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MELCO
Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Melco International Development Limited (the “Company” or “Melco”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 as follows:

FINANCIAL HIGHLIGHTS

1. Net revenue was HK\$23.9 billion for the year ended 31 December 2016, increased over 50-fold by HK\$23.5 billion, compared to HK\$0.4 billion for the year ended 31 December 2015.
2. Adjusted EBITDA* for the year ended 31 December 2016 was HK\$5.3 billion, increased over 10-fold by HK\$4.9 billion, compared to HK\$0.4 billion for the year ended 31 December 2015.
3. Profit attributable to owners of the Company was HK\$10.4 billion for the year ended 31 December 2016, increased significantly over 100-fold by HK\$10.3 billion, compared to HK\$0.1 billion for the year ended 31 December 2015.
4. Basic earnings per share attributable to owners of the Company was HK\$6.74 for the year ended 31 December 2016 compared to HK\$0.07 for the year ended 31 December 2015.

5. Net asset value per share attributable to owners of the Company increased considerably by more than 80% to HK\$14.6 as of 31 December 2016, as compared to HK\$8.0 as of 31 December 2015. Net assets value was HK\$57.0 billion as of 31 December 2016.
6. The Board has recommended the payment of a special final dividend of HK2.0 cents per share, totaling approximately HK\$30.9 million, for the year ended 31 December 2016 to reward the shareholders for their continuing support. The proposed dividend is expected to be paid on 4 July 2017.

* *Adjusted EBITDA is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and others, share option expenses, share award expenses, payments to the Philippine parties, land rent to Belle Corporation, corporate expenses, interest income, other income, other gains or losses, gain on disposal of a subsidiary, gain (loss) on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.*

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	23,852,811	395,082
Other income, other gains or losses		129,574	53,334
Employee benefits expenses		(4,427,451)	(284,085)
Depreciation and amortization		(3,325,477)	(38,594)
Special gaming tax, other license fees and other related taxes		(9,501,712)	–
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest		10,440,376	–
– Reclassification of previously accumulated exchange reserve upon deemed disposal		(54,912)	–
Other expenses		(5,576,773)	(289,519)
Finance costs		(1,786,199)	(45,779)
Share of losses of joint ventures		(1,966)	(5,695)
Share of profits of associates		180,697	307,333
Profit before tax		9,928,968	92,077
Income tax expense	5	(38,189)	(1,200)
Profit for the year		9,890,779	90,877
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(51,958)	(702)
Loss from change in fair value of available-for-sale investments		(5,093)	–
Gain from change in fair value of interest rate swap agreements		1,107	–
Share of exchange differences of an associate		1,052	(12,835)
Share of exchange differences of joint ventures		(9)	(13,136)
Reclassification of exchange reserve upon deemed disposal of previously held interest in an associate		54,912	–
Other comprehensive income (expense) for the year, net of income tax		11	(26,673)
Total comprehensive income for the year		9,890,790	64,204

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		10,365,940	100,924
Non-controlling interests		(475,161)	(10,047)
		<u>9,890,779</u>	<u>90,877</u>
 Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		10,407,793	74,126
Non-controlling interests		(517,003)	(9,922)
		<u>9,890,790</u>	<u>64,204</u>
 Earnings per share			
Basic (HK\$)	7	<u>6.74</u>	<u>0.07</u>
Diluted (HK\$)		<u>6.72</u>	<u>0.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		47,041,603	82,852
Investment properties		190,000	178,000
Land use rights		5,719,981	–
Gaming license and subconcession		5,991,892	–
Goodwill		5,299,451	–
Trademarks		16,992,458	–
Other intangible assets		15,864	5,700
Interests in associates		17,988	11,607,027
Interests in joint ventures		230	20,387
Trade and other receivables, prepayments and deposits	8	1,468,506	56,867
Deferred tax assets		1,640	2,133
Other financial assets		84,965	50,025
		<u>82,824,578</u>	<u>12,002,991</u>
Current assets			
Land use rights		166,057	–
Inventories		255,724	20,232
Trade and other receivables, prepayments and deposits	8	3,158,907	96,439
Income tax receivables		406	–
Other financial assets		3,517,540	1,730,026
Bank balances and cash		13,727,720	467,250
		<u>20,826,354</u>	<u>2,313,947</u>
Current liabilities			
Trade and other payables and accruals	9	11,014,990	153,904
Taxation payable		74,328	33,100
Borrowings – due within one year		398,960	4,980
Obligations under finance leases – due within one year		239,079	–
		<u>11,727,357</u>	<u>191,984</u>
Net current assets		<u>9,098,997</u>	<u>2,121,963</u>
Total assets less current liabilities		<u>91,923,575</u>	<u>14,124,954</u>

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	2,437,570	4,368
Other payables and accruals	389,951	6,844
Borrowings – due after one year	30,011,421	1,335,290
Obligations under finance leases – due after one year	2,041,140	–
	34,880,082	1,346,502
	57,043,493	12,778,452
Capital and reserves		
Share capital	5,437,303	5,436,556
Reserves	16,910,443	6,949,281
Equity attributable to owners of the Company	22,347,746	12,385,837
Non-controlling interests	34,695,747	392,615
	57,043,493	12,778,452

NOTES

1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the “Group”) are divided into two reportable segments, namely (i) Casino and Hospitality segment; and (ii) Others segment.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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.

The financial information relating to the years ended 31 December 2016 and 2015 that included in this preliminary announcement of annual results of 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company anticipate that the application of some of these new and amendments to HKFRSs in issue but not yet effective may have an impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements.

3. REVENUE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Casino revenue	21,792,685	–
Entertainment and resort facilities revenue:		
Entertainment, retail and others	1,194,657	–
Catering service income	562,719	88,595
Rooms	167,896	–
Lottery business:		
Provision of services and solutions for distribution of lottery products	880	5,591
Trading of lottery terminals and parts	59,401	51,572
Electronic gaming machines participation	57,766	141,026
Manufacture and distribution of gaming chips and plaques	12,543	104,109
Property rental income	4,204	4,189
Others	60	–
	<u>23,852,811</u>	<u>395,082</u>

4. SEGMENT INFORMATION

The Group is principally engaged in the gaming, leisure and entertainment and property investments and upon completion of the deemed acquisition of Melco Crown Entertainment Limited (“Melco Crown Entertainment”, together with its subsidiaries collectively referred to as “Melco Crown Entertainment Group”) (Note 10), the Casino and Hospitality businesses became the new operating segment of the Group for the current year. For segment reporting purpose, the other operating segments disclosed in prior year including gaming, leisure and entertainment and property investments are aggregated and reported under “Others” as none of these operating segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, the comparative information has been restated. The Group’s operating segments, are determined based on information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance.

Segment revenue and results

The following is an analysis of the Group’s revenue and Adjusted EBITDA by operating and reportable segments:

2016

	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Segments' Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	23,637,855	214,956	23,852,811	–	23,852,811
Inter-segment sales	6,532	–	6,532	(6,532)	–
Total segment revenue	<u>23,644,387</u>	<u>214,956</u>	<u>23,859,343</u>	<u>(6,532)</u>	<u>23,852,811</u>
Adjusted EBITDA	<u>5,340,257</u>	<u>(35,676)</u>	<u>5,304,581</u>	<u>–</u>	<u>5,304,581</u>
Adjusted items for Adjusted EBITDA:					
Share options expenses					(194,021)
Share award expenses					(123,693)
Depreciation and amortization					(3,325,477)
Pre-opening costs					(26,505)
Development costs					(689)
Property charges and others					(37,892)
Payments to the Philippine parties					(191,535)
Land rent to Belle Corporation					(17,152)
Interest income					61,423
Other income, other gains or losses					53,068
Gain on deemed disposal of partial interest in an associate					591
Gain on deemed disposal of previously held interest in an associate					
– Gain on remeasurement of previously held interest					10,440,376
– Reclassification of previously accumulated exchange reserve upon deemed disposal					(54,912)
Finance costs					(1,786,199)
Corporate expenses					(172,996)
Profit before tax					<u>9,928,968</u>

2015 (Restated)

	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Segments' Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	–	395,082	395,082	–	395,082
Inter-segment sales	–	–	–	–	–
Total segment revenue	<u>–</u>	<u>395,082</u>	<u>395,082</u>	<u>–</u>	<u>395,082</u>
Adjusted EBITDA	<u>307,333</u>	<u>42,941</u>	<u>350,274</u>	<u>–</u>	<u>350,274</u>
Adjusted items for Adjusted EBITDA:					
Share options expenses					(74,240)
Share award expenses					(41,239)
Depreciation and amortization					(38,594)
Interest income					32,307
Other income, other gains or losses					10,833
Gain on disposal of a subsidiary					3,731
Loss on deemed disposal of partial interest in an associate					(1,394)
Finance costs					(45,779)
Corporate expenses					<u>(103,822)</u>
Profit before tax					<u>92,077</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Adjusted EBITDA, which is a non-HKFRS financial measure, is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and others, share option expenses, share award expenses, payments to the Philippine parties, land rent to Belle Corporation, corporate expenses, interest income, other income, other gains or losses, gain (loss) on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Not all companies calculate Adjusted EBITDA in the same manner. As a result, Adjusted EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.

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

Segment assets and liabilities

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

Segment assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Casino and Hospitality	101,100,921	11,607,027
Others	<u>2,467,705</u>	<u>2,656,922</u>
Total segment assets	103,568,626	14,263,949
Unallocated assets	<u>82,306</u>	<u>52,989</u>
Consolidated assets	<u><u>103,650,932</u></u>	<u><u>14,316,938</u></u>

Segment liabilities

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Casino and Hospitality	42,672,897	–
Others	<u>85,842</u>	<u>137,112</u>
Total segment liabilities	42,758,739	137,112
Unallocated liabilities	<u>3,848,700</u>	<u>1,401,374</u>
Consolidated liabilities	<u><u>46,607,439</u></u>	<u><u>1,538,486</u></u>

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

- all assets are allocated to operating segments other than pledged bank deposits, which are for corporate use, deferred tax assets and other assets not attributable to respective segments.
- all liabilities are allocated to operating segments other than certain borrowings, which are for corporate use, dividends payable, deferred tax liabilities and other liabilities not attributable to respective segments.

Revenue from major products and services

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

Information about major customers

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A ¹	N/A	105,485
Customer B ²	N/A	51,572

¹ Revenue from electronic gaming machines participation under Others segment. The customer did not contribute over 10% of the total sales of the Group for the year ended 31 December 2016.

² Revenue from trading of lottery terminals and parts under Others segment. The customer did not contribute over 10% of the total sales of the Group for the year ended 31 December 2016.

5. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Macau Complementary Tax	17,183	–
Lump sum in lieu of Macau Complementary Tax on dividends	14,499	–
Hong Kong Profits Tax	10,640	–
PRC Enterprise Income Tax	733	449
Other jurisdictions	2,199	3,327
Sub-total	45,254	3,776
Overprovision in prior years	(1,549)	
Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior years	(17,191)	–
Sub-total	(18,740)	–
Deferred tax	11,675	(2,576)
Total	38,189	1,200

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 December 2016. No provision for Hong Kong Profits Tax for the year ended 31 December 2015 was made as there was no estimated assessable profit derived from Hong Kong.

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%.

Macau Complementary Tax and Philippine Corporate Income Tax have been provided at 12% and 30% on the estimated taxable income earned in or derived from Macau and the Philippines, respectively, during year ended 31 December 2016, if applicable.

Macau Complementary Tax has been provided at 12% on the estimated taxable income earned in or derived from Macau during the year ended 31 December 2016, if applicable. Melco Crown (Macau) Limited (“Melco Crown Macau”) has been exempted from Macau Complementary Tax on profits generated by gaming operations until 2021 pursuant to the approval notices issued by the Macau Government. One of the Company’s subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Crown Macau until 2021, to the extent that such income is derived from Studio City gaming operations pursuant to an approval notice issued by the Macau Government. The exemption coincides with Melco Crown Macau’s exemption from Macau Complementary Tax. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax and Melco Crown Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

Pursuant to a tax concession arrangement for shareholders of Melco Crown Macau approved by the Macau Government in 2013, an annual lump sum amount of MOP22,400,000 (equivalent to HK\$21,748,000) is payable by Melco Crown Macau to the Macau Government from 2012 through 2016 coinciding with the 5-year tax holiday mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Crown Macau on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends are actually distributed or whether Melco Crown Macau has distributable profits in the relevant year. Melco Crown Macau has also applied for an additional 5-year extension for the tax concession arrangement. Such application is being reviewed by the Macau Government as of the date of this announcement.

The casino operations of MCE Leisure (Philippines) Corporation, the operator of City of Dreams Manila, were exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

6. DIVIDENDS

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 Interim – HK1.5 cents (2015: 2015 Interim of HK1.5 cents) per share	23,200	23,200
2015 Final – HK2.0 cents (2015: 2014 Final of HK7.5 cents) per share	30,933	116,000
	54,133	139,200

Subsequent to the end of the reporting period, the Board has recommended a special final dividend of HK2.0 cents (2015: HK2.0 cents) per share, totaling approximately HK\$30,876,000 (2015: HK\$30,933,000), for the year ended 31 December 2016, to the shareholders of the Company. The special final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

7. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	10,365,940	100,924
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by an associate of the Group	–	(1,875)
Adjustment in relation to share options issued by the subsidiaries of the Company	–	(32)
	<u>–</u>	<u>(1,907)</u>
Earnings for the purpose of diluted earnings per share	10,365,940	99,017
	<u>10,365,940</u>	<u>99,017</u>
	2016 <i>'000</i>	2015 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,537,723	1,541,917
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	5,665	9,491
	<u>5,665</u>	<u>9,491</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,543,388	1,551,408
	<u>1,543,388</u>	<u>1,551,408</u>

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

During the years ended 31 December 2016 and 2015, the computation of diluted earnings per share does not assume the exercise of the Company's certain share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes because the adjusted exercise price of those options and unvested awarded shares are higher than the average market price of the Company's shares during the relevant year. In addition, the effect of the potential ordinary shares of other subsidiaries of the Company is anti-dilutive.

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the due date:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	1,447,042	32,696
31 – 90 days	191,780	659
91 – 180 days	62,690	–
Over 180 days	100,661	44
	<u>1,802,173</u>	<u>33,399</u>
Total	<u><u>1,802,173</u></u>	<u><u>33,399</u></u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables presented based on the due date:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	123,092	27,857
31 – 90 days	15,999	279
Over 90 days	9,237	1,205
	<u>148,328</u>	<u>29,341</u>
	<u><u>148,328</u></u>	<u><u>29,341</u></u>

10. DEEMED ACQUISITION OF A SUBSIDIARY

On 4 May 2016, Melco Crown Entertainment, a then associate of the Group, entered into a share repurchase agreement with Crown Asia Investments Pty. Ltd. (“Crown Sub”), a wholly-owned subsidiary at Crown Resorts Limited (“Crown”) pursuant to which Melco Crown Entertainment agreed to repurchase 155,000,000 ordinary shares from Crown Sub for a consideration of US\$800,838,500 (equivalent to approximately HK\$6,206,498,000) (the “Share Repurchase”). In connection with the Share Repurchase, the Company, Melco Leisure and Entertainment Group Limited, Crown, Crown Sub and Melco Crown Entertainment entered into a supplemental shareholders’ deed (“Supplemental Shareholders’ Deed”) to amend certain terms to the amended and restated shareholders’ deed relating to Melco Crown Entertainment dated 12 December 2007 and the Memorandum and Articles of Association (“M&A”) of Melco Crown Entertainment. Immediately prior to the Share Repurchase, Melco Crown Entertainment was owned by the Group, Crown Sub and public shareholders as to approximately 34.3%, 34.3% and 31.4% respectively. After effecting the Share Repurchase on 9 May 2016, the equity interest of Crown Sub in Melco Crown Entertainment was reduced to approximately 27.4%, while the equity interests of the Group and public shareholders in Melco Crown Entertainment were increased to approximately 37.9% and 34.7%, respectively, and the Group has become the single largest shareholder of Melco Crown Entertainment. Following the Supplemental Shareholders’ Deed coming into effect on the same date, the Group has obtained control of Melco Crown Entertainment which has become an accounting subsidiary of the Group. This deemed acquisition has been accounted for as a business combination.

Consideration transferred

As the business combination is achieved without transfer of consideration from the Group, the consideration transferred is deemed as the acquisition-date fair value of the Group's interest in Melco Crown Entertainment (the "Deemed Consideration").

Assets acquired and liabilities recognized at the date of deemed acquisition

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	47,488,086
Land use rights	5,996,744
Gaming license and sub-concession	6,702,315
Trademarks	16,992,458
Deferred tax assets	400
Inventories	257,983
Trade and other receivables	5,212,357
Restricted cash	1,795,562
Bank balances and cash	9,910,250
Liabilities	
Trade and other payables	(9,387,804)
Deferred tax liability	(2,422,502)
Borrowings	(29,840,861)
Obligations under finance leases	(2,378,016)
	<u>50,326,972</u>

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK\$5,212,357,000, which approximates to the gross contractual amounts. Based on the best estimate at the acquisition date, the contractual cash flows are expected to be fully collected.

Goodwill arising from deemed acquisition:

	<i>HK\$'000</i>
Interest in an associate	
– Previously held interest (<i>note (i)</i>)	20,912,855
Non-controlling interests:	
– Non-controlling interests' proportion in Melco Crown Entertainment Group (<i>note (ii)</i>)	34,212,003
– Outstanding share options of Melco Crown Entertainment and Melco Crown (Philippines) Resorts Corporation (<i>note (iii)</i>)	
– Vested portion	331,070
– Unvested portion	119,461
– Outstanding restricted shares of Melco Crown Entertainment and Melco Crown (Philippines) Resorts Corporation (<i>note (iii)</i>)	
– Vested portion	384
– Unvested portion	50,650
Less: fair value of identified net assets acquired (100%)	<u>(50,326,972)</u>
Goodwill arising from deemed acquisition (<i>note (iv)</i>)	<u>5,299,451</u>

Notes:

- (i) The difference between the fair value and the Group's carrying amount of its interest in Melco Crown Entertainment before the business combination of approximately HK\$10,440,376,000 and the Group's cumulative share of the exchange reserve of Melco Crown Entertainment of approximately HK\$54,912,000, were recognized in profit or loss as a gain on deemed disposal of the previously held interest in Melco Crown Entertainment as an associate.
- (ii) The non-controlling interests in Melco Crown Entertainment Group recognized at the acquisition date were measured at the non-controlling interests' proportion of Melco Crown Entertainment Group's identifiable net assets.
- (iii) The outstanding share options and restricted shares of Melco Crown Entertainment and Melco Crown (Philippines) Resorts corporation (including both vested and unvested portions) that are not replaced were measured at the acquisition date.
- (iv) Goodwill arose in the deemed acquisition of Melco Crown Entertainment because the deemed consideration transferred for the combination effectively included the benefit of future market development of Melco Crown Entertainment. These benefits are included in goodwill and not recognized separately because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.
- (v) Acquisition-related costs amounting to HK\$5,400,000 have been recognised as an expense in the current year, within the other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Cash inflow on deemed acquisition of Melco Crown Entertainment

	<i>HK\$'000</i>
Bank balances and cash acquired	<u>9,910,250</u>

11. EVENTS AFTER THE REPORTING PERIOD

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.4% of Melco Crown Entertainment for a cash consideration of HK\$8,531,206,000. The Group obtained a banking facility amounting to US\$1,000,000,000 (equivalent to HK\$7,780,000,000) and has drawn down US\$700,000,000 (equivalent to HK\$5,446,000,000) to finance part of consideration of the acquisition. As a result of the acquisition, the Group's shareholding in Melco Crown Entertainment has increased from 37.9% to 51.3%. Details of the transaction are set out in a circular to the shareholders of the Company dated 20 February 2017.

CHAIRMAN & CEO'S STATEMENT

After a long period of struggles through different challenges affecting the gaming industry in Macau, we finally began to see positive signs of recovery in gaming revenue in the third quarter of 2016, and we even saw signs of improvement in the VIP segment towards the end of the year. Signifying our faith in Macau's long term prospects, Melco has assumed majority ownership of Melco Crown Entertainment Limited ("Melco Crown Entertainment") in February 2017. With conservative optimism for a stable recovery and long-term trust in the local gaming market, Melco continued to focus its effort in supporting tourism diversification in Macau by breaking new grounds at the vanguard of luxury development, and at the same time, we have also been eagerly exploring opportunities in new markets. During the year, we proudly unveiled the long-awaited new hotel brand – Morpheus – and also the new retail precinct for our flagship integrated resort City of Dreams in Macau, achieved favourable growth and business performances with City of Dreams Manila in the Philippines, and benefited from the continuous ramp-up of Tigre de Cristal in Russia near Vladivostok. We also continued to advance on our expansion plan in new and high potential markets such as South Korea, Cyprus and Japan. The series of monumental transformations we had undergone in 2016 has brought us closer to realising our vision of becoming a global leader in leisure and entertainment.

In Macau, one of the key milestones achieved in 2016 has been the unveiling of Morpheus, the new hotel brand created for the fifth hotel tower at City of Dreams. Morpheus is to be situated in the world's first free-form exoskeleton architectural composition designed by the late Dame Zaha Hadid, DBE., and is expected to become an icon in the Macau skyline, setting a new benchmark for contemporary ultra-luxurious hospitality. This architectural masterpiece embodies a new sophisticated luxury that illustrates what we have to offer in Macau's quest towards becoming a World Centre of Tourism and Leisure. Morpheus is expected to commence operation in 2018.

In addition, we were very excited to launch the highly anticipated new retail area at City of Dreams in December 2016, which is three-fold the former retail space. We believe that the new mall, which features the largest shoe salon in Hong Kong and Macau, the largest beauty hall in Southern China and a personal stylist team dedicated to guiding individual customers through the latest offerings according to their personality and taste, introduces a new thinking that shapes the future of luxury retail and strengthens our leading position in the premium mass market segment in the region.

Studio City, our Hollywood-inspired, cinematically-themed integrated resort celebrated its first anniversary in October 2016. Since its grand opening a year ago, the Asia's Entertainment Capital has attracted over 10 million visitors and garnered more than 35 local and international awards for its enthralling gamut of world-class entertainment offerings and efforts in creating remarkable experiences for visitors to Macau. Studio City has successfully transformed Macau's entertainment landscape and enhanced our non-gaming entertainment proposition by introducing many "firsts" in entertainment to the city. Besides, while Studio City's core focus remains on its mass market offerings which are ideally aligned to the demand landscape in Macau, we have introduced rolling chip operations there in November 2016 to enhance the property's gaming proposition. After the ramp-up period, the property is now running in full steam and has significantly broadened the Group's income stream. We anticipate that the property's VIP operations will contribute meaningfully to the Group's revenue in the coming quarters.

Outside of Macau, City of Dreams Manila, our integrated resort in the Philippines, continues to increase its gaming market share by delivering strong revenue growth across all gaming segments. The improvement in gaming operations together with cost efficiencies identified through our group-wide focus on managing reinvestment and other operating expenses has resulted in a solid financial performance in the fourth quarter of 2016. Our decision to invest in the Philippines, which continues to be the fastest-growing gaming market in the world, is testament to our commitment to identify and commit to new markets or development opportunities that meet our stringent investment criteria and enable us to expand our gaming and non-gaming network around the region and diversify our income stream. In the Russian Federation, Tigre de Cristal, the casino project in which we have an interest, has continued to ramp up, with the main contribution to its profitability coming from the rolling chip business which targets VIP customers from Northeast Asia, enabling us to capture the full potential of the region.

As a bellwether for the integrated resort industry, we take pride in staying at the forefront of our customers' minds by providing them with not only unparalleled enthralling entertainment, but also an impeccable hospitality experience. We are immensely gratified that, year after year, astute travellers who look for the highest level of style, comfort and sophistication invariably return to us for the best-in-class services and experiences. Certainly, 2016 marks the pinnacle of Melco's history as a leading integrated resort operator – not only did we lead all of Macau with the most Five-Star awards in the latest *Forbes Travel Guide*, we have also officially topped the authoritative *Michelin Guide's* 2017 Hong Kong and Macau edition with five Michelin-starred dining establishments in Macau, again more than any of our peers in that city. Separately, City of Dreams and Studio City were named "Macau's Leading Resort" and "Asia's Leading New Resort" by the World Travel Awards 2016 respectively. Apart from that, Studio City has also garnered the "Casino/Integrated Resort of the Year" award from International Gaming Awards 2016. These accolades further cement Melco's unshakable position as a market leader in the leisure and entertainment industry.

In order to establish the Group as a global entertainment and gaming operator, we have always been looking for growth and development opportunities which enable us to expand our global network. Leveraging our strong experience and proven track record of creating and operating world-class integrated entertainment and leisure resorts, in May 2016, our wholly-owned subsidiary Melco Gaming Assets Management (Korea) Limited, entered into a strategic cooperation arrangement with New Silkroad Korea Development Limited on the provision of consultancy services for its casino project on Jeju Island, South Korea. Outside of Asia, in Cyprus, the multinational consortium consisting of Melco, Hard Rock International and Cyprus Phasouri (Zakaki) Limited, has successfully satisfied the requirements of the tender process of licensing an integrated casino resort in the country in November 2016. The consortium has now entered the final stage of obtaining a 30-year license for the operation of the new casino resort, with a 15-year exclusivity period, from the Cypriot government.

Notably, we are also eagerly advancing our plan to secure a gaming license in Japan, as the legalization of casinos in December 2016 has paved the way for tremendous business opportunities in this wealthy and populous country. Although the regulatory framework is yet to be set up, we are optimistic about the prospects of Japan and are committed to earmark significant resources with the goal of developing a distinctive integrated resort for Japan in the long run.

Besides business development and growth, as a responsible corporate citizen, we are very committed to giving back to and creating value for the communities in which we have deep roots as well. We have always placed corporate governance and corporate social responsibility as our top priority. Our inclusion as one of the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index is a strong testimony to our efforts in this regard. In 2016, we have also garnered the “Best CSR” award from *Corporate Governance Asia magazine*. Besides, all three of our hotel towers at City of Dreams, namely Grand Hyatt Macau, Crown Towers and Hard Rock Hotel have brought home “Gold Medals” from the Macao Green Hotel Awards for their outstanding environmental measures.

Looking ahead, Macau’s gaming industry as a whole continues to face market headwinds, including stricter capital controls in mainland China, depreciation of the Renminbi, smoking control measures and competition from new casino resorts. Nonetheless, there is plenty of room for optimism. The ongoing recovery of Macau that we have witnessed since mid-2016 would be underpinned by a pivot of the market towards the mass market segment, which is the bread and butter of our business, thanks to the growing Chinese middle class and the transformation of the Chinese economy from an investment-driven model to a consumption-oriented one. Furthermore, the expected completion of the Hong Kong-Zhuhai-Macao Bridge and the light rail transit station near Studio City by the end of 2017 are set to improve traffic access to City of Dreams and Studio City, our properties in Cotai, Macau. All in all, we are sanguine about our prospects in our home market in the medium-to-long run.

To maximise our potential, Melco will also continue to enhance our operations in Macau, the Philippines, Russia, South Korea, mainland China and Pan-Asian markets, advance our expansion plan in Cyprus, and explore new opportunities in other countries, such as Japan. As 2017 marks the 90th anniversary of our listing on The Stock Exchange of Hong Kong Limited, we believe it is destined to be an extraordinary year and we are all looking forward to an exciting ride which will take us to unprecedented new heights.

Finally, I would like to thank our Board of Directors, shareholders, employees and business partners for their unwavering support over the years, without which we would not be able to stand at where we are today. In the coming years, we look forward to further strengthening our global presence and continuing to bring the cream of the crop into the entertainment landscape of Asia and beyond.

Ho, Lawrence Yau Lung

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

The year 2016 was another exciting year for Melco, marked by its achievement of several important milestones in the development of business as well as in ongoing projects, both within Macau and overseas.

In December 2016, Melco announced that it had entered into an agreement to purchase additional interest in its core gaming arm Melco Crown Entertainment Limited (“Melco Crown Entertainment”). After the successful completion of the purchase in February 2017, Melco’s ownership in Melco Crown Entertainment increased from approximately 37.9% to 51.3%, making it Melco Crown Entertainment’s majority shareholder. The move not only strengthens Melco’s financial position, boosting its capability to realise its global expansion vision, but also represents the confidence it has in Macau’s long term prospects.

In Macau, the Group has unveiled earlier the new hotel tower branded “Morpheus” at its flagship integrated entertainment resort in Cotai, City of Dreams, which is scheduled to commence operation in 2018. Designed to fulfil the dreams of tomorrow’s most sophisticated international travellers, Morpheus embodies a new contemporary and unique kind of luxury like no other. The new hotel is one of the last and most brilliant designs of the late Dame Zaha Hadid, DBE. It is the world’s first free-form exoskeleton architectural composition incorporating a number of architectural and technological breakthroughs.

Furthermore, City of Dreams has introduced a stunningly edgy department-store style concept to Macau with its expanded retail area. The new mall is three times larger than before, providing an impressive array of some of the world’s most sought-after retail brands, notably boosting its appeal to travellers from Asia and beyond with increasingly discerning tastes.

In October 2016, the cinematically-themed integrated resort Studio City celebrated its first anniversary. It has attracted over 10 million visitors and received critical acclaims from around the world since its grand opening. The resort had a stellar year with monumental milestones achieved and received more than 35 local and international awards honouring its enthralling gamut of world-class entertainment offerings and efforts in creating remarkable experiences for visitors to Macau. With some of the first attractions of their kind in the world, Studio City is a perfect mirror of Melco’s vision of providing the catalysts Macau needs to develop into a World Centre of Tourism and Leisure.

Elsewhere in Asia, City of Dreams Manila, the Group's integrated resort in the Philippines, continues to deliver strong performance in this fast-growing gaming market. Its wide range of distinctive entertainment attractions including the world's first DreamWorks-inspired, education-based interactive play space DreamPlay by Dreamworks and the world-renowned nightclubs Pangaea and Chaos, continue to draw visitors at all ages from around the world. In South Korea, Melco Gaming Assets Management (Korea) Limited, a wholly-owned subsidiary of Melco, agreed on a strategic cooperation arrangement with New Silkroad Korea Development Limited on the provision of consultancy services for its casino project on Jeju Island. With the South Korean government's on-going and vigorous efforts to promote Jeju's tourism industry, the island's casino market is expected to grow rapidly. In the Russian Federation, Tigre de Cristal, the casino project in the Primorye Integrated Entertainment Zone near Vladivostok in which the Group has an interest, has continued to ramp up, with the main contribution to its profitability coming from the rolling chip business which targets VIP customers from Northeast Asia, enabling the Group to capture the full potential of the region.

Beyond Asia, the multinational consortium formed by Melco, Hard Rock International and Cyprus Phasouri (Zakaki) Limited, a member of the CNS group, has entered the final stage of obtaining a license to build and operate the first casino resort in the Republic of Cyprus. With its experience in creating the most spectacular integrated resorts in Asia, Melco is well-positioned to collaborate with the Cyprus government to establish a world-class integrated casino resort that will benefit the economy and tourism industry of Cyprus.

CORE BUSINESS

Gaming Business in Asia

The Group operates its gaming business primarily through its subsidiary, Melco Crown Entertainment, a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia, of which the Group assumed majority ownership (approximately 51.3%) on 16 February 2017.

Melco Crown Entertainment currently operates Altira Macau, a casino hotel located at Taipa, Macau; City of Dreams, an integrated urban casino resort located in Cotai, Macau; and Mocha Clubs, the largest non-casino based operations of electronic gaming machines in Macau. It also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Crown (Philippines) Resorts Corporation's subsidiary, MCE Leisure (Philippines) Corporation, currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. For more information about Melco Crown Entertainment, please visit www.melco-crown.com.

In 2016, Melco Crown Entertainment managed to achieve a strong set of operating and financial results, despite the ongoing challenges in the Macau gaming market. Net revenue increased year-over-year (“YoY”) by 13.7% to US\$4.5 billion, while consolidated Adjusted Property EBITDA ⁽¹⁾ grew by 16.7% to US\$1,087.5 million. Both improvements were mainly attributable to the contribution from a fully-operating Studio City and higher casino revenues at City of Dreams Manila, partially offset by lower casino revenues from City of Dreams in Macau and Altira Macau.

As Macau continues to show signs of a broader recovery, the Group believes Melco Crown Entertainment’s world-class portfolio of properties there will enable it to largely cater to a wider spectrum of gaming customers, while also offering tourists a vast and unrivalled non-gaming and entertainment proposition.

City of Dreams

City of Dreams is the Group’s flagship integrated resort in Macau which opened in June 2009. As a premium-focused property which targets high-end customers and rolling chip players from regional markets across Asia, City of Dreams operates approximately 500 gaming tables and 800 gaming machines as of 31 December 2016.

City of Dreams has witnessed another encouraging year in 2016, highlighted by the unveiling of its new hotel brand “Morpheus” and the full launch of the new shopping mall, a significant expansion of the City of Dreams’ retail area that boasts the largest collection of luxury brands in Cotai.

The “Morpheus” brand has been created for City of Dreams’ new hotel tower, a world-leading architectural masterpiece that is destined to set a new benchmark for contemporary ultra-luxurious hospitality. Expected to commence operation in 2018, Morpheus signifies the beginning of a new wave of opulent hospitality in Macau with the potential to attract visitors from around the world.

The long-awaited new mall at City of Dreams is three times larger than before, spreading across 173,000 square feet. By introducing more than 100 luxury brands, the new mall offers customers a spacious and cosmopolitan shopping experience with international labels.

⁽¹⁾ Adjusted Property EBITDA is earnings before interest, taxes, depreciation and amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, corporate and other expenses and other non-operating income and expenses. Adjusted Property EBITDA is used by management as the primary measure of the Group’s operating performance and to compare our operating performance with that of our competitors. However, Adjusted Property EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Building on the synergies created by its spectacular gaming and non-gaming entertainment offerings, including the world's largest water extravaganza – *The House of Dancing Water*, City of Dreams has further strengthened its position as the leading premium mass market leisure destination in Macau.

Studio City

Studio City, the Hollywood-inspired, cinematically-themed integrated entertainment, retail and gaming resort, is designed to be the most diversified entertainment offering in Macau. Since its grand opening in October 2015, the Asia's Entertainment Capital has attracted over 10 million visitors and received critical acclaim from around the world. As of 31 December 2016, Studio City operates approximately 280 gaming tables and 980 gaming machines.

Fully operational in 2016, Studio City's mass table games revenues continued to expand, leveraging its enthralling entertainment offerings. Combined with the rolling chip operations that began in November 2016, the property delivered a strong improvement in underlying earnings during the year. While the rolling chip operations broaden the property's gaming proposition, Studio City's core focus remains on its mass market offerings which are ideally aligned to the demand landscape in Macau.

As a studio-concept resort with thrilling new cinematic inspired entertainment, Studio City has been selected as the film setting for a number of popular TV shows and movies in its first year of operation. Moreover, its Studio City Event Center, with theatre-quality acoustics and 5,000 lavish seats, has hosted various concerts of Asian and international superstars and large-scale conventions, including the annual Global Tourism Economy Forum organized by the Macau government last October. The House of Magic, the first and only permanent multi-theatre magic house in Macau, has welcomed 17 internationally-renowned magicians from 10 different countries to present spectacular performances for thrill-seeking audiences. In addition, the inaugural Michelin and Robert Parker Wine Advocate Gala Dinner, with the support of Official Title Partner Melco Crown Entertainment, was held at Studio City, celebrating the launch of the Michelin Hong Kong Macau 2017 Dining Series in front of hundreds of government officials, hospitality industry professionals, socialites, media and members of the public.

In 2016, Studio City has garnered more than 35 local and international awards for its enthralling gamut of world-class entertainment offerings and the efforts made in creating remarkable experiences for visitors to Macau. And in celebrating its first anniversary, Studio City also successfully set a new GUINNESS WORLD RECORDS™ title for the longest selfie relay chain at the Golden Reel, the world's first figure-8 and Asia's highest Ferris wheel.

Altira Macau

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers and players sourced primarily through gaming promoters. Located in the heart of Taipa, it is an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By consistently delivering impeccable service tailored to each guest, both Altira Macau and Altira Spa have remarkably attained the highest Five-Star award ratings for eight consecutive years in the 2017 Forbes Travel Guide. As of 31 December 2016, Altira Macau operates approximately 112 gaming tables and 56 gaming machines.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to the broadest spectrum of patrons and visitors. As of 31 December 2016, Mocha Clubs operates seven clubs with a total of 1,034 gaming machines.

City of Dreams Manila

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, Manila, has continued to deliver an unparalleled entertainment and hospitality experience to the Philippines. As the Group's first foray into an entertainment and gaming market outside of Macau, this dynamic integrated resort includes the ultimate in entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities with approximately 270 gaming tables, 1,596 slot machines and 158 electronic gaming tables as of 31 December 2016.

In 2016, City of Dreams Manila has managed to capture the fast-growing tourism market of the Philippines and increased its gaming market share by delivering strong revenue growth across all gaming segments in 2016. The enhancement in gaming operations together with cost efficiencies identified through the company-wide focus on managing reinvestment and other operating expenses resulted in the improvement of Adjusted Property EBITDA in the Group's Manila operation. This resort has provided the Group with an incremental source of earnings and cash flow outside of Macau.

Gaming Machine Leasing Business in Southeast Asia

Entertainment Gaming Asia Inc. ("EGT"), a company listed on the NASDAQ Capital Market, in which the Group has an effective equity interest of 64.84%, recorded consolidated revenue from continuing operations of US\$2.0 million for the year 2016, down 26% year-on-year due to a decrease in gaming operations revenue as a result of expiry of certain machine leasing contracts within the year. EGT posted a consolidated net loss and negative Adjusted EBITDA from continuing operations of US\$5.3 million and US\$4.4 million, respectively, for the year 2016. The company recorded a cash balance of US\$33.6 million and zero debt as of 31 December 2016.

EGT had an established presence in the gaming markets of Cambodia and the Philippines through its slot operations business, which included the leasing of electronic gaming machines on a fixed lease and revenue sharing (participation) basis.

During the year 2016, EGT terminated its machine leasing contracts in Cambodia, including its machine leasing agreement with NagaWorld Limited on 30 June 2016, and, subsequently, in July, October and December 2016, sold all of its 1,091 machine seats and related gaming equipment in this market. In addition, one of EGT's machine leasing contracts in the Philippines expired on 30 June 2016 and, in July 2016, EGT sold all of the 154 machines seats placed in this venue. Total combined cash consideration from the machine and gaming equipment sales was US\$4.4 million. As of 31 December 2016, EGT had 411 machine seats in operation in two venues in the Philippines.

In May 2016, EGT sold the principal assets of its gaming products business, which was dedicated to the manufacture, sale and distribution of gaming chips and plaques by Dolphin Products Ltd. Cash consideration from the sale was US\$5.9 million plus the potential for earn outs on certain gaming chip and plaque orders in Asia subject to limitations and restrictions.

In the second half of 2015, EGT commenced efforts to develop a social gaming platform and a social casino application called City of Games focused on the Pan-Asian markets. City of Games is currently in beta testing.

Lottery Management Business in Asia

MelcoLot Limited ("MelcoLot"), in which the Group holds a 40.65% equity interest, is engaged in the provision of lottery-related technologies, systems and solutions in the PRC. MelcoLot is a distributor of high quality, versatile lottery terminals and parts for the China Sports Lottery Administration Center, which is the exclusive sports lottery operator in the PRC. MelcoLot also provides game upgrading technology and system maintenance service for the rapid draw game, "Shi Shi Cai," in Chongqing Municipality, and has developed a presence in the PRC by managing a network of retail outlets in the PRC.

During the year, MelcoLot recorded revenue of HK\$60.3 million, representing a year-on-year growth of 5.4%. The distribution business continues to be MelcoLot's principal revenue generator and contributed approximately 99% of the Company's revenue in 2016, compared to 90% for the corresponding period in 2015.

In 2016, MelcoLot went through a challenging year against the backdrop of a reform of the regulatory regime after the severe actions taken by the government to prohibit all internet lottery ticket sales activities since March 2015.

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

OUTLOOK

Throughout the past year, there have been signs of recovery in the gaming industry within our core market of Macau. However, any such recovery is still considered to be at an early stage as the macroeconomic conditions such as stricter capital controls in the mainland China and the depreciation of the Renminbi, combined with specific local legislation such as the smoking ban still potentially hinder and pose uncertainty to our business and the industry as a whole in the short-term future. These factors will continue to affect the growth of both the VIP market and mass market arrivals as Macau undergoes economic diversification and transition to broaden the city's revenue streams. Adopting a prudent but optimistic outlook, 2017 is expected to be a year of stable recovery for Macau, and the macro economy will be characterised by the growth of the mass market segment and non-gaming activities, which will improve our penetration of our core feeder markets, particularly China. Melco will continue to be at the forefront of changes in this vibrant industry.

In the effort to further build Macau into a World Centre of Tourism and Leisure and enhance the city's economic diversification, the local government and the Central government have been highly supportive towards the long-term development of our industry. While the competition has been heightened due to multiple new integrated resort openings in Macau last year, Melco is continuing its efforts to create new value by providing more innovative entertainment offerings and enriching its portfolio of assets in the city to support the governments' vision for tourism diversification.

Morpheus, our upcoming addition to the range of world-class hotel facilities at City of Dreams, is expected to commence operation in 2018. Doubling as a new hotel brand, Morpheus is designed to satisfy and inspire the dreams of tomorrow's most sophisticated and aspirational international travellers. This world-leading architectural masterpiece at City of Dreams is yet another of our striking "world's first" contributions to Macau to expedite the city's development into a World Centre of Tourism and Leisure, which also demonstrates our long-term dedication and faith in the city. It is destined to become a new iconic landmark in the heart of Macau and to set a new benchmark for a contemporary ultra-luxurious hospitality experience.

Macau VIP revenue posted positive growth in the final quarter of 2016, the first in over two years. While remaining its focus on the mass market, the Hollywood-inspired integrated resort Studio City is also looking to further ramp up the property's VIP operations in the coming quarters. We also expect to see Studio City's overall number of visitors improve once the Macau's light rail transit system is completed by around the end of 2017.

On the global stage, Melco continues to seek potential opportunities to enrich our business portfolio and reinforce our leading position in the gaming and entertainment industry. Leveraging our solid experience and success in operating integrated resorts and creating innovative gaming and non-gaming offerings, we expect continuous stable growth and sustainable revenue to be generated from City of Dreams Manila in the Philippines. With our efforts to maximise table yields, optimise reinvestment and manage operating expenses, City of Dreams Manila shows continued improved volumes across all gaming segments, resulting in an increased share of the VIP and mass gaming markets while remaining disciplined on costs and expenditures. In addition, we believe tourist visitation to City of Dreams Manila will potentially increase with the further improvements in infrastructure, such as the opening in stages of the Ninoy Aquino International Expressway leading from the airport to the Manila Bay Entertainment City. Together with the ongoing economic development in the Philippines, the synergistic effect will definitely help strengthen our presence in the region.

For over a decade, the Group has always had a keen interest in the Japan market. With the eagerly anticipated integrated resorts promotion bill in Japan passed in December last year, Melco reaffirmed its commitment to collaborate with potential host cities and the national government of Japan on the development of unique and exciting world-class integrated resorts that celebrate the best of Japan and its culture. To extend our unsurpassed track record of developing and operating highly sophisticated and truly unique integrated resorts in Asia, we have recently unveiled the inspiration behind the concept of our integrated resorts for prime locations in Umekita and Yumeshima, Osaka, Japan. In conjunction with Morpheus, the design for Umekita was the creation of the late Dame Zaha Hadid, DBE., who embraced simplicity and sustainability, and when realized, is expected to help create an iconic new landmark in Japan.

Although the integrated resort promotion bill is still at its early stage with multiple public concerns such as responsible gaming and restrictions remain unresolved, we believe our introduction of world-class integrated entertainment resorts and responsible gaming protocols will deliver enormous benefits to Japan, including diversifying its tourism sector, encouraging business, creating jobs and boosting local economic and social development. These advantages would in turn contribute meaningfully to economic growth and prosperity in Japan. We see great potential in the Japan market and will continue our enthusiastic efforts in securing a gaming license in the country.

In the Russian Federation, the gaming and resort development project, Tigre de Cristal, in which the Group has an interest, has continued to ramp up its business and added to its non-gaming amenities since its grand opening in November 2015 and has been recording improvements in visitation and gaming revenues in the past year. As the largest legal casino in the country and first-mover in tapping the Northern Chinese, Japanese, Korean and Russian markets in this new integrated entertainment zone, Tigre de Cristal is in a favourable location to attract visitors from across the region. Tigre de Cristal is currently refining the design and construction requirements of its Phase II project and expects to open the first stage of the Phase II for operations in the second half of 2019, which we believe will further strengthen our investment portfolio.

In Cyprus, the consortium formed between Melco, Hard Rock International and Cyprus Phasouri (Zakaki) Limited has satisfied all the tendering requirements with its comprehensive proposal and has successfully been selected as the preferred bidder for the construction of the first casino resort in the country. The consortium has now entered the final stage of obtaining a 30-year license agreement to develop and operate the new integrated resort. The soon-to-be developed landmark is expected to include more than 500 luxury hotel rooms, 1,000 gaming machines, and 100 gaming tables, along with the rights to build a satellite casino, three slot parlours and a 15-year of gaming operation exclusivity in Cyprus.

With strong financials as well as innovative and exciting upcoming projects, Melco will continue to expand its existing global footprint and provide the most enjoyable and stunning experiences to our customers. The Group is dedicated to create the best integrated resorts across the globe with the aim to become a world leader in gaming, leisure and entertainment in the near future.

ACHIEVEMENTS AND AWARDS

Maintaining high standards in corporate governance, business operations, and corporate social responsibility (“CSR”) has been a long-term core priority for Melco. Hence the leading innovator of the industry has been at the forefront of driving economic and community development wherever it operates. Its outstanding performance and significant contributions to all segments of the society have been acknowledged by a number of authoritative organisations over the past year.

Corporate Governance

Melco is committed to maintaining the highest standard of corporate governance to enhance accountability and corporate transparency. The Group’s efforts have been recognized with numerous prestigious accolades. For the 11th year, the Group has been awarded the “Corporate Governance Asia Annual Recognition Award” from *Corporate Governance Asia Magazine*. The Group has also garnered the title “Best Investor Relations” from the same publication for the sixth consecutive year in 2016.

Melco’s acclaimed management team is formed by industry veterans with foresight vision and strong leadership, all of whom are highly respected in the business community. In 2016, Mr. Lawrence Ho, Group Chairman and Chief Executive Officer, was again named “Asia’s Best CEO” and won the “Asian Corporate Director Recognition Award” by *Corporate Governance Asia magazine* for the fifth time.

Corporate Social Responsibility

While Melco endeavours to be the leading gaming and entertainment operator in the world, the Group is equally committed to contributing to the society. In recognition of the Group’s charitable efforts, *Corporate Governance Asia magazine* awarded “Asia’s Best CSR” to Melco for the fourth consecutive year in 2016. In the same year, the Group was also presented with the “President’s Award” from The Community Chest of Hong Kong.

Melco is also a champion of corporate social sustainability, and has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index since 2013. Its continued contributions on the Partnership Fund for the Disadvantaged and various welfare programs were also recognized with the “Outstanding Contribution Award” presented by the Social Welfare Department.

The Group is pleased that its efforts are acknowledged. Going forward, it will continue to identify and manage sustainability related business impacts on its stakeholders.

Business Operations

In 2016, Melco has received a remarkable number of international and Asian awards and honours for its outstanding hospitality, leisure, culinary and entertainment offerings.

The Group once again leads Macau entries in 2017 *Forbes Travel Guide* with nine Five-Star, one Four-Star and one Recommended rating. Since 2010, the authoritative guide has honoured both Altira Macau and Altira Spa with Forbes Five-Star ratings every single year. The hotel’s signature Italian restaurant Aurora and prime Japanese restaurant Tenmasa have achieved Five-Star ratings for the fourth and third consecutive years respectively; its Cantonese restaurant Ying has also been rated Four-Star this year, while its Japanese seafood restaurant Kira has received a Recommended award. At City of Dreams, Crown Towers, the first hotel brand in Macau to have earned the *Forbes Travel Guide* Five-Star distinction for its hotel, spa and all of its restaurants in 2014, has continued its winning streak with Five-Star ratings awarded for Crown Towers, Crown Spa, the contemporary French restaurant The Tasting Room, the Cantonese culinary masterpiece Jade Dragon, and premium Japanese fine-dining establishment Shinji by Kanesaka. In particular, Shinji by Kanesaka has stunned the jury with its gastronomic delights and sublime dining experience, consequently receiving a near perfect overall composite score of 95%.

Melco’s dedication to creating the ultimate dining experience for its discerning guests has also been recognised by the respected *MICHELIN Guide Hong Kong Macau*. Melco is now offering more Michelin-starred dining establishments than any operators in all of Macau, boasting a total of seven prestigious Michelin stars. In addition to The Tasting Room (two stars), Jade Dragon (two stars), and Shinji by Kanesaka (one star), Ying and Studio City’s signature Cantonese restaurant Pearl Dragon have also been included among the ranks of one-Michelin-starred establishments this year. Furthermore, Jade Dragon and The Tasting Room are the only two restaurants in Macau to have earned a place on the 2017 list of “Asia’s 50 Best Restaurants”. These prestigious recognitions are testaments to the Group’s unwavering position at the vanguard of luxury and gastronomic developments in the region.

Studio City, the Group’s newest integrated resort, has achieved impressive results and received critical acclaims around the world within its first year of operation. Studio City has garnered over 35 awards for its enthralling gamut of world-class entertainment offerings, including “Asia’s Leading New Resort” by World Travel Awards 2016; “Casino/Integrated Resort of the Year” by International Gaming Awards 2016; and “Hottest New Travel Experiences for 2016” by *Lonely Planet*. The Studio City-inspired short film *The Audition* also netted awards, including “Branded Program”, “Most Creative”, “Viral” and “Best of Best for 2016” at the Brand Film Festival 2016. Outside of Macau, City of Dreams Manila has won “Best Hotel over 200 Rooms (Asia Pacific)” and “Best Lobby/Public Area/Lounge (Global)” from International Hotel and Property Awards 2016. These awards showcase Melco’s accomplishment as a leading all-round integrated resort operator and entertainment provider.

FINANCIAL REVIEW

RESULTS

<i>HK\$’ million</i>	2016	2015	YoY%
Revenue	23,852.8	395.1	5,937.2%
Adjusted EBITDA	5,304.6	350.3	1,414.3%
Profit attributable to equity shareholders	10,365.9	100.9	10,173.4%
Basic earnings per share (HK\$)	6.74	0.07	9,528.6%

FINANCIAL POSITION

<i>HK\$’ million</i>	2016	2015	YoY%
Total assets	103,650.9	14,316.9	624.0%
Total liabilities	46,607.4	1,538.5	2,929.4%
Shareholders’ equity	22,347.8	12,385.8	80.4%
Net assets value per share attributable to equity shareholders (HK\$)	14.6	8.0	82.5%
Gearing ratio (%)	29.3%	9.4%	N/A

Revenue

As compared with the previous year, 2016 total revenue of the Group increased over 50-fold following the consolidation of Melco Crown Entertainment’s results from May 2016 onwards. Revenue generated from Melco Crown Entertainment’s established Casino and Hospitality segment in both Macau and The Philippines became a key revenue stream of the Group.

Revenue <i>HK\$' million</i>	2016	2015	YoY%
Casino revenue	21,792.7	–	N/A
Entertainment and resort facilities revenue:			
Entertainment, retail and others	1,194.6	–	N/A
Catering service income	562.7	88.6	535.1%
Rooms	167.9	–	N/A
Lottery business:			
Provision of services and solutions for distribution of lottery products	0.9	5.6	-83.9%
Trading of lottery terminals and parts	59.4	51.6	15.1%
Electronic gaming machines participation	57.8	141.0	-59.0%
Manufacture and distribution of gaming chips and plaques	12.5	104.1	-88.0%
Property rental income	4.2	4.2	0%
Others	0.1	–	N/A
	23,852.8	395.1	5,937.2%

Adjusted EBITDA ⁽²⁾

Adjusted EBITDA for the year ended 31 December 2016 increased over 10-fold to HK\$5,304.6 million, compared to HK\$350.3 million for the year ended 31 December 2015. The increase was primarily driven by the consolidation of Melco Crown Entertainment since May 2016.

⁽²⁾ Adjusted EBITDA is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and others, share option expenses, share award expenses, payments to the Philippine parties, land rent to Belle Corporation, corporate expenses, interest income, other income, other gains or losses, gain on disposal of a subsidiary, gain(loss) on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Profit Attributable to Equity Shareholders

During the year ended 31 December 2016, the profit attributable to equity shareholders increased significantly over 100-fold from HK\$100.9 million in 2015 to HK\$10,365.9 million in 2016. The boost in profit was mainly contributed by a gain recognized on deemed disposal of the previously held interest in an associate of HK\$10,385.5 million (2015: nil) resulting principally from the unleash of fair value over cost of Melco Crown Entertainment attributable to the Group's 34.3% equity interest arising from the deemed acquisition of Melco Crown Entertainment in May 2016.

Financial and Operational Performance

(1) Gaming Business in Asia – Melco Crown Entertainment

The below is an analysis on the full year result of Melco Crown Entertainment compared to that of 2015.

On 4 May 2016, Melco Crown Entertainment, which was formerly a 34.29%-owned associate of the Company, entered into a share repurchase agreement with Crown Asia Investments Pty. Ltd. ("Crown Sub"), a wholly-owned subsidiary of Crown Resorts Limited, pursuant to which Melco Crown Entertainment agreed to repurchase 155,000,000 ordinary shares (equivalent to 51,666,666 American depository shares) from Crown Sub (the "Share Repurchase"). The aggregate purchase price of the Share Repurchase is US\$800,838,500 (equivalent to approximately HK\$6,206,498,000), representing a per share price of US\$5.1667 (equivalent to approximately HK\$40.04). Melco Crown Entertainment has paid the purchase price using its cash on hand. The repurchased shares have been cancelled upon the closing of the Share Repurchase on 9 May 2016. The equity interest in Melco Crown Entertainment held by the Company is thereby increased to 37.89% and the Company becomes the single largest shareholder of Melco Crown Entertainment and consolidates Melco Crown Entertainment's results as a subsidiary from 9 May 2016 to 31 December 2016 into the Group's financial statements. As at 31 December 2016, the Group owns approximately 37.89% of Melco Crown Entertainment.

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.4% of Melco Crown Entertainment for a cash consideration of HK\$8,531,206,000. The transaction was completed on 16 February 2017. As a result, the Group's shareholding in Melco Crown Entertainment has increased from 37.9% to 51.3%.

The performance of Melco Crown Entertainment during the year is described below:

According to the unaudited financial results of Melco Crown Entertainment prepared in accordance with the generally accepted accounting principles of the United States, it recorded a net revenue of US\$4.5 billion for the year ended 31 December 2016, versus US\$4.0 billion for the year ended 31 December 2015. The year-on-year increase in net revenue was primarily attributable to the net revenue generated by a fully-operating Studio City and the increase in casino revenues at City of Dreams Manila, partially offset by lower casino revenues at City of Dreams in Macau and Altira Macau.

Operating income for 2016 was US\$363.1 million, compared with operating income of US\$98.4 million for 2015.

The Adjusted Property EBITDA for the year ended 31 December 2016 was US\$1,087.5 million, as compared with Adjusted Property EBITDA of US\$932.0 million in 2015. The 16.7% year-over-year improvement in Adjusted Property EBITDA was mainly attributable to the contribution from a fully-operating Studio City and increase in casino revenues at City of Dreams Manila, partially offset by lower contribution from City of Dreams and Altira Macau.

Net income attributable to Melco Crown Entertainment for 2016 was US\$175.9 million, compared with a net income attributable to Melco Crown Entertainment of US\$105.7 million for 2015. The net loss attributable to non-controlling interests for 2016 of US\$109.0 million was related to Studio City and City of Dreams Manila.

City of Dreams

For the year ended 31 December 2016, net revenue at City of Dreams was US\$2,590.8 million versus US\$2,794.7 million in 2015. City of Dreams generated Adjusted Property EBITDA of US\$742.3 million in 2016, representing a decrease of 7% compared to US\$798.5 million in 2015. The decline in Adjusted Property EBITDA was primarily a result of lower mass market table games revenues and rolling chip revenues, partially offset by an increase in non-gaming revenue mainly driven by the opening of the new retail precinct in 2016.

Gaming Performance

VIP Gaming

<i>US\$'million</i>	2016	2015	YoY%
Rolling chip volume	41,474.6	44,024.9	-5.8%
Win rate	2.8%	2.9%	N/A

Mass Market

<i>US\$'million</i>	2016	2015	YoY%
Table drop	4,307.6	4,713.0	-8.6%
Hold percentage	35.8%	35.1%	N/A

Gaming Machine

<i>US\$'million</i>	2016	2015	YoY%
Handle	4,102.2	4,641.0	-11.6%
Win rate	3.5%	3.6%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2016 was US\$279.6 million, compared with US\$265.0 million in 2015.

Altira Macau

For the year ended 31 December 2016, net revenue at Altira Macau was US\$439.1 million compared to US\$574.8 million in 2015. Altira Macau generated Adjusted Property EBITDA of US\$5.1 million in 2016 compared with Adjusted Property EBITDA of US\$36.3 million in 2015. The year-over-year decrease in Adjusted Property EBITDA was primarily a result of lower rolling chip revenues and higher provision for doubtful debt.

Gaming Performance

VIP Gaming

<i>US\$'million</i>	2016	2015	YoY%
Rolling chip volume	17,658.1	23,794.3	-25.8%
Win rate	2.9%	2.8%	N/A

Mass Market

<i>US\$'million</i>	2016	2015	YoY%
Table drop	494.7	616.1	-19.7%
Hold percentage	18.6%	17.9%	N/A

Gaming Machine

<i>US\$'million</i>	2016	2015	YoY%
Handle	32.4	33.8	-4.1%
Win rate	6.5%	5.9%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau in 2016 was US\$28.1 million compared with US\$32.4 million in 2015.

Mocha Clubs

Net revenue from Mocha Clubs totaled US\$120.5 million in 2016 as compared to US\$136.2 million in 2015. Mocha Clubs generated US\$23.8 million of Adjusted Property EBITDA in 2016 compared with Adjusted Property EBITDA of US\$30.3 million in 2015.

Gaming Machine

<i>US\$'million</i>	2016	2015	YoY%
Handle	2,554.3	2,871.7	-11.1%
Win rate	4.6%	4.6%	N/A

Studio City

For the year ended 31 December 2016, net revenue at Studio City was US\$838.2 million compared to US\$125.3 million in 2015. Studio City generated Adjusted Property EBITDA of US\$156.0 million in 2016 compared with Adjusted Property EBITDA of US\$11.6 million in 2015. The year-on-year improvement in Adjusted Property EBITDA was primarily a result of having full operations in 2016, since Studio City started operations on 27 October 2015 and began rolling chip operations in November 2016.

Gaming Performance

VIP Gaming

<i>US\$'million</i>	2016	2015	YoY%
Rolling chip volume	1,343.6	–	N/A
Win rate	1.4%	–	N/A

Mass Market

<i>US\$'million</i>	2016	2015	YoY%
Table drop	2,480.0	365.3	578.8%
Hold percentage	24.7%	22.4%	N/A

Gaming Machine

<i>US\$'million</i>	2016	2015	YoY%
Handle	2,002.3	264.9	655.8%
Win rate	3.8%	4.9%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2016 was US\$221.0 million, compared with US\$39.9 million in 2015.

City of Dreams Manila

For the year ended 31 December 2016, net revenue at City of Dreams Manila was US\$491.2 million compared to US\$300.4 million in 2015. City of Dreams Manila generated Adjusted Property EBITDA of US\$160.3 million in 2016 compared with US\$55.4 million in 2015. The year-over-year improvement in Adjusted Property EBITDA was primarily a result of increased casino revenues.

Gaming Performance

VIP Gaming

<i>US\$'million</i>	2016	2015	YoY%
Rolling chip volume	6,833.8	3,252.9	110.1%
Win rate	3.4%	2.3%	N/A

Mass Market

<i>US\$'million</i>	2016	2015	YoY%
Table drop	550.5	441.4	24.7%
Hold percentage	28.0%	26.3%	N/A

Gaming Machine

<i>US\$'million</i>	2016	2015	YoY%
Handle	2,235.0	1,780.0	25.6%
Win rate	5.9%	6.0%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2016 was US\$104.7 million, compared with US\$100.1 million in 2015.

(2) Gaming Machine Leasing Business in Southeast Asia – EGT

EGT is engaged in slot machine participation operations. In May 2016, EGT sold its principal assets related to the gaming products operations. During the year 2016, EGT terminated its machine leasing contracts in Cambodia and sold all of its 1,091 machine seats and related gaming equipment in this market. For the year ended 31 December 2016, EGT reported a net loss from continuing operations of US\$5.3 million as compared to US\$3.9 million for the same period in 2015. In the year under review, EGT's revenue from continuing operations was US\$2.0 million, representing a decrease of 26% as compared to US\$2.6 million in 2015.

(3) Lottery Management Business in Asia – MelcoLot

According to the audited results of MelcoLot prepared in accordance with HKFRSs announced on 15 March 2017, it reported loss of approximately HK\$2.9 million (2015: HK\$34.5 million). It was mainly attributable to the effect of:

- (i) the decrease in employee benefits costs from HK\$32.1 million to HK\$15.2 million in 2016. The decrease was primarily due to the share-based payments of HK\$13.0 million recorded in 2015 in connection with certain 2014 share options that vested in 2015 but no further share-based payments in relation to these share options were recorded in 2016; and
- (ii) reversal of capital gains tax of HK\$17.2 million on disposal of the PRC subsidiaries provided in 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Resources

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

As at 31 December 2016, total assets of the Group were HK\$103,650.9 million (2015: HK\$14,316.9 million) which were financed by shareholders' funds of HK\$22,347.8 million (2015: HK\$12,385.8 million), non-controlling interests of HK\$34,695.7 million (2015: HK\$392.6 million), current liabilities of HK\$11,727.3 million (2015: HK\$192.0 million), and non-current liabilities of HK\$34,880.1 million (2015: HK\$1,346.5 million).

As at 31 December 2016, total available banking facilities amounted to HK\$14,546.5 million (2015: HK\$580.3 million). Of this amount, the Group utilized unsecured and secured banking facilities of HK\$546.0 million (2015: HK\$546.0 million) and HK\$3,883.4 million (2015: HK\$34.3 million) respectively.

Group Cash Flows

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 31 December 2016, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK\$16,889.6 million (2015: HK\$2,196.3 million).

During the year ended 31 December 2016, the Group recorded a net cash inflow of HK\$13,187.6 million (2015: net cash outflow of HK\$82.3 million). As of 31 December 2016, cash and cash equivalents of the Group totaled HK\$13,727.7 million (2015: HK\$467.3 million). The increase was mainly due to the line-by-line consolidation of Melco Crown Entertainment in May 2016, which enlarged the Group's cash and bank balances as of 31 December 2016.

Gearing Ratio

The gearing ratio, expressed as a percentage of total borrowings divided by total assets, was at 29.3% as at 31 December 2016 (2015: 9.4%). The gearing ratio increased as of 31 December 2016 primarily as a result of an increase in borrowings after consolidating Melco Crown Entertainment during the period under review.

Pledge of Assets

As at 31 December 2016, borrowings amounting to HK\$21,703,374,000 (2015: HK\$34,270,000) are secured by the following assets of the Group:

- (i) certain property, plant and equipment;
- (ii) issued share capital of certain members of the relevant borrowing groups;

- (iii) land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);
- (iv) investment properties;
- (v) certain bank deposits; and
- (vi) chattels, receivables and other assets (including shareholder and inter-group loans).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016.

FINANCIAL RISK

Foreign exchange risk

The Group's principal operations are primarily conducted and recorded in Hong Kong dollars ("HK\$"), United States dollar ("US\$"), Macau Patacas ("MOP"), Renminbi ("RMB") and Philippine Peso ("Peso"). The financial statements of foreign operations are translated into HK\$ which is Melco's functional and presentation currency. The majority of the Group's revenues are denominated in HK\$, while operating expenses are denominated predominantly in MOP, HK\$ and Peso. In addition, a significant portion of our indebtedness and certain expenses are denominated in US\$.

The HK\$ is pegged to the US\$ within a narrow range and the MOP is in turn pegged to the HK\$, and the exchange rates between these currencies has remained relatively stable over the past several years. Accordingly, Melco does not expect fluctuations in the values of these currencies to have a material impact on the operations. The Group holds bank balances and deposits denominated in foreign currencies, such as New Taiwan dollar, RMB and Peso, and consequently exposure to exchange rate fluctuations may arise and may be affected by, among other things, changes in political and economic conditions.

The Group does not currently engage in the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the year ended 31 December 2016. Instead, Melco maintains a certain amount of the operating funds in the same currencies in which Melco has obligations, thereby reducing the exposure to currency fluctuations. However, Melco occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk associated with the indebtedness bearing interest based on floating rates. Melco attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and mitigate the effects of fluctuations in cash flows.

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees became 20,548 as of 31 December 2016 (2015: 744) since Melco Crown Entertainment has officially become one of the Group's subsidiaries on May 9, 2016. Among the 20,548 employees, 404 are located in Hong Kong and the rest of 20,144 are located respectively in the Philippines, US, Cambodia, Macau and the PRC. The related staff costs for the year ended 31 December 2016, including directors' emoluments, share options expenses and share award expenses, amounted to HK\$4,427.5 million (2015: HK\$284.1 million).

Melco believes that the key to success lies in its people. The Group strives to create an environment that makes employees proud to be part of it. All employees are given equal opportunities for advancement and personal growth. The Group believes through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco builds employees' loyalty through recognition, involvement and participation. Melco's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success. It is based on three key areas:

1. Recruitment

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

2. Performance and Rewards

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

3. Learning & Development

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

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 has long been committed to a high level of transparent disclosure to the public. It is an important part of the Group's overall commitment to build strong connections and ties with its investors. Therefore, Melco has been providing timely and accurate important information, including the latest updates of the Group's business development, financial performance, strategies and future plans, as well as local and global industry prospects to its stakeholders through formal channels such as regular investor conferences and meetings convened with management, public announcements when appropriate, and routine updates on its website.

Melco's dedication to establish and maintain investor relations has been widely recognized in the industry. In 2016, the Group has been awarded "Best Investor Relations" by *Corporate Governance Asia Magazine* for the sixth consecutive year, while Mr. Lawrence Ho has also been honoured again as "Best CEO" as well. These accolades are encouragements for further enhancement of Melco's communication effectiveness and efficiency to foster even stronger relations with its investors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Corporate Social Responsibility

With deep roots in Hong Kong and Macau, Melco is devoted to giving back to and creating value for the communities in an innovative and proactive way. Our CSR strategy, comprising three core pillars namely Youth Development, Environment and Education, is based on our vision of creating value for the communities we serve, and inspiring and fulfilling the hopes and happiness in people around the world for a better future.

During the year, we have been continuing to support the community through participating in an array of activities. More than 86,000 children, youth, the physically challenged and members of families were benefited from our programmes.

With efforts of Melco and its subsidiaries, the Group has received 31 CSR accolades and recognitions in the past year, reaffirming our corporate social responsibility initiatives and contributions in the community throughout the years. Since 2013, Melco has been 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. In 2016, Melco was awarded the “Outstanding Contribution Award” presented by the Social Welfare Department in recognition of the Group’s continued contributions on the Partnership Fund for the Disadvantaged and various welfare programs. Melco also earned the “Icon on Corporate Governance” in the Corporate Governance Asia Annual Recognition Awards for the 11th consecutive year, and named “Asia’s Best CSR” in the Asian Excellence Awards by *Corporate Governance Asia magazine* for the fourth consecutive year. Added to these prizes, the Group was honoured the “Best Corporate Governance” and “Best Corporate Social Responsibility” by *FinanceAsia magazine*. Melco Crown Entertainment, our subsidiary, also garnered the “Best Environmental Responsibility” prize for the fourth year at the Asian Excellence Awards by *Corporate Governance Asia magazine*.

As a pioneer in the leisure and entertainment industry for launching a sustainability report for transparent disclosure to stakeholders, Melco is pleased to present its tenth corporate social responsibility report (“CSR report”) this year. The report has been prepared in accordance with the “core” option of the internationally-recognized Global Reporting Initiative (GRI) G4 reporting guidelines and the Hong Kong Exchanges and Clearing Limited (HKEx) ESG Reporting Guide, with reference to the core subject areas of the ISO 26000 Guidance on Social Responsibility.

With the acquisition by Melco of the majority of shares in Melco Crown Entertainment (the core business and revenue driver of Melco), the scope of the 2016 CSR report has been widened to include Melco Crown Entertainment’s human resources and environmental performance during the year. The broader scope of the CSR report reaffirms our dedication to provide a more transparent and comprehensive account of our CSR activities during the year.

Environment

Melco is a signatory member of the Copenhagen Communiqué and the Carbon Reduction Charter, as well as a Green Partner of the Environmental Protection Department’s Carbon Audit•Green Partner campaign dedicated to protecting the environment of the Earth. We are committed to continuously improving the environmental performance of the Group. In 2016, we reinforced this commitment through implementing a long-term environmental policy.

There is no doubt that operation of integrated resorts and hotels require huge amount of energy. To mitigate the environmental impact of our operations, we efficiently use the resources we consumed to thereby reduce the waste we generated and decrease our carbon emissions. We have adopted some of the most technologically advanced systems for our properties in order to save energy costs as well as lower the carbon footprint.

Our properties in Macau, City of Dreams and Studio City, are fundamental examples of how we effectively manage our energy consumption. In order to enjoy energy savings of around 20% over traditional air-conditioning systems, City of Dreams, which was presented the Gold Award in the Macau Green Hotel Award in 2016 for all three hotels within the complex, has one of the largest centralised cooling systems in the South China hospitality industry. Another similar system achieving energy savings of 35% could be found at Studio City. The property has reached the target of energy savings of more than 20% from a chilled ceiling air-conditioning system and a DV motor FCU which help reduce carbon emissions.

Both City of Dreams and Studio City are equipped with indoor air purification systems that reduce the need for external fresh air, as well as a well-established building management system that converts heat generated from the air-conditioning system for the use in water for showers and taps.

Since lighting represents a significant portion of a hotel's electricity costs, we have installed energy-efficient LED lamps both on the façade of City of Dreams and for the interior. T5 tubes, the most energy-efficient option in the market, are used in the Heart of the House at City of Dreams, with the use of photo sensors to control outdoor light fixtures. We have also extensively utilised LED lighting at our other properties.

In terms of water conservation, a number of water conservation measures are adopted at our properties in Macau. These include an advanced filtration system for The House of Dancing Water at City of Dreams, which allows for the reuse of water in the pool, automatic sensors in faucets, and a rainwater recovery system to store rainwater for irrigation. At Altira Macau we save more than half of the freshwater normally consumed for flushing through a grey water system that recycles treated guestroom sink, shower and bath water as flush water. We also ask our cleaning staff to make the most effective use of water for cleaning guestrooms and public areas, or to consider alternative cleaning methods.

On top of our integrated resorts, we have participated in WWF's Low-carbon Office Operation Programme (LOOP) at our head office in Hong Kong in order to reduce our carbon footprint since 2010. Attaining a performance score of 71%, we were qualified for a Gold Label in the 2016 Labelling Scheme.

Furthermore, we have attained the Class of Excellence in the Wastewi\$e Label scheme for our head office for the ninth consecutive year by reducing the amount of waste we generate and making greater use of recycled content. The waste reduction goals for collecting exhausted toner, ink cartridges and outdated IT equipment and accessories for recycling were achieved during the year. FSC paper has been used for printing our corporate collaterals, including newsletters, financial reports and the CSR report. During the year, we launched an environmental awareness programme Operation Green Practices, encouraging all staff to contribute to a sustainable future.

Melco is committed to complying with all applicable legal requirements and other requirements in areas which have an impact on the environment. Apart from the activities described above, we educate, train and motivate our staff to perform their tasks and duties in an environmentally-responsible way as well as promote environmental protection among our suppliers and subcontractors.

Social Responsibility

Youth Development

Melco firmly believes every child deserves the same opportunities to learn, grow and reach their full potential. We offer a variety of programmes to help young people to become fully contributing members of the society regardless of their socioeconomic background, life circumstances or personal challenges.

2016 Event Highlights – Youth Development

- Continued to support the Society for the Aid and Rehabilitation of Drug Abusers, which helps drug-addicted youth reintegrate into society
- Supported ORBIS International’s Paediatric Eye Care project in Linyi, Shandong Province for the fifth consecutive year with more than 19,000 children screened or treated
- Supported a two-year new project of Playright Hospital Play Services at Caritas Medical Centre, benefitting 1,276 child patients and special needs children and teenagers
- Sponsored the Daddy Daughter Ball 2016 which raised more than HK\$1.8 million to help children with special educational needs
- Supported the Caring for our Kids programme of the Hong Kong Lutheran Centre which helps to rebuild child-parent relationships for families with gambling problems. A total of 246 parents and children were benefited from the programme
- Participated in the annual fund-raising programme of Operation Santa Claus by Hong Kong PHAB Association to help children with speech development challenges and their parents
- Donated MOP300,000 to the Macau Holy House of Mercy’s Welfare Shop project, which funds the distribution of food hampers to 340 low income families
- Some 200 of the Group’s employees participated in the annual blood donation drive
- A record number of more than 1,500 boxes of mooncakes were donated and distributed by the Group to 16 organisations serving the elderly and under-resourced in the Macau community before the Mid-Autumn Festival

Education

Melco supports the aspirations of young people to a higher education by providing scholarships, internships and other forms of assistance. We are also an industry leader in promoting responsible gaming as demonstrated by our initiatives to educate staff and customers about compulsive gambling.

2016 Event Highlights – Education

- Established in 2009, the Lawrence Ho Scholarship Fund provides scholarships and work placement, internships and travel bursaries, student prizes, course development and research funding for students from mainland China, Macau and Hong Kong studying overseas
- Contributed to the Education Grant Programme for Qinghai Children set up by Christian Action to help the youth there continue their education and become self-reliant. Some 1,640 education grants for deprived children from the Huangnan Tibetan Autonomous Prefecture and Xining City of Qinghai and 118 education grants for 42 Tibetan children were provided
- As a pioneer in raising awareness of responsible gaming to staff and the general public in Macau, a series of activities was held across our properties to reinforce employees' knowledge and raise their awareness of the importance of responsible gaming, including activity booths which attracted a total of 6,030 employees

Stakeholders Engagement

Good corporate citizenship and social responsibility are highly valued at Melco. We strive our best to maintain high standards of ethical practice and governance of the Group's relationships with its key stakeholders, including staff, customers and suppliers that have a significant impact on the Group's performance.

It is critical that our CSR programmes are aligned with the issues stakeholders have identified as being of material interest. In order to understand and respond to the views of our stakeholders, we undertake an annual stakeholder engagement exercise with both external and internal stakeholders. Additionally, we conduct online surveys with targeted staff. These studies enable us to identify the issues that are most relevant to our economic, environmental and social impact or those that influence the decisions of our stakeholders.

Employees

Melco is committed to developing local talents as we believe that the success of our business lies in our people. To reward our employees for their efforts, contributions and loyalty, we have created an environment where all employees are given equal opportunities in recruitment, advancement and personal growth.

Melco is an equal opportunities employer. We recruit talents based on their professional competency, personal qualities and commitment to the Group. Skills and competencies are verified through different recruitment exercises. Our recruitment policy and assessment criteria are reviewed on a regular basis.

Our employees undergo regular appraisals based on their performance, job responsibilities, contribution to business results, professional and managerial competencies, and they are rewarded competitively.

To ensure the continued growth of our business, we invest in our own employees by providing training opportunities in a wide range of subjects. We also provide training sponsorships to any staff who wish to pursue their professional development. At Melco Crown Entertainment, the Learning Academy was set up to provide Macau's first in-house 'Back to School' high school diploma programme and more than 200 courses for employees every year. Another in-house initiative, Melco Crown Entertainment You-niversity offers an in-house bachelor degree and diploma programme to employees. Apart from classroom programmes, Melco Crown Entertainment offers educational experiences as part of its whole-person development approach to learning. Through arranging specific training, our employees are able to develop skills and pursue their professional development, which in turn can contribute to the Group's performance.

All of our full-time employees are entitled to medical and life insurance benefits. Apart from annual and sick leave, our employees are also entitled to compassionate leave, marriage leave and jury service leave.

Melco regards our employees as our greatest assets. As such, our employees' health and safety is always our top priority. In all of our workplaces, we have taken steps to ensure the physical well-being of our staff and provide regular training in occupational health and safety. Apart from carrying out an extensive workplace and workstation assessments for all of our employees, day-to-day maintenance measures are in place and all recommended corrective actions have been taken upon regular review.

We remain in compliance with all health and safety regulations stipulated by the local governments in the countries and regions where we operate.

Shareholders

Melco continuously strives to forge strong relationships with its stakeholders for whom we value their constant support as it is integral to the Group's sustainability and ultimate success. Towards that end we have established a Shareholder Communication Policy to ensure that the investment community is provided with fair and timely access to relevant information about the Group. The policy also encompasses data privacy protection measures undertaken for the benefit of shareholders, including provisions that no shareholders' information is to be disclosed without their consent unless required by law.

Suppliers

Ethical management of the supply chain is essential for business operation. Melco has adopted a Supplier Code of Conduct in the Melco Operational Policy Guidebook which serves as internal corporate policy to all staff members.

In view of rising concerns over responsible supply chain management, we are considering the development of a long-term standalone Supplier Code of Conduct. This Code is intended to ensure the highest ethical standards as well as full compliance with all applicable laws and regulations among our suppliers. Melco's suppliers are expected to uphold the same high standards of accountability as we do in operations.

Customers

Melco prides itself with the highest quality product and services, notably the most spectacular integrated resorts in Asia via its core associates, in compliance with the law and regulations of where they operate.

To deliver the best products and experiences to our valued customers, we engage with them by collecting their views and assessing their expectations through a wide range of communication channels, such as our property front office, customer service hotlines and emails, and official social media platforms. The comments collected are valued by our senior management and are carefully reviewed and considered in their decision-making process.

Corporate Governance

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. Policies addressing corporate governance and code of conduct are in place, facilitating effective management of the business and affairs of the Group under the Board's direction with a high standard of corporate governance.

For more information about Melco's CSR initiatives and performances, please refer to Melco CSR Report 2016 or visit the website at <http://www.melco-group.com>.

SPECIAL FINAL DIVIDEND

Pursuant to the dividend policy announced by the Company on 28 March 2014 (the "**Dividend Policy**"), it is the Company's intention to provide shareholders with semi-annual dividends in an aggregate amount per year of approximately 20% of the Company's annual consolidated net income attributable to the shareholders. The dividend policy also allows the Company to declare special dividends from time to time.

For the year ended 31 December 2016, the Group recorded a profit attributable to shareholders of HK\$10,366 million, which is principally derived from the one-off non-cash and non-recurring special gain. During the year, the Company had paid a special interim dividend of HK1.5 cents per share in September 2016, totaling HK\$23.2 million. Whilst no final dividend is payable pursuant to the Dividend Policy, in order to reward the shareholders for their continuing support, the Board has recommended the payment of a special final dividend of HK2.0 cents (for year ended 31 December 2015: HK2.0 cents) per share for the year ended 31 December 2016 to shareholders whose names appear on the Register of Members of the Company on Monday, 19 June 2017. The proposed special final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on Tuesday, 4 July 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 9 June 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 6 June 2017 to Friday, 9 June 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's 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 Monday, 5 June 2017.

CLOSURE OF REGISTER OF MEMBERS FOR SPECIAL FINAL DIVIDEND

The proposed special final dividend for the year ended 31 December 2016 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed special final dividend, the register of members of the Company will be closed from Thursday, 15 June 2017 to Monday, 19 June 2017 (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 special final dividend will be Monday, 12 June 2017. In order to be eligible for the above proposed special 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, 14 June 2017.

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, apart from the deviation mentioned below.

Under Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of a listed company should be separate and performed by different individuals. However, in view of the current composition of the Board, the in-depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau, his extensive business network and connections in that sector, and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

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

AUDIT COMMITTEE

The Company has an Audit Committee, which was established for the purpose of reviewing and supervising over the Group's financial reporting process and reviewing the Group's risk management and internal control systems.

The Audit Committee, comprising a Non-executive Director and two Independent Non-executive Directors, met two times during the financial year. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, risk management, internal control and financial reporting matters.

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2016, the Company repurchased a total of 3,000,000 shares of the Company at an aggregate consideration of HK\$ 32,780,280 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchase during the year are as follows:

Month of share repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$
December	3,000,000	11.00	10.80	32,780,280

The repurchase was made with a view to enhancing the net assets and earnings per share of the Company.

In addition, during the year ended 31 December 2016, the trustee of The Melco Share Purchase Scheme (the "Scheme") has, under the scheme, purchased on the Hong Kong Stock Exchange a total of 10,021,000 shares of the Company. The total amount paid to acquire these shares was approximately HK\$99,149,000.

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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE

This announcement is published on the Company's website (<http://www.melco-group.com>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The 2016 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four Executive Directors; namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (Managing Director), 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 Mr. Chow Kwong Fai, Edward, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.

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

Hong Kong, 31 March 2017