



IN CONSTANT PURSUIT OF THE FINEST



In all we do, we work
with the cream of the
crop to deliver the
best in leisure and
entertainment.



CHAIRMAN & CEO'S STATEMENT

The year 2007 was a fruitful year for Melco, in which breakthrough achievements were made in various business sectors. Buoyant economic atmosphere and improved investment sentiment had provided us with a favorable business environment within which to operate our businesses. Apart from achieving improved performance in our leisure, gaming and entertainment division, we also recorded marked progress in our financial services and technology divisions. With four listed companies specialized in various industries, the Melco Group has become a New Generation Asian Conglomerate having a leading position in the respective business sectors.

Our leisure, gaming and entertainment division saw the biggest advancement in the past year. Crown Macau, our first hotel-cum-casino project opened in May 2007, is focused on the market dominating VIP gaming segment. As our Mocha Clubs are intended for non-casino based venues, Crown Macau marked our formal entry into Macau's booming casino sector as a licensed gaming operator, represented by an associated company. In less than a year, Crown Macau has claimed a remarkable 18% market share backed by an immensely successful high rolling chip VIP business. Crown Macau is expected to maintain strong performance in the near future. With two other projects, namely the City of Dreams and the Macau Peninsula project moving on track, the Group is poised to gain increased prominence in the Macau gaming market.

We made two strategic moves in 2007. Seeking to tap the growing spending power of Chinese consumers and their pursuit of high-end leisure, recreation and





sporting products and services, we expanded into ski resort operations in China with the establishment of Melco China Resort Investment Limited. Several high quality ski resorts in Northeastern China have been acquired and are being revamped and re-branded into premium four-season resorts that rival other world-class ski resorts. These resorts are expected to commence operation in 2008 and will offer customers superior skiing facilities and impeccable hospitality experience unseen in China before. We are optimistic about the prospects of this new segment becoming an important revenue source of the Group in the future.

We also made a foray into the regional lottery market in the past year. We participated in the robust China lottery market through offering a broad range of lottery products and value-added technical and venue management services. We now own one of the largest lottery sales networks in China. Beyond China, we have also identified business opportunities in other Asian Pacific countries. A consortium of which we are a member won a license in Korea that will give the consortium the exclusive right to run Welfare Lotto for five years.

Other business divisions of the Group also reported encouraging results. In the technology sector, Elixir signed new gaming machine deployment contracts on a revenue participation model. This new business model enables us to derive revenue from the high margin slot machine industry and has allowed us to rapidly gain a significant presence in the markets of the Philippines, Vietnam and Cambodia. Our financial services arm Value Convergence also benefited from

the burgeoning stock market in Hong Kong and recorded outstanding financial results in the past year. VC Capital, the corporate finance arm of Value Convergence, successfully sponsored and lead managed a major new listing in Hong Kong for a Chinese company. This exercise underscored VC Capital's professional skills and competence in handling large regional deals.

Looking ahead, despite the turmoils in the global financial markets, we remain upbeat and optimistic about the economic prospects of the Greater China Region and the surrounding areas. As Macau solidifies its position as the leading leisure and gaming destination in the global market place, we will take advantage of our established leading position to capture new business opportunities as they arise. We are also well positioned to reap benefits from the growing affluence of the Chinese people. We will continue our strategic developments across Asia in the interests of the Group and are confident that our core business divisions will deliver strong performances and improve shareholders' value.

Finally, I would like to thank all shareholders for their support and our employees for their creativity, hard work and loyalty. They are the key factors that drive the continuous growth of the Group.

Ho, Lawrence Yau Lung

Chairman and Chief Executive Officer