.09.2012	2.16	2.14
Other <sup>10, 40</sup>	75,000	—	—	—	75,000		02.01.2013	2.05	1.965
Other <sup>21, 40</sup>	75,000	—	—	—	75,000		11.03.2013	1.9	1.874
Other <sup>16, 40</sup>	75,000	—	—	—	75,000		02.01.2014	1.21	1.211
Total	1,524,872	—	—	(125,000)	1,399,872				
Share options exercisable at year end	1,461,539				1,336,539				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (a listed subsidiary of the Company) (Continued)

Notes:

1. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.
2. The stock options may be exercised from 23 July 2008 to 22 January 2018.
3. The stock options may be exercised from 15 May 2008 to 14 November 2017.
4. The stock options may be exercised from 29 December 2009 to 29 December 2018.
5. The stock options may be exercised from 13 August 2009 to 12 February 2019.
6. The stock options may be exercised from 8 July 2010 to 7 January 2020.
7. The stock options may be exercised from 1 January 2011 to 22 January 2020.
8. The stock options are divided into 2 tranches exercisable from 4 August 2011 and 1 January 2012 respectively to 3 February 2021.

9. The stock options are divided into 2 tranches exercisable from 4 July 2012 and 1 January 2013 respectively to 3 January 2022.
10. The stock options may be exercised from 3 July 2013 to 2 January 2023.
11. The stock options may be exercised from 2 January 2016 to 2 January 2023.
12. The stock options granted on 2 January 2014 are subject to vesting and risk of forfeiture based on EGT's ability to meet certain financial and non-financial performance targets as of and for the fiscal year ended 31 December 2014. The determination of the vesting or forfeiture of shares shall be made by the Compensation Committee of EGT's Board of Directors on or before 30 April 2015. The exercise period of the options is from 3 July 2014 to 2 January 2024.
13. The stock options may be exercised from 12 June 2009 to 11 December 2018.
14. The stock options may be exercised from 4 August 2011 to 3 February 2021.
15. The stock options may be exercised from 4 July 2012 to 3 January 2022.
16. The stock options may be exercised from 3 July 2014 to 2 January 2024.
17. The stock options may be exercised from 17 August 2005 to 16 February 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (a listed subsidiary of the Company) (Continued)

Notes: (Continued)

18. The stock options may be exercised from 31 July 2006 to 30 January 2016.
19. The stock options may be exercised from 7 September 2007 to 6 March 2017.
20. The stock options may be exercised from 8 September 2007 to 7 March 2017.
21. The stock options are divided into 3 tranches exercisable from 11 March 2014, 11 March 2015 and 11 March 2016 respectively to 11 March 2023.
22. The stock options may be exercised from 10 December 2004 to 10 December 2014.
23. The stock options may be exercised from 5 January 2005 to 5 January 2015.
24. The stock options are divided into 2 tranches exercisable from 7 November 2007 and 7 November 2008 respectively to 7 November 2015.

25. The stock options may be exercised from 8 September 2007 to 7 March 2017.
26. The stock options may be exercised from 18 November 2007 to 10 September 2017.
27. The stock options are divided into 3 tranches exercisable from 20 July 2013, 20 July 2014 and 20 July 2015 respectively to 20 July 2022.
28. The stock options are divided into 3 tranches exercisable from 14 November 2008, 14 November 2009 and 14 November 2010 respectively to 14 November 2017.
29. The stock options may be exercised from 13 August 2008 to 14 November 2017.
30. The stock options are divided into 3 tranches exercisable from 21 May 2009, 21 May 2010 and 21 May 2011 respectively to 21 May 2018.
31. The stock options may be exercised from 31 December 2011 to 3 February 2021.
32. The stock options are divided into 3 tranches exercisable from 11 December 2009, 11 December 2010 and 11 December 2011 respectively to 11 December 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share option scheme (Continued)

#### (III) EGT (*a listed subsidiary of the Company*) (Continued)

Notes: (Continued)

33. The stock options are divided into 3 tranches exercisable from 3 February 2012, 3 February 2013 and 3 February 2014 respectively to 3 February 2021.
34. The stock options are divided into 3 tranches exercisable from 17 August 2011, 17 August 2012 and 17 August 2013 respectively to 17 August 2020.
35. The stock options are divided into 5 tranches exercisable from 7 January 2011, 31 December 2011, 7 January 2011, 7 January 2012 and 7 January 2013 respectively to 7 January 2020.
36. The stock options may be exercised from 12 March 2011 to 12 March 2020.
37. The stock options are divided into 3 tranches exercisable from 13 May 2011, 13 May 2012 and 13 May 2013 respectively to 13 May 2020.
38. The stock options are divided into 2 tranches exercisable from 13 May 2011 and 31 December 2011 respectively to 14 May 2020.

39. The stock options are divided into 3 tranches exercisable from 7 September 2013, 7 September 2014 and 7 September 2015 respectively to 7 September 2022.

40. The category "Others" represents the directors and employees of EGT.

The Black-Scholes-Merton model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

### Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme (the "Share Purchase Scheme") and The Melco Share Award Scheme (the "Share Subscription Scheme").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share award schemes (Continued)

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company (the "Subsidiary"). The Shares to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognize the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group.

A summary of the principal terms of the Share Purchase Scheme and Share Subscription Scheme and movements of the awarded shares under these schemes are set out below:

### *Share Purchase Scheme*

The Share Purchase Scheme has a term of 20 years from the date of its adoption until 17 October 2027.

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any employee (including any director of the Company or subsidiary of the Company) to be a participant in the Share Purchase Scheme. The Board or the trustee of this scheme (as the case may be) shall either (i) set aside a sum of money or (ii) determine a number of Shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of Shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of Shares, the trustee shall apply the same towards the purchase of Shares on the Hong Kong Stock Exchange.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share award schemes (Continued)

#### Share Purchase Scheme (Continued)

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a subsidiary of the Company until the vesting date. The Board may by resolution terminate the operation of the Share Purchase Scheme.

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the year ended 31 December 2014 are set out below:

Category of participant	Number of awarded shares								Share price at date of award	Date of award	Vesting date			
	Outstanding at 1.1.2013	Awarded during the year	Vested during the year	Outstanding at 31.12.2013		Awarded during the year	Vested during the year	Outstanding at 31.12.2014						
				at 31.12.2013	& 1.1.2014									
Directors	3,000,000	–	(3,000,000)	–	–	–	–	–	7.10	02.01.2012	27.01.2013			
Directors	–	1,250,000	(1,250,000)	–	–	–	–	–	13.40	02.04.2013	02.04.2013			
Directors	–	1,250,000	–	1,250,000	–	(1,250,000)	–	–	13.40	02.04.2013	02.04.2014			
Directors	–	–	–	–	1,100,000	(1,100,000)	–	–	26.65	03.04.2014	03.04.2014			
Directors	–	–	–	–	1,100,000	–	1,100,000	–	26.65	03.04.2014	03.04.2015			
Total	3,000,000	2,500,000	(4,250,000)	1,250,000	2,200,000	(2,350,000)	1,100,000	–						

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. LONG TERM INCENTIVE SCHEMES (Continued)

### Share award schemes (Continued)

#### *Share Subscription Scheme*

The Share Subscription Scheme has a term of 20 years from the date of its adoption until 17 October 2027.

The Board may, from time to time at its absolute discretion select any eligible persons (including any directors, executives, employees of the Group and consultants and advisers to any members of the Group) to be a participant of the Share Subscription Scheme. The scheme limit of this scheme is 2% of the issued Shares from time to time (excluding the Shares which have already been transferred to eligible persons on vesting). The maximum number of Shares which may be awarded to a director and an eligible person (other than a director) of the Company or its subsidiaries, are 0.2% and 0.05% of the issued Shares from time to time, respectively. The Board or the trustee of this scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of Shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of Shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such

notional cash amount on the Hong Kong Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount or an amount equal to the par value of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

Vesting of the Shares will be conditional on the selected eligible person who remains an eligible person of the Company or a Subsidiary until the vesting date. The Board may by resolution terminate the operation of the Share Subscription Scheme.

There is no awarded share outstanding and no movement for the years ended 31 December 2014 and 2013.

The Group and the Company recognized total expenses of approximately HK\$55,417,000 (2013: HK\$30,895,000) for the year ended 31 December 2014 in relation to the share award schemes.

During the years ended 31 December 2014 and 2013, the share price on the date of award has been used to determine the fair value of the share award schemes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 39. 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:**

	HK\$'000
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)
	<b>296,106</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 39. ACQUISITION OF A SUBSIDIARY (Continued)

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:

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

### 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 at 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 of approximately HK\$44,845,000 was recognized in profit or loss as gain on deemed disposal of previously held interest in EGT as an associate 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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 39. ACQUISITION OF A SUBSIDIARY (Continued)

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.

## 40. OPERATING LEASE ARRANGEMENTS

### (a) The Group as lessee

Minimum lease payments under operating leases during the year in respect of office premises were approximately HK\$12,400,000 (2013: HK\$14,067,000).

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

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Within one year	21,054	14,440
In the second to fifth year inclusive	4,906	17,437
	<b>25,960</b>	31,877

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for a term ranging from one to four years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 40. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) The Group as lessor

At 31 December 2014, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to five years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases.

THE GROUP		
	2014	2013
	HK\$'000	HK\$'000
Within one year	5,472	1,157
In the second to fifth year inclusive	10,002	–
	<b>15,474</b>	1,157

The Company had no significant operating leases at the end of the reporting periods.

## 41. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme. No more contribution was made to the ORSO Scheme after the switch.

For members of the MPF Scheme, both the employee and the Group contribute 5% each of relevant payroll costs to the Scheme, subject to a maximum contribution of HK\$1,500 (HK\$1,250 before June 2014), which contribution is matched by the employee.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 42. RELATED PARTY TRANSACTIONS

### (a) The Group has entered into the following related parties transactions:

	THE GROUP	
	2014	2013
	HK\$'000	HK\$'000
Rental income received from an associate	–	2,391
Overseas travels, entertainment and gifts expenses charged by an associate	999	532
Service income received from associates	10,114	11,087
Service income received from a related company	240	240
Sundry income received from associates	255	414
Consultancy fee income from an associate	–	300
Management fee income from a non-controlling shareholder of a subsidiary	212	910
Sales of lottery terminals to a subsidiary of a non-controlling shareholder of a subsidiary	–	17,139
Sales of lottery terminals to an associate of a non-controlling shareholder of a subsidiary	574	22,192
Sales of property, plant and equipment to a non-controlling shareholder of a subsidiary	–	2,178
Sales of gaming products to associates	9,072	–
Purchase of lottery terminals, parts and hardware from a subsidiary of a non-controlling shareholder of a subsidiary	38,302	–
Dividend paid to non-controlling shareholders of a subsidiary	10,115	–

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	THE GROUP	
	2014	2013
	HK\$'000	HK\$'000
Short-term benefits	22,458	17,859
Post-employment benefits	122	109
Share-based compensation	155,362	73,446
	177,942	91,414

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Company's operating results and market standards.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

### 43.1 General information of principal subsidiaries

Details of the Group's principal subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company			
				Directly		2014	2013
				2014	2013		
Melco Leisure and Entertainment Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	100%	100%	—	—
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares and 33,930 B shares	—	—	86.68%	86.68%
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares of and 13,495 ordinary shares	—	—	84.75%	84.75%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares	—	—	86.68%	86.68%
Melco Technology Group Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares	100%	100%	—	—
EGT Entertainment Holding Limited	Hong Kong	Investment holding in Hong Kong	833,333 ordinary shares	—	—	100%	100%
Melco Services Limited	British Virgin Islands	Provision of management and network support services to group companies	1 share of US\$1	100%	100%	—	—
Zonic Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	—	—	100%	100%
Melco LottVentures Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	—	—	100%	100%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### 43.1 General information of principal subsidiaries (Continued)

Details of the Group's principal subsidiaries at the end of the reporting period are set out below. (Continued)

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company	
				Directly	Indirectly
				2014	2013
Melco Finance Limited	British Virgin Islands	Issuer of bonds	1 share of US\$1	–	–
Giant Growth Limited	British Virgin Islands	Investment holding in Canada	1 share of US\$1	–	–
MelcoLot	Cayman Islands	Provision of services and solutions for distribution of lottery products and trading of lottery terminals in China	3,145,545,326 (2013: 2,408,041,487) ordinary shares of HK\$0.01 each	–	–
EGT (Note)	US	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	57,879,835 (2013: 30,024,662) common shares of US\$0.001 each	–	–

Note: EGT became subsidiary of the Group during 2014.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Melco Finance Limited which issued HK\$760,000,000 guaranteed bonds, as disclosed in Note 34, in which the Group has no interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### 43.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest						Accumulated non-controlling interests 2014 HK\$'000	Accumulated non-controlling interests 2013 HK\$'000		
		2014		2013		Loss allocated to non-controlling interests 2014 HK\$'000					
		2014 59.35%	2013 56.07%	2014 (49,904)	2013 (3,870)	2014 100,659	2013 N/A				
MelcoLot (Note a)	Cayman Island/PRC	59.35%	56.07%	(49,904)	(3,870)	251,384	(108,331)				
EGT (Note b)	US/Philippines/Cambodia/Hong Kong	35.19%	N/A	(3,530)	N/A	100,659	N/A				
Individually immaterial subsidiaries with non-controlling interests						35,839	34,730				
						387,882	(73,601)				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### 43.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Notes:

(a) MelcoLot is listed on the Hong Kong Stock Exchange. Although the Group has only 40.65% ownership in MelcoLot, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant entities of MelcoLot on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 59.35% ownership interests in MelcoLot are owned by large numbers of shareholders with insignificant shareholding that are unrelated to the Group, none of the shareholders that unrelated to the Group individually holding more than 10%.

(b) EGT became subsidiary of the Group during 2014.

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

### *MelcoLot*

	2014	2013
	HK\$'000	HK\$'000
Current assets	<b>524,911</b>	101,011
Non-current assets	<b>858</b>	3,038
Current liabilities	<b>(104,778)</b>	(305,481)
Equity (deficiency of equity) attributable to owners of MelcoLot	<b>415,890</b>	(210,738)
Non-controlling interests	<b>5,101</b>	9,306

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### 43.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

#### *MelcoLot (Continued)*

	2014 HK\$'000	2013 HK\$'000
Revenue	<b>45,284</b>	54,561
Expenses	<b>(111,833)</b>	(67,531)
Loss for the year	<b>(66,549)</b>	(12,970)
Loss attributable to owners of MelcoLot	<b>(65,403)</b>	(17,117)
(Loss) profit attributable to the non-controlling interests of MelcoLot	<b>(1,146)</b>	4,147
Loss for the year	<b>(66,549)</b>	(12,970)

	2014 HK\$'000	2013 HK\$'000
Other comprehensive income (expense) attributable to owners of MelcoLot	<b>6,143</b>	(5,638)
Other comprehensive (expense) income attributable to the non-controlling interests of MelcoLot	<b>(19)</b>	86
Other comprehensive income (expense) for the year	<b>6,124</b>	(5,552)
Total comprehensive expense attributable to owners of MelcoLot	<b>(59,260)</b>	(22,755)
Total comprehensive (expense) income attributable to the non-controlling interests of MelcoLot	<b>(1,165)</b>	4,233
Total comprehensive expense for the year	<b>(60,425)</b>	(18,522)
Dividend to non-controlling shareholders	<b>3,040</b>	6,748
Net cash inflow (outflow) from operating activities	<b>3,876</b>	(10,869)
Net cash (outflow) inflow from investing activities	<b>(197,136)</b>	4
Net cash inflow from financing activities	<b>436,751</b>	37,821
Net cash inflow	<b>243,491</b>	26,956

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

### 43.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

EGT

	2014
	HK\$'000
Current assets	<b>191,577</b>
Non-current assets	<b>155,832</b>
Current liabilities	<b>(23,396)</b>
Non-current liabilities	<b>(7,408)</b>
Equity attributable to owners of EGT	<b>316,602</b>
Non-controlling interests	<b>3</b>

Revenue	26.11.2014 (date of acquisition) to 31.12.2014 HK\$'000
Expenses	(34,188)
Loss for the period attributable to owners of EGT	(11,693)
Other comprehensive income for the period attributable to owners of EGT	128
Total comprehensive expense for the period attributable to owners of EGT	(11,565)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### 43.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

*EGT (Continued)*

	26.11.2014 (date of acquisition) to 31.12.2014 HK\$'000
Dividend to non-controlling shareholders	—
Net cash outflow from operating activities	(9,921)
Net cash outflow from investing activities	(3,979)
Net cash outflow from financing activities	(117)
Net cash outflow	(14,017)

### 43.3 Change in ownership interest in a subsidiary

During the year ended 31 December 2014, the Group disposed of 74,208,000 (2013: 123,940,000) MelcoLot's shares (the "Disposal"), representing 2.36% (2013: 5.15%) of the issued share capital of MelcoLot as at 31 December 2014, for an aggregate cash consideration, net of expenses, of approximately HK\$110,203,000 (2013: HK\$149,003,000), in the open market. The consideration was calculated by referencing to the market price of MelcoLot at the date of the Disposal.

The gain in respect of the Disposal of approximately HK\$116,977,000 (2013: HK\$160,943,000), calculated by (a) adding the net liabilities of MelcoLot attributable to the non-controlling interests of approximately HK\$6,774,000 (2013: HK\$11,940,000) and (b) deducting the related costs and expenses of the disposal of approximately HK\$396,000 (2013: HK\$537,000) from the gross proceeds of the Disposal of approximately HK\$110,599,000 (2013: HK\$149,540,000), has been credited to special reserve.

# Five Years Financial Summary

## RESULTS

	For the year ended 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Revenue	206,691	129,314	146,851	183,274	<b>201,735</b>
(Loss) profit for the year	(208,608)	281,392	1,123,614	1,604,116	<b>1,435,127</b>
Attributable to:					
Owners of the Company	(209,464)	280,085	1,121,903	1,596,715	<b>1,487,172</b>
Non-controlling interests	856	1,307	1,711	7,401	<b>(52,045)</b>
	(208,608)	281,392	1,123,614	1,604,116	<b>1,435,127</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Total assets	8,340,680	8,578,030	9,925,332	12,943,071	<b>14,097,064</b>
Total liabilities	(1,484,838)	(1,366,454)	(627,438)	(1,327,724)	<b>(1,377,526)</b>
	6,855,842	7,211,576	9,297,894	11,615,347	<b>12,719,538</b>
Equity attributable to owners of the Company	6,827,951	7,182,646	9,374,433	11,688,948	<b>12,331,656</b>
Non-controlling interests	27,891	28,930	(76,539)	(73,601)	<b>387,882</b>
	6,855,842	7,211,576	9,297,894	11,615,347	<b>12,719,538</b>

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. HO, Lawrence Yau Lung  
*(Chairman and Chief Executive Officer)*  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence

### Non-executive Director

Mr. NG Ching Wo

### Independent Non-executive Directors

Sir Roger LOBO  
Mr. SHAM Sui Leung, Daniel  
Dr. TYEN Kan Hee, Anthony

## EXECUTIVE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Mr. TSANG Yuen Wai, Samuel\*  
Mr. TAM Chi Wai, Dennis\*

## AUDIT COMMITTEE

Sir Roger LOBO (*Chairman*)  
Mr. NG Ching Wo  
Mr. SHAM Sui Leung, Daniel  
Dr. TYEN Kan Hee, Anthony

## REMUNERATION COMMITTEE

Mr. SHAM Sui Leung, Daniel (*Chairman*)  
Sir Roger LOBO  
Mr. NG Ching Wo

## NOMINATION COMMITTEE

Dr. TYEN Kan Hee, Anthony (*Chairman*)  
Sir Roger LOBO  
Mr. NG Ching Wo

## CORPORATE GOVERNANCE COMMITTEE

Mr. NG Ching Wo (*Chairman*)  
Mr. SHAM Sui Leung, Daniel  
Dr. TYEN Kan Hee, Anthony  
Mr. TSANG Yuen Wai, Samuel\*

## REGULATORY COMPLIANCE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. TSANG Yuen Wai, Samuel\*

## FINANCE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Mr. TAM Chi Wai, Dennis\*

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Sir Roger LOBO (*Chairman*)  
Mr. HO, Lawrence Yau Lung  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Ms. MA Po Ming, Maggie\*

## COMPANY SECRETARY

Mr. TSANG Yuen Wai, Samuel

## QUALIFIED ACCOUNTANT

Mr. TAM Chi Wai, Dennis

## REGISTERED OFFICE

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Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

King & Wood Mallesons  
Gibson, Dunn & Crutcher LLP

## PRINCIPAL BANKERS

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Bank of China, Macau Branch  
UBS AG

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## STOCK CODE

Hong Kong Stock Exchange: 200

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\* non-voting co-opted members

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