MELCO

STRUCTURED FOR THE FUTURE

Melco International Development Limited

(Incorporated in Hong Kong with limited liability) • A Hong Kong Listed Company (Stock Code: 200)

Annual Report 2016

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OUR FLAGSHIP INTEGRATED RESORT

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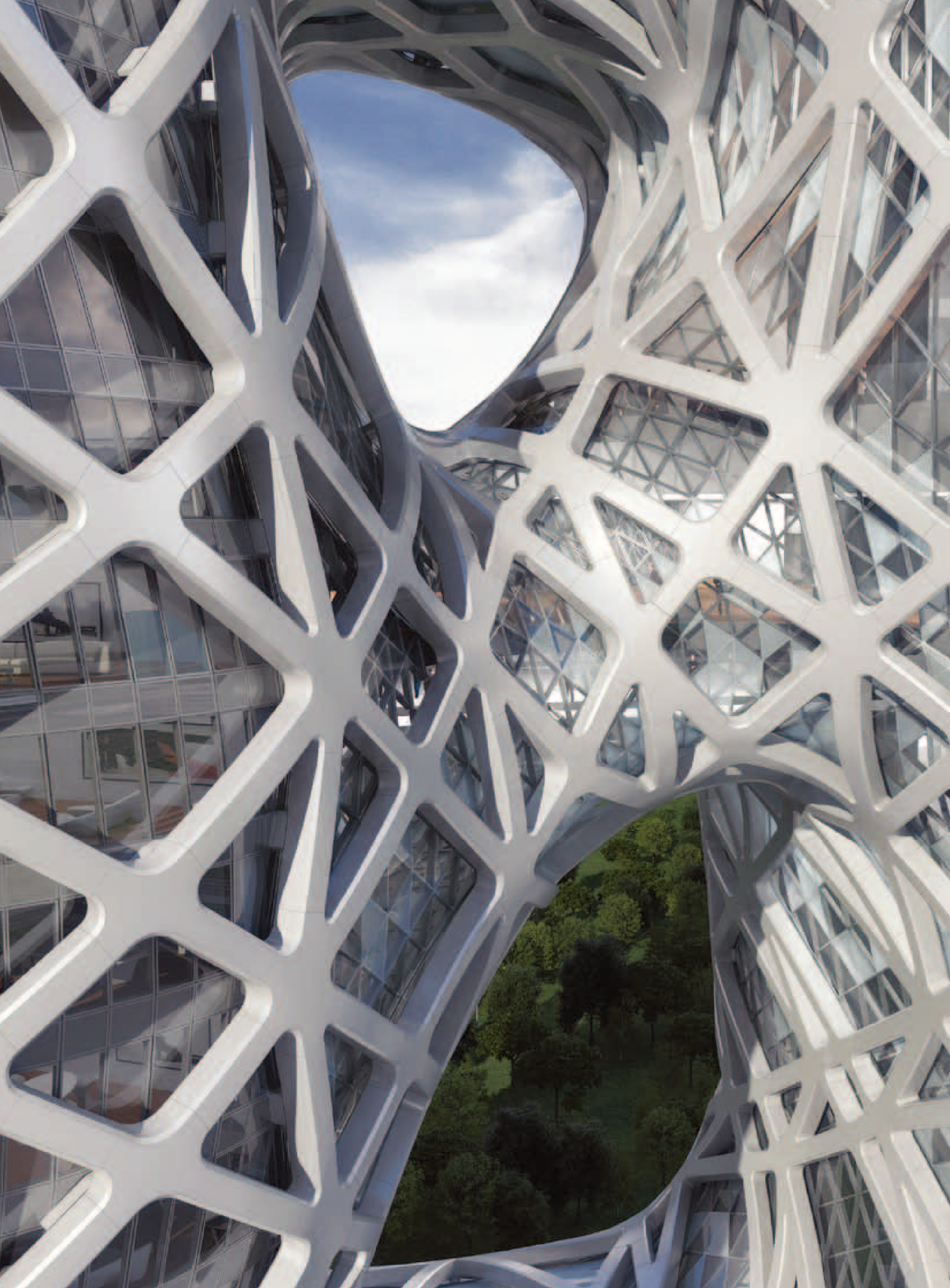


ENTERTAINING POSSIBILITIES ACHIEVING GROWTH

Vision

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

Mission

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

KEY PERFORMANCE INDICATORS

Financial Key Performance Indicators

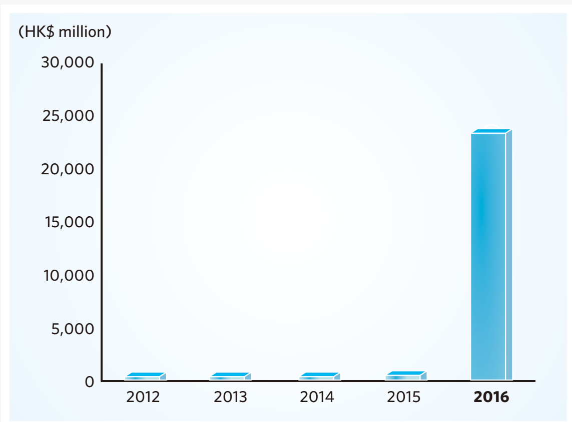
Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") has achieved a company-wide improvement in key financial indicators with net revenue increasing over 50-fold to HK$23,852.8 million and profit attributable to owners of the Company rising over 100-fold to HK$10,365.9 million. The significant increases were principally due to a special gain as the Company took control of Melco Resorts & Entertainment Limited ("Melco", formerly known as Melco Crown Entertainment Limited) by becoming its single largest shareholder and, correspondingly, consolidated the results of Melco for the first time.

During the year, Melco managed to achieve a strong set of operating and financial results, despite the ongoing challenges in the Macau gaming market. Meanwhile, outside Macau, City of Dreams Manila has managed to capture the fast-growing tourism market of the Philippines as reflected by strong revenue growth.

NET REVENUE

HK$23,852.8 million

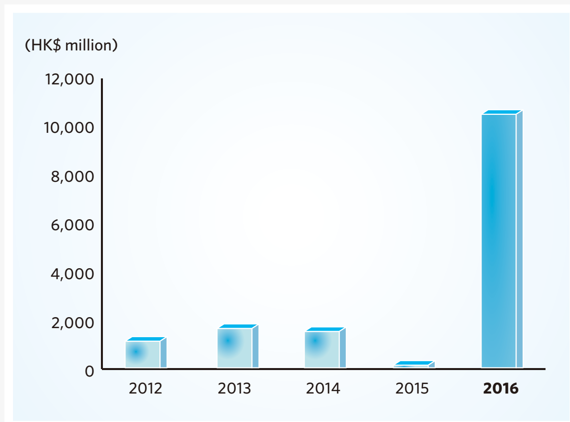
↑ over 50-fold



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$10,365.9 million

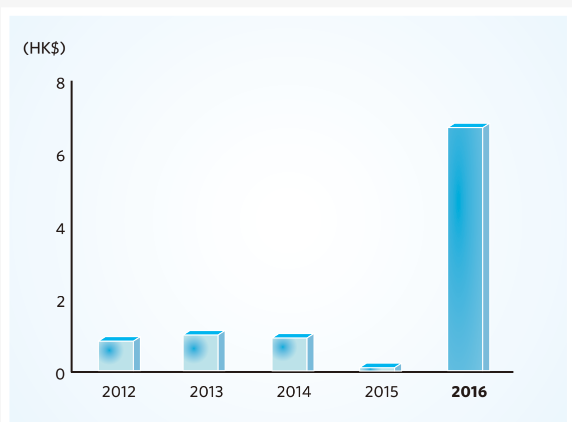
↑ over 100-fold



BASIC EARNINGS PER SHARE

HK$6.74

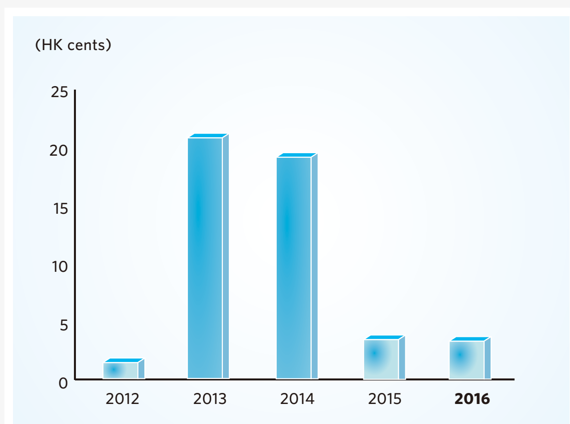
↑ over 90-fold



TOTAL DIVIDENDS FOR THE YEAR

HK3.5 cents per share

↑ 0%



Non-Financial Key Performance Indicators

The Group has disclosed details on various non-financial key performance indicators, including stakeholder engagement, environmental impact and other community development efforts in its 2016 Corporate Social Responsibility Report. The Group's non-financial key performance indicators for the year were highly satisfactory and continued to reflect its steadfast commitment and significant contributions to the betterment of society.

Community Engagement

In 2016, Melco International has continued to engage in a wide range of activities that benefit the community. Its focus on the three CSR pillars of Youth Development, Education and Green Environment has resulted in the following achievements:

Partnership with 20 NGOs (2015: 15)
Implementation and support of 37 CSR projects (2015: 25)
Assistance to 86,000+ **children, young people and the physically challenged** (2015: 625,000+) Remarks: The large number of beneficiaries in 2015 was due to projects with Orbis in Linyi, which are now operated independently.

Environmental Protection

The Group closely examines how resources are used and is mindful of minimizing its carbon footprint at both the office and operational level. It has continued to examine ways to further reduce carbon emissions.

Office Level – Hong Kong Headquarter	Operational Level – Macau Properties
Energy Consumption	
Total Electricity (KWh): **431,150** (2015: 423,201)	**Total Electricity (KWh):** **445,124,309** (2015: N/A)
CO_2 Emissions	
Total CO_2 Emissions (tonnes): **461** (2015: 428)	**Total GHG Emissions (tCO_2e):** **418,557** (2015: N/A)

* *The above data were collected during the 1 June 2015 to 31 May 2016 period.*

CORPORATE PROFILE

Founded in 1910 and listed on the Hong Kong Stock Exchange in 1927, Melco International Development Limited ("Melco International", together with its subsidiaries collectively referred to as the "Group") is a company with a long history and a bright future. Today, under the leadership of the Chairman and CEO, Mr. Lawrence Ho, Melco International has found new energy and direction as a dynamic company that leads the leisure and entertainment sector.

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

Confidence leads to growth, growth leads to confidence

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

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

The accolades that Melco International has received over the past several years assured us that we are moving in the right direction. The Group is the first-ever entertainment company to receive the "Hong Kong Corporate Governance Excellence Awards 2009" by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. In 2016, Melco International has been honoured with the "Corporate Governance Asia Annual Recognition Awards" for the 11th consecutive year and the "Best Investor Relations in Hong Kong" for six consecutive years by Corporate Governance Asia magazine.

The Chairman and Chief Executive Officer of the Group, Mr. Lawrence Ho has been selected as "Asia's Best CEO" for the fifth year in 2016 by Corporate Governance Asia magazine, and was honored as one of the recipients of the Asian Corporate Director Recognition Awards for five consecutive years since 2012 by the same organization. He has also garnered the "Leadership Gold Award" in the Business Awards of Macau 2015.

Melco International was a founding signatory of the Hong Kong Corporate Governance Charter launched by The Chamber of Hong Kong Listed Companies. The aim of the Charter is to strengthen and foster a corporate governance culture among listed companies in Hong Kong. Based on the performance in corporate responsibility, the Group has been included as a constituent member of the "Hang Seng Corporate Sustainability Index" since 2013.

CORPORATE STRUCTURE

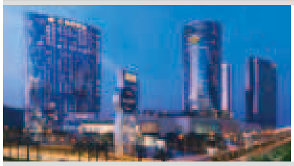
Melco International Development Limited listed on The Stock Exchange of Hong Kong Limited (SEHK: 0200)

Casino and Hospitality Business

Melco Resorts & Entertainment Limited
listed on the NASDAQ Global Select Market (NASDAQ: MLCO)

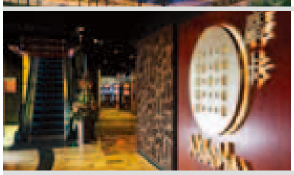
Focus on gaming markets in Asia

Macau

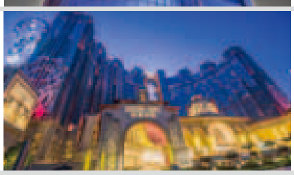


City of Dreams,
Cotai
Premium market

Altira Macau,
Taipa
VIP market



Mocha Clubs,
all over Macau
Leisure grind market



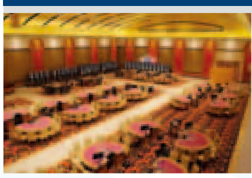
Studio City,
Cotai
Mass market

The Philippines

City of Dreams Manila,
Entertainment City, Manila
Mass market

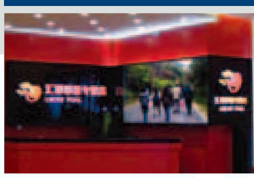
Other Businesses

Entertainment Gaming Asia Inc.
listed on the
NASDAQ Capital Market (NASDAQ: EGT)



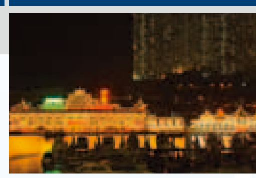
Focus on slot machine participation business

MelcoLot Limited
listed on the Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited
(SEHK: 8198)



Focus on Asia's lottery business

Jumbo Kingdom



Focus on catering business

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, in February 2017, Melco International has assumed majority ownership of Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited). With conservative optimism for a stable recovery and long-term trust in the local gaming market, Melco International continues 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. 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 International'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 Hong Kong Macau 2017* 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 International'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 International, 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 International 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 AND ANALYSIS

Significant Events And Developments

The year 2016 was another exciting year for Melco International, 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 International announced that it had entered into an agreement to purchase additional interest in its core gaming arm Melco Resorts & Entertainment Limited ("Melco", formerly known as Melco Crown Entertainment Limited). After the successful completion of the purchase in February 2017, Melco International's ownership in Melco increased from approximately 37.9% to 51.3%, making its sole majority shareholder. The move not only strengthens Melco International'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.

The cinematically-themed integrated resort Studio City, which celebrated its first anniversary last year, has successfully transformed Macau's entertainment landscape.

The long-awaited new hotel tower at City of Dreams – Morpheus – is expected to become an icon in the Macau skyline when it opens in 2018.

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 the Group'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 International, 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 International, 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 International 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 Resorts & Entertainment ("Melco"), a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia, of which the Group assumed sole majority ownership (approximately 51.3%) on 16 February 2017.

Melco 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, a Philippines subsidiary of Melco currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

In 2016, Melco 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'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.

(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 report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

The architectural masterpiece Morpheus embodies a new sophisticated luxury that illustrates the Group's support to sustainable growth and development of Macau into the World Centre of Tourism and Leisure.

Melco reaffirmed its commitment to develop integrated resorts in Japan and unveiled the inspiration behind the potential concept of its integrated resorts in Osaka.

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.

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, 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 and Asia's highest figure-8 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.

The new retail precinct of the flagship integrated resort City of Dreams was fully launched in December 2016.

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.

The Boulevard at City of Dreams features the largest shoe salon in Hong Kong and Macau and the largest beauty hall in Southern China.

Studio City enhanced the Group's non-gaming entertainment proposition by introducing many "firsts" in entertainment to the city.

EGT has an established presence in the gaming market of the Philippines (and, prior to the termination of lease contracts as described below, in Cambodia as well) 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 International will continue to be at the forefront of changes in this vibrant industry.

With Melco as the Official Title Partner, the inaugural Michelin and Robert Parker Wine Advocate Gala Dinner was hosted at Studio City, featuring a unique menu put together by seven international chefs.

The iconic Golden Reel, the world's first figure-8 Ferris wheel, has welcomed over 1 million guests in just one year of operation.

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 International 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 International 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, the Group 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.

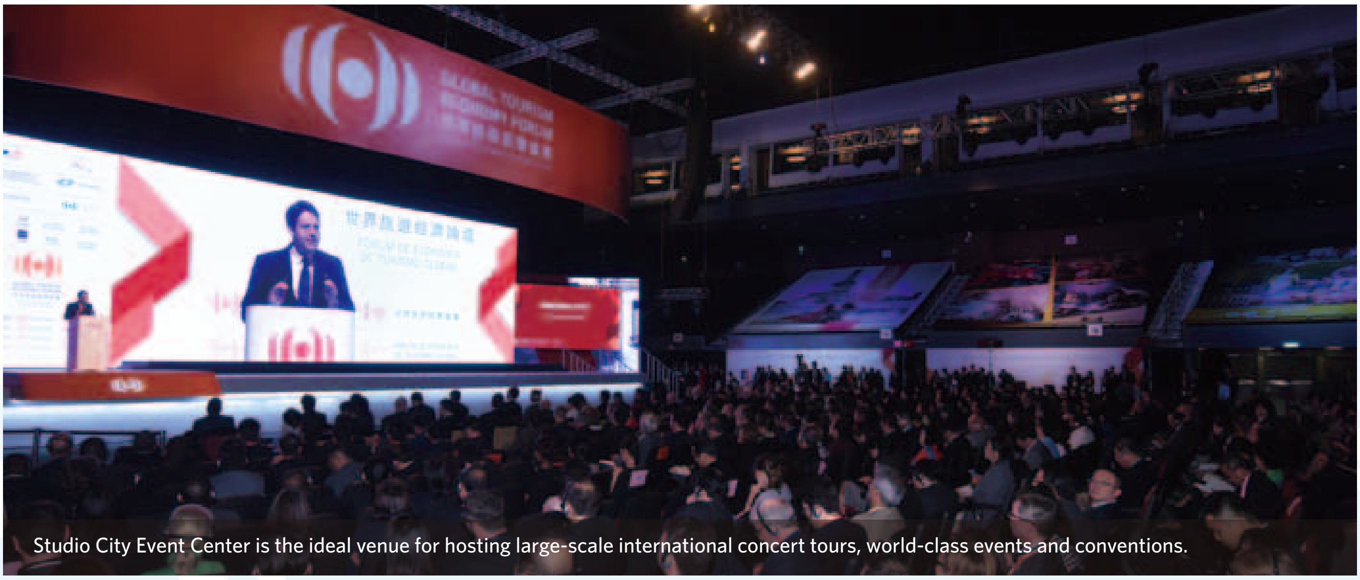
In the Russian Federation, the gaming and resort development project, Tigre de Cristal, in which the Group has an interest, has continued to ramp up its business and added to its non-gaming amenities since its grand opening in November 2015 and has been recording improvements in visitation and gaming 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 International, 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 International 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 International. 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.



Studio City Event Center is the ideal venue for hosting large-scale international concert tours, world-class events and conventions.

Corporate Governance

Melco International 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 International'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 International 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 International 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 International 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.

Melco International's endeavor to deliver positive impact to the community has earned itself society-wide recognitions.

The Macau SME Procurement Development Program was launched to provide business opportunities to local SMEs.

Business Operations

In 2016, Melco International 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 International'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 International 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 the Group's accomplishment as a leading all-round integrated resort operator and entertainment provider.

FINANCIAL REVIEW

RESULTS

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

FINANCIAL POSITION

HK$' million	2016	2015	YoY%
Total assets	103,650.9	14,316.9	624.0%
Total liabilities	46,607.4	1,538.5	2,929.4%
Shareholders' equity	22,347.8	12,385.8	80.4%
Net assets value per share attributable to equity shareholders (HK$)	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's results from May 2016 onwards. Revenue generated from Melco's established Casino and Hospitality segment in both Macau and The Philippines became a key revenue stream of the Group.

Revenue

HK$' million	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 since May 2016.

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 attributable to the Group's 34.3% equity interest arising from the deemed acquisition of Melco in 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 report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Financial and Operational Performance

(1) Gaming Business in Asia – Melco

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

On 4 May 2016, Melco, 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 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 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 held by the Company is thereby increased to 37.89% and the Company becomes the single largest shareholder of Melco and consolidates Melco's results as a subsidiary from 9

Macau's must-see water-based extravaganza, The House of Dancing Water at City of Dreams, celebrated its sixth anniversary in 2016. This world-class production has attracted over 4 million visitors since its launch.

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.

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.4% of Melco 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 has increased from 37.9% to 51.3%.

The performance of Melco during the year is described below:

According to the unaudited financial results of Melco 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 for 2016 was US$175.9 million, compared with a net income attributable to Melco 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.

With the completion of purchase of additional interest, Melco International has assumed sole majority ownership of Melco, enabling the Group to capture growth opportunities in Macau, Asia and around the world more effectively.

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

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

Mass Market

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

Gaming Machine

US$'million	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, 8-time winner of Forbes Five-Star awards for hotel and spa, is another jewel of Macau that offers stylish elegance and comfort along with impeccable service.

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

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

Mass Market

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

Gaming Machine

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

Melco leads all of Macau with the most Forbes Five-Star awards and offers the most Michelin-starred dining establishments in Macau.

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

US$'million	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

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

Mass Market

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

Gaming Machine

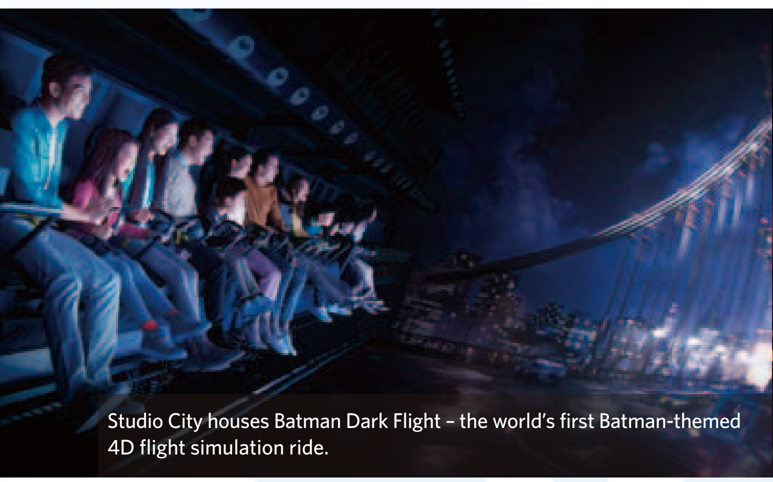
US$'million	2016	2015	YoY%
Handle	2,002.3	264.9	655.8%
Win rate	3.8%	4.9%	N/A

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.


Studio City houses Batman Dark Flight – the world's first Batman-themed 4D flight simulation ride.


The House of Magic is the first and only permanent multi-theatre magic house in Macau.

Gaming Performance

VIP Gaming

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

Mass Market

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

Gaming Machine

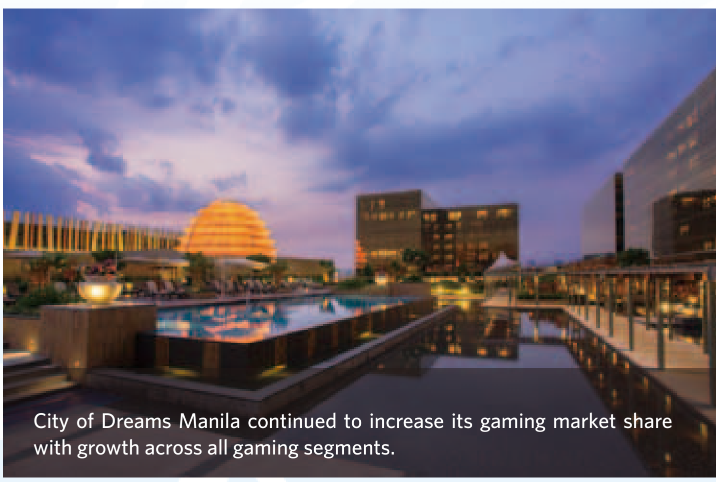
US$'million	2016	2015	YoY%
Handle	2,235.0	1,780.0	25.6%
Win rate	5.9%	6.0%	N/A

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.



City of Dreams Manila continued to increase its gaming market share with growth across all gaming segments.

City of Dreams Manila features distinctive non-gaming facilities, including DreamPlay by DreamWorks, the world's first DreamWorks-inspired family entertainment centre.

(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 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 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 International'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 International 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 International maintains a certain amount of the operating funds in the same currencies in which Melco International has obligations, thereby reducing the exposure to currency fluctuations. However, Melco International 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 International 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 has officially become an accounting subsidiary of the Group 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 International 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 International builds employees' loyalty through recognition, involvement and participation. Melco International'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 International 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 International 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 International 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 International 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 International 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 International'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 International'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 International 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 International 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 International 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 International 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 International 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, 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 International 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 International of the majority of shares in Melco (the core business and revenue driver of Melco International), the scope of the 2016 CSR report has been widened to include Melco'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 International 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 International 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.

Melco International's CSR programmes aim to create greater social value for the community we serve.

Through close collaboration with NGOs, the Group reached out its helping hands to targeted groups in need.

Social Responsibility

Youth Development

Melco International 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 International 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 International. 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 International 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 International 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, 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. There is also another in-house initiative which offers an in-house bachelor degree and diploma programme to employees. Apart from classroom programmes, Melco 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 International 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 International 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 International has adopted a Supplier Code of Conduct in the Melco International 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 International's suppliers are expected to uphold the same high standards of accountability as we do in operations.

Customers

Melco International 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 International's CSR initiatives and performances, please refer to Melco International CSR Report 2016 or visit the website at http://www.melco-group.com.

MANAGEMENT PROFILE

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 40)
Executive Director (Chairman and Chief Executive Officer)

Mr. Ho was appointed the group managing director of the Company in November 2001 after he completed a General Offer for shares of the Company. He was subsequently appointed as chairman and chief executive officer of the Company on 15 March 2006. He is the chairman of the executive committee, finance committee and regulatory compliance committee and a member of the corporate social responsibility committee of the Company and a director of certain subsidiaries of the Company. Mr. Ho is currently the chairman and chief executive officer of Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited), a company listed on the NASDAQ Global Select Market in the United States, that holds one of the six Macau gaming concessions and subconcessions and develops, owns and operates casino gaming and entertainment resort facilities in Asia. He is also the chairman and non-executive director of Summit Ascent Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and the chairman and director of Maple Peak Investments Inc., a company listed on the TSX Venture Exchange in Canada. Mr. Ho is a director of both Lasting Legend Ltd. and Better Joy Overseas Ltd., substantial shareholders of the Company.

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

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

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

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014 and was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015. In 2016, Mr. Ho was awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the fifth time and was honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" for five consecutive years since 2012.

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

Mr. Evan Andrew WINKLER (aged 42)

Executive Director (Managing Director)

Mr. Winkler has been the Managing Director of the Company since August 2016. He is also a member of the executive committee, regulatory compliance committee, finance committee and corporate social responsibility committee of the Company and a director of certain subsidiaries of the Company. He is currently a non-executive director of Melco Resorts & Entertainment Limited, a company listed on the NASDAQ Global Select Market in the United States.

Before joining the Company, Mr. Winkler served as a managing director at Moelis & Company, a global investment bank. Prior to that, he was a managing director and co-head of technology, media and telecommunications M&A at UBS Investment Bank. Mr. Winkler has extensive experience in providing senior level advisory services on mergers and acquisitions and other corporate finance initiatives, having spent nearly two decades working on Wall Street. He was named as one of the "Top 40 under 40" by Investment Dealers' Digest in 2010. He holds a bachelor degree in Economics from the University of Chicago.

Mr. TSUI Che Yin, Frank (aged 59)

Executive Director

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

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

Mr. CHUNG Yuk Man, Clarence (aged 54)

Executive Director

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

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

Mr. NG Ching Wo (aged 66)

Non-executive Director

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

Mr. CHOW Kwong Fai, Edward, J.P. (aged 64)

Independent Non-executive Director

Mr. Chow has been an Independent Non-executive Director of the Company since June 2015. He is also the chairman of the corporate social responsibility committee and a member of the nomination committee of the Company. Mr. Chow is currently an independent non-executive director of Wing Lung Bank Limited and chairman of its audit and risk management committee. He is also an independent non-executive director and chairman of the audit committee of Redco Properties Group Limited and an independent non-executive director of China Aircraft Leasing Group Holdings Limited, companies listed on the Hong Kong Stock Exchange. He was previously the chairman of CIG Yangtze Ports PLC and an independent non-executive director of COSCO Pacific Limited and China Merchants Bank Co., Ltd., all are listed on the Hong Kong Stock Exchange.

Mr. Chow holds an honours bachelor's degree in business studies from Middlesex University in the United Kingdom and is a fellow and former council member of The Institute of Chartered Accountants in England and Wales, former chairman of its Commercial Board and a past president of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors, the Chairman of the Professional Accountants in Business Committee of the International Federation of Accountants and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. Chow is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, an advisor of the Business and Professionals Federation of Hong Kong, a member of the Standing Committee of the Eleventh Zhejiang Province Committee of the Chinese People's Political Consultative Conference, a non-executive director of the Urban Renewal Authority and chairman of its finance committee and a court and council member of the University of Hong Kong and chairman of its audit committee. Prior to entering the commercial sector, Mr. Chow spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong.

Mr. SHAM Sui Leung, Daniel (aged 61)

Independent Non-executive Director

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

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

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

Dr. TYEN Kan Hee, Anthony (aged 61)

Independent Non-executive Director

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

Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practicing certified public accountant in Hong Kong and has over 39 years' experience in auditing, accounting, management and company secretarial practice.

SENIOR MANAGEMENT

Mr. TAM Chi Wai, Dennis, PhD, CPA (Aust), CMA (aged 47)

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

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

Mr. Tam obtained his Master Degree in Accounting from Monash University, completed his PhD program at Washington Intercontinental University and was trained at Harvard Business School in Cambridge, Massachusetts. He is the chairman of the board for Greater China for the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of the Institute of Public Accountants, a member of CPA Australia, a member of the Institute of Administrative Management in United Kingdom. In 2014 and 2015, Mr. Tam was awarded "Asia's Best CFO (Investor Relations)" at the Asian Excellence Awards by Corporate Governance Asia magazine.

Mr. LEUNG Hoi Wai, Vincent (aged 43)

Group General Counsel

Mr. Leung is the Group General Counsel and he also serves as the Company Secretary of the Company. Mr. Leung oversees the legal, corporate secretarial and compliance matters of the Group. He joined the Group in May 2015. Prior to joining the Group, he was a senior counsel of a multinational conglomerate and a business trust listed in Hong Kong and Singapore respectively, and practised law with the Hong Kong office of an international law firm. Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with over 18 years of experience in the legal profession specialising in corporate finance, infrastructure projects, listing and compliance matters, as well as cross-border mergers and acquisitions. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.

Mr. LAW Kwok Fai, Alan (aged 55)

Group Internal Audit Director

Mr. Law joined the Group in 2007. Mr. Law has more than 30 years of experience in public accountancy, financial management and operational risk management. He held management positions in multinational companies including KPMG, Peninsula Hotels Group, Standard Chartered Bank and Citigroup. Prior to joining the Group, he was the Quality Assurance Head of Citigroup Hong Kong for 10 years. Mr. Law obtained his Master Degree of Business Administration from the University of Warwick. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. KO Chun Fung, Henry (aged 57)

Executive Director and Chief Executive Officer of MelcoLot Limited

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

(a) Promulgation of Company's Corporate Governance Code

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

(b) Exceeding compliance requirements

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

Code of conduct

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

Whistle-blowing

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

Price-sensitive information

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

(c) Compliance of the Company Code and CG Code

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the year ended 31 December 2016.

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

THE BOARD OF DIRECTORS

Role of the Board

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

Lists of (i) duties and powers delegated to the Chief Executive Officer and matters reserved for decision of the Board and (ii) division of responsibilities between the Company's Chairman and Chief Executive Officer are available on the Company's website under the section headed "Corporate Governance".

Composition of the Board

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

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

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

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

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Ho, Lawrence Yau Lung, Mr. Ng Ching Wo and Dr. Tyen Kan Hee, Anthony will retire from office by rotation at the forthcoming annual general meeting. Mr. Evan Andrew Winkler, being a new director appointed by the Board, will also retire at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company. The biographical details of Mr. Ho, Mr. Ng, Dr. Tyen and Mr. Winkler have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

Board Diversity Policy

The Board adopted a board diversity policy in August 2013 which sets out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved from different age, gender, cultural and educational background, ethnicity, professional experience, skills and knowledge. All board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

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

Directors' Training

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

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company has invited Deloitte Touche Tohmatsu to provide a seminar to our Directors on the topic of "New Requirements on Risk Management and Compliance Approach and ESG Reporting". The Company has also sent information on external training courses and articles to Directors from time to time. A summary of training received by Directors during the year of 2016 is set out below:

	Type of Continuous Professional Development	
	Attending seminars/ workshops/conferences relevant to the business of the Company or directors' duties	**Reading regulatory updates**
Executive Directors		
Mr. Ho, Lawrence Yau Lung *(Chairman and Chief Executive Officer)*	✓	✓
Mr. Evan Andrew Winkler *(Managing Director)*	–	✓
Mr. Tsui Che Yin, Frank	✓	✓
Mr. Chung Yuk Man, Clarence	✓	✓
Non-executive Director		
Mr. Ng Ching Wo	✓	✓
Independent Non-executive Directors		
Mr. Chow Kwong Fai, Edward	✓	✓
Mr. Sham Sui Leung, Daniel	✓	✓
Dr. Tyen Kan Hee, Anthony	✓	✓

Board Meetings

The Directors met seven times during 2016. In addition, the Chairman met the Non-executive Directors once without the presence of the Executive Directors.

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

Board and Committee Attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2016 are as follows:

	No. of meetings attended/held							
Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Corporate Governance Committee meeting	Corporate Social Responsibility Committee meeting	Annual general meeting	Extra-ordinary general meeting
Executive Directors								
Mr. Ho, Lawrence Yau Lung	7/7	-	-	-	-	1/1	1/1	2/2
Mr. Evan Andrew Winkler*	4/4	-	-	-	-	-	-	1/1
Mr. Tsui Che Yin, Frank	7/7	-	-	-	-	1/1	1/1	2/2
Mr. Chung Yuk Man, Clarence	7/7	-	-	-	-	1/1	0/1	1/2
Non-executive Director								
Mr. Ng Ching Wo	7/7	2/2	2/2	2/2	1/1	-	1/1	2/2
Independent Non-executive Directors								
Mr. Chow Kwong Fai, Edward	7/7	-	-	2/2	-	1/1	1/1	2/2
Mr. Sham Sui Leung, Daniel	6/7	2/2	2/2	-	1/1	-	0/1	1/2
Dr. Tyen Kan Hee, Anthony	7/7	2/2	2/2	2/2	1/1	-	1/1	2/2
Average Attendance Rate	**98.21%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**71.43%**	**87.50%**

* appointed on 2 August 2016

Procedure to Enable to Seek Independent Professional Advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2016.

Securities Dealings 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 of 2016.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company. In 2016, no claims under the insurance policy were made.

DELEGATION BY THE BOARD

Management Functions

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

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

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

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out in the section headed "Corporate Information" on pages 283 and 284 of this annual report.

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

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

(1) Executive Committee

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

(2) Audit Committee

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

The detailed duties and powers of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants. To align with the amendments made to the CG Code relating to risk management and internal control, the terms of reference of the Audit Committee were revised on 31 March 2016, and are published on the Company's website under the section headed "Corporate Governance".

The members of the Audit Committee met twice during the year and:

(a) reviewed the annual financial results of 2015 and interim financial results of 2016;

(b) reviewed and approved the 2015 annual report and 2016 interim report;

(c) reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored their implementations;

(d) reviewed the effectiveness of the internal control system;

(e) approved and confirmed the internal audit plan for 2016;

(f) reviewed the risk management governance structure and risk management policy and recommended the same to the Board for approval; and

(g) reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the Company's auditor and their remuneration.

(3) Nomination Committee

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

The members of the Nomination Committee met twice during the year and:

(a) reviewed the structure, size, composition and diversity of the Board;

(b) reviewed the board diversity policy;

(c) assessed the independence of Independent Non-executive Directors; and

(d) recommended to the Board on matters relating to the appointment and re-election of Directors.

The appointment of new Director must be approved by the Board. The Board has delegated to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

During the year 2016, Mr. Evan Andrew Winkler was appointed as the Managing Director of the Company. When considering the new appointment, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and possible time commitments to the Board and the Company and made recommendations to the Board for approval.

(4) Remuneration Committee

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

The members of the Remuneration Committee met twice during the year and:

(a) reviewed the Company's new compensation mechanism;

(b) reviewed and approved management's proposal on salary revision of and discretionary bonus distribution to the Group's employees;

(c) reviewed and approved remuneration of Directors and senior management;

(d) recommended to the Board on cancellation of existing share options and grant of replacement share options and grant of awarded shares to Directors, employees and consultants of the Group; and

(e) approved the remuneration package of a newly appointed Director.

When considering remuneration of Executive Directors and senior management, the committee considers a number of factors, including salaries paid by comparable companies, job responsibilities, and individual and company performance. Details of remuneration of the Directors, Chief Executive and senior management are set out in notes 14 and 15 to the consolidated financial statements.

(5) Finance Committee

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

(6) Regulatory Compliance Committee

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

(7) Corporate Social Responsibility Committee

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

(8) Corporate Governance Committee

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

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

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

(b) review and monitor the training and continuous professional development of Directors and senior management;

(c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) review the Company's compliance with the code and disclosure in the Corporate Governance Report.

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

COMPANY SECRETARY

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

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining the necessary internal control system, ensuring that the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of external auditor are set out in the Independent Auditor's Report on pages 97 to 104 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the fees paid or payable by the Company to its external auditor, Deloitte Touche Tohmatsu, for providing audit and non-audit services amounted to approximately HK$2.2 million and HK$9.3 million (2015: HK$2.2 million and HK$1.3 million) respectively. The non-audit services mainly included interim review, taxation and advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board acknowledges its responsibility for establishing and maintaining sound systems of internal control and risk management on a going basis to safeguard the shareholders' investment and the Group's assets. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

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

Risk Management System

A risk management taskforce in overseeing and assessing the Group's risk management framework was set up under the Audit Committee and a risk management policy was adopted by the Board. The risk management policy provides a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The risk management taskforce assists the Board and the Audit Committee in overseeing the risk management system, which focuses on the leading, coordinating of works during the financial year, including risk identification, risk assessment, risk recommendation, risk management reporting and the establishment of the risk inventory of the Group based on the results of the risk assessment work performed with greatest perceived risks through inquiries with key management personnel.

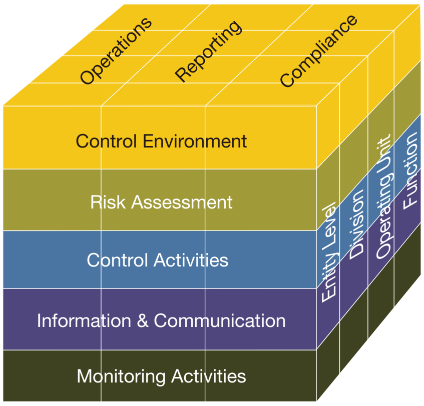
During the year, the Group has engaged an external consultant to assist the risk management taskforce to review the Group's risk management framework and conduct risk assessment on different categories. Results of the work covering areas such as finance, governance, operations, compliance, strategic and planning risks are submitted to the Executive Committee, Audit Committee and the Board for review and discussion. Those risks identified are considered to be in line with the Company's overall risk appetite and objectives.

Internal Control System

The Group has an Internal Audit Department, which reports directly to the Audit Committee, to provide the Audit Committee and the Board with useful information and recommendations on the adequacy and effectiveness of the Group's internal control system. Internal audit reports are submitted to the Audit Committee and the Board for review with recommendations adopted to further enhance the effectiveness of the internal controls.

The Internal Audit Department reviews and assesses the adequacy and effectiveness of the Group's internal control system by adopting a risk-based audit approach based on the Internal Control – 2013 Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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



Extracted from the COSO Internal Controls Integrated Framework - 2013

(1) Control Environment

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

(2) Risk Assessment

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

(3) Control Activities

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

(4) Information and Communication

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

(5) Monitoring Activities

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

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Audit Committee Supervision

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for 2016 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, and considers that they are adequate.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene Extraordinary General Meeting and Putting Forward Proposal at Annual General Meeting

Under Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders holding not less than 5% of the total voting rights may request the directors to call a meeting. The request must state the general nature of business to be dealt with at the meeting and may include the text of a resolution that is intended to be moved at the meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy or in electronic form and must be authenticated by the person(s) making it.

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

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

(a) shareholders holding at least 2.5% of the voting rights of shareholders entitled to vote on that resolution; or

(b) not less than 50 shareholders having the right to vote on that resolution.

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

Procedures for Nomination of Directors for Election

Under Article 102 of the Company's Articles of Association, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for nomination of Directors for election are available on the Company's website.

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

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

The Board Chairman, Board committees' chairmen (or their delegates) and the Company's auditor attended the 2016 AGM and were on hand to answer questions.

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

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors" or the "Board") have pleasure in submitting to shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 16 to 19 and 20 to 47 respectively of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 12 and 13 and in the Group's Five Years Financial Summary on page 282 of this annual report.

In addition, the Board is responsible for the Group's Environmental, Social and Governance ("ESG") strategy and reporting, which include evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Discussions on the Group's environmental policies, relationships with its employees, shareholders, suppliers and customers and compliance with the laws and regulations are contained in the section headed "Environmental, Social and Governance" on pages 42 to 47 of this annual report and in the Corporate Social Responsibility Report which is available on the Company's website at www.melco-group.com.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 105 to 106 of this annual report.

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. 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 per share for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 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 4 July 2017.

CLOSURE OF REGISTER OF MEMBERS

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.

The proposed special final dividend for the year ended 31 December 2016 is subject to the approval of shareholders at the forthcoming 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.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, investment properties, land use rights, gaming license and subconcession, trademarks and other intangible assets) during the year are set out in notes 18, 19, 20, 21, 23 and 24 respectively, to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 36 and 37 respectively, to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 282 of this annual report. This summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distribution consisted of capital reserve and retained profits of approximately HK$7,053,000 and HK$287,957,000 respectively (2015: HK$7,053,000 and HK$421,376,000 respectively). The Company considered it has fulfilled those conditions required for distribution of capital reserve.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 1% of the Group's total turnover for the year (2015: 53%) and the largest customer accounted for approximately 0.4% of the Group's turnover for the year (2015: 25%). The five largest suppliers accounted for approximately 17% of the Group's total purchases for the year (2015: 55%) and the largest supplier accounted for approximately 6% of the Group's purchases for the year (2015: 37%).

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

DIRECTORS

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

Executive Directors

Mr. Ho, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Evan Andrew Winkler
(Managing Director) – appointed on 2 August 2016
Mr. Tsui Che Yin, Frank
Mr. Chung Yuk Man, Clarence

Non-executive Director

Mr. Ng Ching Wo

Independent Non-executive Directors

Mr. Chow Kwong Fai, Edward
Mr. Sham Sui Leung, Daniel
Dr. Tyen Kan Hee, Anthony

In accordance with Article 89 of the Company's Articles of Association, Mr. Evan Andrew Winkler, being a new Director appointed by the Board on 2 August 2016, shall retire at the forthcoming annual general meeting and is eligible to offer himself for re-election.

In accordance with Article 98(A) of the Company's Articles of Association, Mr. Ho, Lawrence Yau Lung, Mr. Ng Ching Wo and Dr. Tyen Kan Hee, Anthony, being Directors longest in office since their last election, shall retire from office by rotation at the forthcoming annual general meeting and are eligible to offer themselves for re-election.

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

Biographical details of the Directors are set out on pages 48 to 52 of this annual report.

DIRECTORS OF SUBSIDIARIES

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at www.melco-group.com.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that each director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, save for loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contracts of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes and the share award schemes of the Company as disclosed in note 37 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short position of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

(a) Ordinary shares of the Company

	Number of ordinary shares held				
Name of Director	Personal interests[2]	Corporate interests[3]	Other interests[4]	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	30,769,132	473,521,077[5]	306,382,187[6]	810,672,396	52.51%
Mr. Tsui Che Yin, Frank	4,629,660	-	-	4,629,660	0.30%
Mr. Chung Yuk Man, Clarence	3,260,440	-	-	3,260,440	0.21%
Mr. Ng Ching Wo	82,000	-	-	82,000	0.01%
Mr. Chow Kwong Fai, Edward	2,000	-	-	2,000	0.00%
Mr. Sham Sui Leung, Daniel	81,000	-	-	81,000	0.01%
Dr. Tyen Kan Hee, Anthony	9,000	-	-	9,000	0.00%

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

Name of Director	Number of underlying shares held pursuant to share options(2 & 7)	Number of awarded shares held(2 & 8)	Total	Approximate % of total issued shares(1)
Mr. Ho, Lawrence Yau Lung	1,500,000	1,970,000	3,470,000	0.22%
Mr. Evan Andrew Winkler	2,968,000	1,698,000	4,666,000	0.30%
Mr. Tsui Che Yin, Frank	3,450,000	118,000	3,568,000	0.23%
Mr. Chung Yuk Man, Clarence	2,719,000	176,000	2,895,000	0.19%
Mr. Ng Ching Wo	1,157,000	13,000	1,170,000	0.08%
Mr. Chow Kwong Fai, Edward	14,000	6,000	20,000	0.00%
Mr. Sham Sui Leung, Daniel	1,152,000	11,000	1,163,000	0.08%
Dr. Tyen Kan Hee, Anthony	952,000	12,000	964,000	0.06%

Notes:

1. As at 31 December 2016, the total number of issued shares of the Company was 1,543,784,555.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is one of the beneficiaries.

5. The 473,521,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 50,830,447 shares, 7,294,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust and Maple Peak Investments Inc. respectively, representing approximately 19.08%, 7.73%, 3.29%, 0.47% and 0.10% of the total issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.

6. In addition to the deemed interests as stated in note 5 above, Mr. Ho, Lawrence Yau Lung is also taken to have interests in the 306,382,187 shares held by Great Respect Limited, representing approximately 19.85% of the total issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

7. Details of share options granted to the Directors pursuant to the share option schemes of the Company are set out in the “Share Option Schemes” section of this report and note 37 to the consolidated financial statements.

8. Details of awarded shares granted to the Directors pursuant to the Share Purchase Scheme adopted by the Company on 18 October 2007 (the “Share Purchase Scheme”) are set out in note 37 to the consolidated financial statements.

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

(A) Melco Resorts & Entertainment Limited (Formerly known as Melco Crown Entertainment Limited)

(a listed accounting subsidiary of the Company)

(a) Ordinary shares of Melco Resorts & Entertainment Limited

	Number of ordinary shares held				
Name of Director	Personal interests[2]	Corporate interests[3]	Other interests	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	4,122,944	675,233,244[4]	81,995,799[5]	761,351,987	51.58%
Mr. Chung Yuk Man, Clarence	46,594	-	-	46,594	0.00%

(b) Stock options and restricted shares granted by Melco Resorts & Entertainment Limited

Name of Director	Number of underlying shares held pursuant to stock options[2 & 6]	Number of restricted shares held[2 & 7]	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	8,250,813	939,595	9,190,408	0.62%
Mr. Chung Yuk Man, Clarence	194,664	35,094	229,758	0.02%

Notes:

1. As at 31 December 2016, the total number of issued shares of Melco Resorts & Entertainment Limited was 1,475,924,523.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. On 14 December 2016, Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly-owned subsidiary of the Company, and Crown Asia Investments Pty. Ltd. ("Crown Asia"), entered into a stock purchase agreement (the "Stock Purchase Agreement") pursuant to which Melco Leisure agreed to purchase from Crown Asia a total of 198,000,000 ordinary shares (the "Sale Shares") in Melco Resorts & Entertainment Limited, representing approximately 13.4% of the total issued shares of Melco Resorts & Entertainment Limited. The aggregate purchase price for the Sale Shares was US$1,100,800,800 (equivalent to approximately HK$8,531,206,200). The transaction was completed on 16 February 2017. As a result, the Company's shareholding in Melco Resorts & Entertainment Limited, has increased from approximately 37.89% to approximately 51.31%.

   By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 675,233,244 shares of Melco Resorts & Entertainment Limited, which are being held by Melco Leisure as a result of his interest in approximately 52.51% of the total issued shares of the Company.

5. On 15 December 2016, Melco Leisure entered into three stock loan agreements (the "Stock Loan Agreements") with three dealers and/or their respective affiliates (the "Borrowers") respectively, pursuant to which Melco Leisure agreed to lend an aggregate of 27,331,933 American depositary shares of Melco Resorts & Entertainment Limited ("ADSs") (equivalent to 81,995,799 ordinary shares), representing approximately 5.56% of the total issued shares of Melco Resorts & Entertainment Limited, to the Borrowers for a period of seven months, to facilitate Crown Asia's cash-settled swap transactions relating to a fixed number of ADSs (the "Stock Loans").

   Pursuant to the Stock Loan Agreements, the Stock Loans require the return of an equivalent number of ADSs to Melco Leisure at the end of the seven months loan period. In the meantime, Melco Leisure will continue to receive all distributions in respect of an equivalent number of ADSs and will have the right to exercise voting rights in respect of an equivalent number of ADSs held by Crown Asia. Accordingly, performance of the Stock Loan Agreements will not affect the Company's economic interest in, or voting rights in respect of, Melco Resorts & Entertainment Limited.

   By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in the Stock Loans in respect of 81,995,799 shares of Melco Resorts & Entertainment Limited, as a result of his interest in approximately 52.51% of the total issued shares of the Company.

6. Details of stock options granted to the Directors by Melco Resorts & Entertainment Limited are set out in the "Share Option Schemes" section of this report and note 37 to the consolidated financial statements.

7. Details of restricted shares granted to the Directors by Melco Resorts & Entertainment Limited are set out in note 37 to the consolidated financial statements.

(B) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines")

(a listed accounting subsidiary of the Company)

(a) Common shares of Melco Crown Philippines

Name of Director	Number of common shares held(2)	Approximate % of total issued shares(1)
Mr. Ho, Lawrence Yau Lung	7,803,638	0.14%
Mr. Chung Yuk Man, Clarence	6,238,396	0.11%

(b) Restricted shares granted by Melco Crown Philippines

Name of Director	Number of restricted shares held(2 & 3)	Approximate % of total issued shares(1)
Mr. Ho, Lawrence Yau Lung	5,462,546	0.10%
Mr. Chung Yuk Man, Clarence	5,626,415	0.10%

Notes:

1. As at 31 December 2016, the total number of issued shares of Melco Crown Philippines was 5,662,897,278.

2. This represents interests held by the relevant Director as beneficial owner.

3. Details of restricted shares granted to the Directors by Melco Crown Philippines are set out in note 37 to the consolidated financial statements.

(C) MelcoLot Limited ("MelcoLot")

(a listed subsidiary of the Company)

(a) Ordinary shares of MelcoLot

Name of Director	Number of ordinary shares held Personal interests	Corporate interests[3]	Other interests	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	–	1,282,244,329[4]	–	1,282,244,329	40.76%

(b) Share options granted by MelcoLot

Name of Director	Number of underlying shares held pursuant to share options[2 & 5]	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	18,137,871	0.58%
Mr. Tsui Che Yin, Frank	20,881,400	0.66%

Notes:

1. As at 31 December 2016, the total number of issued shares of MelcoLot was 3,145,656,900.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in (1) 1,278,714,329 shares of MelcoLot held by Melco LottVentures Holdings Limited, a wholly-owned subsidiary of the Company, as a result of his interest in approximately 52.51% of the total issued shares of the Company; and (2) 3,530,000 shares of MelcoLot held by Maple Peak Investments Inc., a company held by Mr. Ho as to approximately 54.25%, which, in turn, holds in aggregate of approximately 40.76% of the total issued shares of MelcoLot.

5. Details of share options granted to the Directors by MelcoLot are set out in the "Share Option Schemes" section of this report and note 37 to the consolidated financial statements.

(D) Entertainment Gaming Asia Inc. ("EGT")

(a listed subsidiary of the Company)

(a) Shares of EGT

	Number of shares held				
Name of Director	Personal interests(2)	Corporate interests(3)	Other interests	Total	Approximate % of total issued shares(1)
Mr. Ho, Lawrence Yau Lung	–	9,378,074(4)	–	9,378,074	64.84%
Mr. Chung Yuk Man, Clarence	590,266	–	–	590,266	4.08%
Dr. Tyen Kan Hee, Anthony	7,500	–	–	7,500	0.05%

(b) Stock options granted by EGT

Name of Director	Number of underlying shares held pursuant to stock options(2 & 5)	Approximate % of total issued shares(1)
Mr. Chung Yuk Man, Clarence	288,750	2.00%
Mr. Sham Sui Leung, Daniel	9,375	0.06%
Dr. Tyen Kan Hee, Anthony	34,375	0.24%

Notes:

1. As at 31 December 2016, the total number of issued shares of EGT was 14,464,220.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in the 9,378,074 shares of EGT held by EGT Entertainment Holding Limited, a wholly-owned subsidiary of the Company, as a result of his interest in approximately 52.51% of the issued shares of the Company, which, in turn, holds approximately 64.84% of the issued shares of EGT.

5. Details of share options granted to the Directors by EGT are set out in the "Share Option Schemes" section of this report and note 37 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company and their respective associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

(I) The Company

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

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

Principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme and other relevant information as required under the Listing Rules are set out in note 37 to the consolidated financial statements. Movements of share options granted under the schemes during the year ended 31 December 2016 are as follows:

(i) Under the 2002 Share Option Scheme

Category of Participants	Number of share options: As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period (Note)
Directors									
Mr. Tsui Che Yin,	170,000	-	-	-	-	170,000	07.04.2010	3.76	4
Frank	1,200,000	-	-	-	-	1,200,000	27.01.2012	7.1	6
Mr. Chung Yuk Man,	307,000	-	-	(307,000)	-	-	13.02.2006	11.8	-
Clarence	170,000	-	-	-	-	170,000	07.04.2010	3.76	4
	330,000	-	-	-	-	330,000	27.01.2012	7.1	6
Mr. Ng Ching Wo	300,000	-	-	(300,000)	-	-	03.04.2006	15.87	-
	51,000	-	-	-	-	51,000	28.02.2008	11.5	7
	91,000	-	-	-	-	91,000	03.04.2009	2.99	3
	60,000	-	-	-	-	60,000	07.04.2010	3.76	8
	350,000	-	-	-	-	350,000	08.04.2011	5.75	5
	210,000	-	-	-	-	210,000	27.01.2012	7.1	6
Mr. Sham Sui Leung,	51,000	-	-	-	-	51,000	28.02.2008	11.5	7
Daniel	91,000	-	-	-	-	91,000	03.04.2009	2.99	3
	60,000	-	-	-	-	60,000	07.04.2010	3.76	8
	350,000	-	-	-	-	350,000	08.04.2011	5.75	5
	210,000	-	-	-	-	210,000	27.01.2012	7.1	6
Dr. Tyen Kan Hee,	350,000	-	-	-	-	350,000	08.04.2011	5.75	5
Anthony	210,000	-	-	-	-	210,000	27.01.2012	7.1	6
Sub-total	4,561,000	-	-	(607,000)	-	3,954,000			
Employees	380,000	-	-	(380,000)	-	-	13.02.2006	11.8	-
	91,300	-	-	-	-	91,300	01.04.2008	10.804	2
	111,000	-	-	-	-	111,000	03.04.2009	2.99	3
	520,000	-	(121,000)	-	-	399,000	07.04.2010	3.76	4
	1,032,000	-	-	-	-	1,032,000	08.04.2011	5.75	5
	2,133,400	-	-	-	-	2,133,400	27.01.2012	7.1	6
Sub-total	4,267,700	-	(121,000)	(380,000)	-	3,766,700			
Others (13)	2,912,000	-	-	(2,912,000)	-	-	13.02.2006	11.8	-
	600,000	-	-	(600,000)	-	-	03.04.2006	15.87	-
	102,000	-	-	-	-	102,000	28.02.2008	11.5	7
	110,200	-	-	-	-	110,200	01.04.2008	10.804	2
	211,000	-	-	-	-	211,000	03.04.2009	2.99	3
	445,000	-	-	-	-	445,000	07.04.2010	3.76	4
	536,000	-	-	-	-	536,000	08.04.2011	5.75	5
	951,000	-	-	-	-	951,000	27.01.2012	7.1	6
Sub-total	5,867,200	-	-	(3,512,000)	-	2,355,200			
Total	**14,695,900**	**-**	**(121,000)**	**(4,499,000)**	**-**	**10,075,900**			

(ii) Under the 2012 Share Option Scheme

Category of participants	As at 1 January 2016	Modified during the year[9]	Granted during the year[10]	Exercised or lapsed during the year	Cancelled during the year[9]	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period (Note)
	Number of share options								
Directors									
Mr. Ho, Lawrence	1,500,000	-	-	-	(1,500,000)	-	03.04.2014	26.65	-
Yau Lung	1,500,000	-	-	-	(1,500,000)	-	08.04.2015	14.24	-
	-	-	1,500,000	-	-	1,500,000	08.04.2016	10.24	12
Mr. Evan Andrew Winkler	-	-	2,968,000	-	-	2,968,000	01.09.2016	8.69	13
Mr. Tsui Che Yin,	1,000,000	(1,000,000)	-	-	-	-	02.04.2013	13.4	-
Frank	700,000	(700,000)	-	-	-	-	03.04.2014	26.65	-
	256,000	(256,000)	-	-	-	-	08.04.2015	14.24	-
	-	1,956,000	124,000	-	-	2,080,000	08.04.2016	10.24	11
Mr. Chung Yuk Man,	1,000,000	(1,000,000)	-	-	-	-	02.04.2013	13.4	-
Clarence	700,000	(700,000)	-	-	-	-	03.04.2014	26.65	-
	263,000	(263,000)	-	-	-	-	08.04.2015	14.24	-
	-	1,963,000	256,000	-	-	2,219,000	08.04.2016	10.24	11
Mr. Ng Ching Wo	200,000	(200,000)	-	-	-	-	02.04.2013	13.4	-
	150,000	(150,000)	-	-	-	-	03.04.2014	26.65	-
	30,000	(30,000)	-	-	-	-	08.04.2015	14.24	-
	-	380,000	15,000	-	-	395,000	08.04.2016	10.24	11
Mr. Chow Kwong Fai, Edward	-	-	14,000	-	-	14,000	08.04.2016	10.24	11
Mr. Sham Sui Leung,	200,000	(200,000)	-	-	-	-	02.04.2013	13.4	-
Daniel	150,000	(150,000)	-	-	-	-	03.04.2014	26.65	-
	27,000	(27,000)	-	-	-	-	08.04.2015	14.24	-
	-	377,000	13,000	-	-	390,000	08.04.2016	10.24	11
Dr. Tyen Kan Hee,	200,000	(200,000)	-	-	-	-	02.04.2013	13.4	-
Anthony	150,000	(150,000)	-	-	-	-	03.04.2014	26.65	-
	27,000	(27,000)	-	-	-	-	08.04.2015	14.24	-
	-	377,000	15,000	-	-	392,000	08.04.2016	10.24	11
Sub-total	8,053,000	-	4,905,000	-	(3,000,000)	9,958,000			

Category of participants	As at 1 January 2016	Modified during the year(9)	Granted during the year(10)	Exercised or lapsed during the year	Cancelled during the year(9)	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period (Note)
	Number of share options								
Employees	2,064,000	(2,064,000)	–	–	–	–	02.04.2013	13.4	–
	2,131,000	(2,131,000)	–	–	–	–	03.04.2014	26.65	–
	200,000	(200,000)	–	–	–	–	29.08.2014	20.83	–
	714,000	(714,000)	–	–	–	–	08.04.2015	14.24	–
	–	5,109,000	582,000	–	–	5,691,000	08.04.2016	10.24	11
Sub-total	5,109,000	–	582,000	–	–	5,691,000			
Others (14)	1,199,000	(1,199,000)	–	–	–	–	02.04.2013	13.4	–
	1,095,000	(1,095,000)	–	–	–	–	03.04.2014	26.65	–
	266,000	(266,000)	–	–	–	–	08.04.2015	14.24	–
	–	2,560,000	44,000	–	–	2,604,000	08.04.2016	10.24	11
Sub-total	2,560,000	–	44,000	–	–	2,604,000			
Total	**15,722,000**	**-**	**5,531,000**	**-**	**(3,000,000)**	**18,253,000**			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 1 April 2008 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018.

3. The share options granted on 3 April 2009 are divided into 3 tranches exercisable from 3 April 2010, 3 April 2011 and 3 April 2012 respectively to 2 April 2019.

4. The share options granted on 7 April 2010 are divided into 6 tranches exercisable from 7 April 2010, 7 April 2011, 7 April 2012, 7 April 2013, 7 April 2014 and 7 April 2015 respectively to 6 April 2020.

5. The share options granted on 8 April 2011 are divided into 4 tranches exercisable from 5 May 2011, 8 April 2012, 8 April 2013 and 8 April 2014 respectively to 7 April 2021.

6. The share options granted on 27 January 2012 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022.

7. The share options granted on 28 February 2008 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 27 February 2018.

8. The share options granted on 7 April 2010 are divided into 3 tranches exercisable from 7 April 2011, 7 April 2012 and 7 April 2013 respectively to 6 April 2020.

9. On 8 April 2016, (1) a total of 15,722,000 share options (the "Previously Granted Options") granted by the Company on 2 April 2013, 3 April 2014, 29 August 2014 and 8 April 2015 to its directors, employees and consultants (the "Grantees") under the 2012 Share Option Scheme, which had not been exercised or lapsed since they were granted, were cancelled and/or modified; and (2) a total of 12,722,000 new share options (the "Replacement Options") were granted to the Grantees (other than Mr. Ho, Lawrence Yau Lung) under the 2012 Share Option Scheme and a new share award in respect of 1,740,000 shares (the "Replacement Share Award") were granted to Mr. Ho, Lawrence Yau Lung pursuant to the Share Purchase Scheme in replacement of the Previously Granted Options. All the Grantees had given their written consent to cancel their respective share options.

   Among the Previously Granted Options, 12,722,000 of such options were replaced by an identical number of Replacement Options. Such Replacement Options are treated as modified options since the terms of such options were modified by changing the exercise period and reducing the exercise prices from HK$13.4, HK$26.65, HK$20.83 and HK$14.24 (as the case may be) to HK$10.24.

   Details of the cancellation and grant of share options are set out in the announcement of the Company dated 8 April 2016 and details of the Replacement Share Award are set out in the "Share award schemes" section in note 37 to the consolidated financial statements.

10. On 8 April 2016, in addition to the grant of Replacement Options, the Company also granted a total of 2,563,000 new share options (the "New Options") to the Grantees under the 2012 Share Option Scheme.

11. The Replacement Options and the New Options on 8 April 2016 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026.

12. The New Options granted on 8 April 2016 are divided into 2 tranches exercisable from 8 April 2016 and 8 April 2017 respectively to 7 April 2026.

13. The share options granted on 1 September 2016 are divided into 2 tranches exercisable from 2 August 2018 and 2 August 2019 respectively to 31 August 2026.

14. The category "Others" represents the former directors/employees or consultants of the Group.

(II) Melco Resorts & Entertainment Limited

Melco Resorts & Entertainment Limited adopted a share incentive plan in 2006 (the "Melco 2006 Share Incentive Plan") and a share incentive plan in 2011 (the "Melco 2011 Share Incentive Plan"). Under the plans, Melco Resorts & Entertainment Limited may grant either options to purchase its ordinary shares or restricted shares. The Melco 2006 Share Incentive Plan has been succeeded by the Melco 2011 Share Incentive Plan, which will expire 10 years after 7 December 2011. No further awards may be granted under the Melco 2006 Share Incentive Plan. All subsequent awards will be issued under the Melco 2011 Share Incentive Plan. Awards previously granted under the Melco 2006 Share Incentive Plan shall remain valid subject to the terms and conditions of the Melco 2006 Share Incentive Plan.

As Melco Resorts & Entertainment Limited has become an accounting subsidiary of the Company under the Listing Rules since 9 May 2016, its share incentive plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, Melco Resorts & Entertainment Limited amended the Melco 2011 Share Incentive Plan (the "Melco Amended 2011 Share Incentive Plan") and such plan was approved by both the shareholders of Melco Resorts & Entertainment Limited and the Company, and became effective on 9 December 2016.

Principal terms of the Melco 2006 Share Incentive Plan and Melco Amended 2011 Share Incentive Plan and other relevant information as required under the Listing Rules are set out in note 37 to the consolidated financial statements. Movements of stock options granted under the plans during the period from 9 May 2016 to 31 December 2016 are as follows:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 9 May 2016[1]	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2016	Date of grant	Exercise price US$	Exercise period (Note(s))
Under the Melco 2006 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	2,898,774	-	-	-	-	2,898,774	17.03.2009	1.09	3
	755,058	-	-	-	-	755,058	25.11.2009	1.43	4
	1,446,498	-	-	-	-	1,446,498	23.03.2011	2.52	5
Mr. Chung Yuk Man, Clarence	56,628	-	-	-	-	56,628	18.03.2008	4.01	6
	138,036	-	-	-	-	138,036	17.03.2009	1.09	3
Total	**5,294,994**	**-**	**-**	**-**	**-**	**5,294,994**			
Under the Melco Amended 2011 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	474,399	-	-	-	-	474,399	29.03.2012	4.70	7
	362,610	-	-	-	-	362,610	10.05.2013	5.76	8, 18
	320,343	-	-	-	-	320,343	28.03.2014	5.76	9, 18
	690,291	-	-	-	-	690,291	30.03.2015	5.76	10, 18
	1,302,840	-	-	-	-	1,302,840	18.03.2016	5.76	11
Total	**3,150,483**	**-**	**-**	**-**	**-**	**3,150,483**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 9 May 2016[1]	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2016	Date of grant	Exercise price US$	Exercise period (Note(s))
Under the Melco 2006 Share Incentive Plan									
Other eligible participants[20]	119,697	-	(23,940)	-	-	95,757	10.09.2007	5.06	12
	131,913	-	(18,657)	-	-	113,256	18.03.2008	4.01	6
	2,937,486	-	(928,800)	-	-	2,008,686	25.11.2008	1.01	13
	276,072	-	-	-	-	276,072	17.03.2009	1.09	3
	267,885	-	(2,997)	-	-	264,888	25.11.2009	1.43	14
	263,028	-	-	-	-	263,028	25.11.2009	1.43	4
	140,400	-	-	-	-	140,400	25.11.2009	1.43	15
	112,287	-	(32,001)	-	-	80,286	26.05.2010	1.25	16
	300,000	-	-	-	-	300,000	16.08.2010	1.33	17
	1,768,521	-	(692,094)	-	-	1,076,427	23.03.2011	2.52	5
Total	**6,317,289**	**-**	**(1,698,489)**	**-**	**-**	**4,618,800**			
Under the Melco Amended 2011 Share Incentive Plan									
Other eligible participants[20]	995,583	-	(22,215)	-	-	973,368	29.03.2012	4.70	7
	15,516	-	-	(10,344)	(5,172)	-	10.05.2013	8.42	-
	762,045	-	-	-	(13,125)	748,920	10.05.2013	5.76	8, 18
	10,794	-	-	-	(10,794)	-	28.03.2014	12.98	-
	767,307	-	-	-	(9,878)	757,429	28.03.2014	5.76	9, 18
	50,604	-	-	-	(50,604)	-	30.03.2015	7.48	-
	1,669,638	-	-	-	(25,629)	1,644,009	30.03.2015	5.76	10, 18
	3,456,846	-	-	-	(70,032)	3,386,814	18.03.2016	5.76	11
	-	191,328	-	-	-	191,328	23.12.2016	5.23	19
Total	**7,728,333**	**191,328**	**(22,215)**	**(10,344)**	**(185,234)**	**7,701,868**			

Notes:

1. Melco Resorts & Entertainment Limited has become an accounting subsidiary of the Company with effect from 9 May 2016.

2. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.

3. The stock options granted on 17 March 2009 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019.

4. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 17 March 2018.

5. The stock options granted on 23 March 2011 are divided into 3 tranches exercisable from 23 March 2012, 23 March 2013 and 23 March 2014 respectively to 22 March 2021.

6. The stock options granted on 18 March 2008 are divided into 4 tranches exercisable from 18 March 2009, 18 March 2010, 18 March 2011 and 18 March 2012 respectively to 17 March 2018.

7. The stock options granted on 29 March 2012 are divided into 3 tranches exercisable from 29 March 2013, 29 March 2014 and 29 March 2015 respectively to 28 March 2022.

8. The stock options granted on 10 May 2013 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 9 May 2023. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

9. The stock options granted on 28 March 2014 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 27 March 2024. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

10. The stock options granted on 30 March 2015 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 29 March 2025. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

11. The stock options granted on 18 March 2016 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 17 March 2026.

12. The stock options granted on 10 September 2007 are divided into 4 tranches exercisable from 10 September 2008, 10 September 2009, 10 September 2010 and 10 September 2011 respectively to 9 September 2017.

13. The stock options granted on 25 November 2008 are divided into 2 tranches exercisable from 25 November 2010 and 25 November 2011 respectively to 24 November 2018.

14. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 9 September 2017.

15. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 10 April 2018.

16. The stock options granted on 26 May 2010 are divided into 2 tranches exercisable from 26 May 2012 and 26 May 2013 respectively to 25 May 2020.

17. The stock options granted on 16 August 2010 are divided into 2 tranches exercisable from 16 August 2012 and 16 August 2014 respectively to 15 August 2020.

18. On 18 March 2016, the board of directors of Melco Resorts & Entertainment Limited approved a modification to lower the exercise prices and extend the vesting schedules of certain outstanding stock options (including those unvested, or vested but not yet exercised stock options) held by active employees as of 18 March 2016. A total of 4,572,234 stock options granted in 2013, 2014 and 2015 under the Melco 2011 Share Incentive Plan were modified to state an exercise price US$5.76 per share (US$17.27 per ADS) of Melco Resorts & Entertainment Limited, each representing three ordinary shares), which reflected the closing price of the ADS of Melco Resorts & Entertainment Limited on the NASDAQ Global Select Market on the modification date.

19. The stock options granted on 23 December 2016 are exercisable from 26 September 2019 to 22 December 2026.

20. "Other eligible participants" represents the directors (other than the Directors), employees or consultants of Melco Resorts & Entertainment Limited.

(III) Melco Crown Philippines

Melco Crown Philippines adopted a share incentive plan in 2013 (the "MCP Share Incentive Plan"), which will expire 10 years on 24 June 2013. Under the MCP Share Incentive Plan, Melco Crown Philippines may grant either options to purchase Melco Crown Philippines' ordinary shares or restricted shares.

As Melco Crown Philippines has become an accounting subsidiary of the Company under the Listing Rules since 9 May 2016, its share incentive plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, Melco Crown Philippines amended the MCP Share Incentive Plan (the "MCP Amended Share Incentive Plan") and such plan was approved by both the shareholders of Melco Crown Philippines and the Company, and became effective on 15 March 2017.

Principal terms of the MCP Amended Share Incentive Plan and other relevant information as required under the Listing Rules are set out in note 37 to the consolidated financial statements. Movements of share options granted under the plan during the period from 9 May 2016 to 31 December 2016 are as follows:

(i) Share options granted to the Directors

Name of Director	Number of share options: As at 9 May 2016[1]	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2016	Date of grant	Exercise price PHP	Exercise period (Notes)
Under the MCP Amended Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	15,607,276	-	-	-	(15,607,276)	-	28.06.2013	8.30	3, 7
Mr. Chung Yuk Man, Clarence	10,404,851	-	-	-	(10,404,851)	-	28.06.2013	8.30	3, 7
Total	**26,012,127**	**-**	**-**	**-**	**(26,012,127)**	**-**			

(ii) Share options granted to other eligible participants

	Number of share options: As at 9 May 2016[1]	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2016	Date of grant	Exercise price PHP	Exercise period (Note(s))
Under the MCP Amended Share Incentive Plan									
Other eligible participants[8]	79,120,227	-	-	(5,029,012)	(69,409,033)	4,682,182	28.06.2013	8.30	3, 7
	1,560,728	-	-	-	(1,560,728)	-	17.02.2014	8.30	7
	346,828	-	-	(346,828)	-	-	28.02.2014	8.30	-
	1,040,485	-	-	-	(346,829)	693,656	27.03.2014	8.30	4
	1,040,485	-	-	(693,656)	(346,829)	-	28.03.2014	8.30	-
	3,317,045	-	-	(903,406)	(2,211,299)	202,340	30.05.2014	13.26	5, 7
	6,796,532	-	-	-	-	6,796,532	16.11.2015	3.46	6
Total	**93,222,330**	**-**	**-**	**(6,972,902)**	**(73,874,718)**	**12,374,710**			

Notes:

1. Melco Crown Philippines has become an accounting subsidiary of the Company with effect from 9 May 2016.

2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The share options granted on 28 June 2013 are divided into 3 tranches exercisable from 4 March 2015, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.

4. The share options granted on 27 March 2014 are divided into 3 tranches exercisable from 29 April 2015, 29 April 2016 and 29 April 2017 respectively to 26 March 2024.

5. The share options granted on 30 May 2014 are divided into 3 tranches exercisable from 30 May 2015, 30 May 2016 and 30 May 2017 respectively to 29 May 2024.

6. The share options granted on 16 November 2015 are divided into 3 tranches exercisable from 16 November 2016, 16 November 2017 and 16 November 2018 respectively to 15 November 2025.

7. On 2 August 2016, the board of directors of Melco Crown Philippines approved an option exchange program, which is designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted. Share options eligible for exchange were those that were granted during the years ended 31 December 2013 and 2014 under the MCP Share Incentive Plan. The approval of the option exchange program from the Philippine Securities and Exchange Commission was obtained on 30 September 2016. The exchange was subject to the eligible personnel's consent. Under the program, a total of 96,593,629 options were cancelled and a total of 43,700,116 replacement restricted shares were granted on 30 September 2016.

8. "Other eligible participants" represents the directors (other than the Directors), employees or consultants of Melco Crown Philippines.

(IV) MelcoLot

MelcoLot adopted its share option schemes on 20 April 2002 (the "MelcoLot 2002 Share Option Scheme") and 18 May 2012 (the "MelcoLot 2012 Share Option Scheme"). The MelcoLot 2002 Share Option Scheme had expired and no options may be and have been granted under that scheme after the expiry date, but the options granted before the expiry date continue to be valid and exercisable in accordance with their terms of issue. Subject to the aforesaid, the provisions of the MelcoLot 2002 Share Option Scheme remain in full force and effect, notwithstanding the expiry of the scheme.

Pursuant to the MelcoLot 2012 Share Option Scheme, the directors of MelcoLot may grant options to eligible persons to subscribe for the shares of MelcoLot, subject to the terms and conditions stipulated therein. The MelcoLot 2012 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption.

Principal terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme and other relevant information as required under the Listing Rules are set out in note 37 to the consolidated financial statements. Movements of share options granted under the schemes during the year ended 31 December 2016 are as follows:

(i) Share options granted to the Directors

	Number of share options								
Name of Director	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period (Note)
Under the MelcoLot 2012 Share Option Scheme									
Mr. Ho, Lawrence	7,385,871	-	-	-	-	7,385,871	02.07.2013	0.511	7
Yau Lung	10,752,000	-	-	-	-	10,752,000	09.10.2015	0.465	8
Mr. Tsui Che Yin,	6,386,400	-	-	-	-	6,386,400	02.07.2013	0.511	7
Frank	14,495,000	-	-	-	-	14,495,000	09.10.2015	0.465	8
Total	**39,019,271**	**-**	**-**	**-**	**-**	**39,019,271**			

(ii) Share options granted to other eligible participants

	Number of share options								
	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2016	Date of grant	Exercise price HK$	Exercise period (Note)
Under the MelcoLot 2002 Share Option Scheme									
Other eligible	52,300	-	-	-	-	52,300	12.01.2007	0.063	2
participants[(9)]	3,143,610	-	-	-	-	3,143,610	31.03.2008	0.638	3
	2,956,728	-	-	-	-	2,956,728	16.02.2009	0.215	4
	390,510	-	-	-	-	390,510	10.07.2009	0.263	5
	446,297	-	-	-	-	446,297	18.11.2010	0.109	6
Total	**6,989,445**	**-**	**-**	**-**	**-**	**6,989,445**			
Under the MelcoLot 2012 Share Option Scheme									
Other eligible	17,562,600	-	-	-	-	17,562,600	02.07.2013	0.511	7
participants[(9)]	56,461,000	-	-	-	-	56,461,000	09.10.2015	0.465	8
Total	**74,023,600**	**-**	**-**	**-**	**-**	**74,023,600**			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 12 January 2007 are divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.

3. The share options granted on 31 March 2008 are divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.

4. The share options granted on 16 February 2009 are divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.

5. The share options granted on 10 July 2009 are divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.

6. The share options granted on 18 November 2010 are divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.

7. The share options granted on 2 July 2013 are divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.

8. The share options granted on 9 October 2015 are divided into 3 tranches exercisable from 9 October 2015, 9 October 2016 and 9 October 2017 respectively to 8 October 2025.

9. "Other eligible participants" represents the directors (other than the Directors), employees or consultants of MelcoLot.

(V) EGT

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

As EGT has become a subsidiary of the Company under the Listing Rules, its stock option plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules and to make certain other administrative changes to the EGT 2008 Stock Incentive Plan, both the stockholders of EGT and the shareholders of the Company approved a 2016 Amended and Restated Stock Incentive Plan (the "EGT 2016 Stock Incentive Plan"), which amends and restates the EGT 2008 Stock Incentive Plan. The EGT 2016 Stock Incentive Plan became effective on 18 July 2016. Although the EGT 2008 Stock Option Plan was terminated on 18 July 2016, the stock options granted thereunder that were outstanding as of the date of termination shall remain outstanding and subject to termination according to their terms.

Principal terms of the EGT 2016 Stock Incentive Plan and other relevant information as required under the Listing Rules are set out in note 37 to the consolidated financial statements.

Movements of stock options granted under the EGT 1999 Stock Option Plans, EGT 2008 Stock Incentive Plan and EGT 2016 Stock Incentive Plan during the year ended 31 December 2016 are as follows:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 1 January 2016	Granted during the year(19)	Exercised during the year	Lapsed during the year	Cancelled during the year(19)	As at 31 December 2016	Date of grant	Exercise price US$	Exercise period (Note)
Under the EGT 1999 Stock Option Plans									
Mr. Chung Yuk Man, Clarence	1,875	-	-	-	(1,875)	-	22.01.2008	57.92	-
	6,250	-	-	-	(6,250)	-	12.02.2008	73.44	-
	125,000	-	-	-	(125,000)	-	29.12.2008	2.72	-
Mr. Sham Sui Leung, Daniel	6,250	-	-	-	-	6,250	11.12.2008	1.28	5
Dr. Tyen Kan Hee, Anthony	6,250	-	-	-	-	6,250	11.12.2008	1.28	5
Total	**145,625**	**-**	**-**	**-**	**(133,125)**	**12,500**			

Name of Director	Number of stock options: As at 1 January 2016	Granted during the year[19]	Exercised during the year	Lapsed during the year	Cancelled during the year[19]	As at 31 December 2016	Date of grant	Exercise price US$	Exercise period (Note)
Under the EGT 2008 Stock Incentive Plan									
Mr. Chung Yuk Man, Clarence	3,125	-	-	-	-	3,125	12.02.2009	2.08	3
	3,125	-	-	-	(3,125)	-	07.01.2010	4.64	-
	31,250	-	-	-	(31,250)	-	22.01.2010	4.4	-
	34,375	-	-	-	(34,375)	-	03.02.2011	5.76	-
	43,750	-	-	-	(43,750)	-	03.01.2012	3.696	-
	6,250	-	-	-	(6,250)	-	02.01.2013	7.86	-
	16,250	-	-	-	(16,250)	-	02.01.2013	7.86	-
	6,250	-	-	-	(6,250)	-	02.01.2014	4.844	-
	11,250	-	-	-	(11,250)	-	02.01.2014	4.844	-
Mr. Sham Sui Leung, Daniel	3,125	-	-	-	-	3,125	12.02.2009	2.08	3
Dr. Tyen Kan Hee, Anthony	3,125	-	-	-	-	3,125	12.02.2009	2.08	3
	3,125	-	-	-	-	3,125	07.01.2010	4.64	4
	3,125	-	-	-	(3,125)	-	03.02.2011	5.76	-
	6,250	-	-	-	-	6,250	03.01.2012	3.696	6
	6,250	-	-	-	(6,250)	-	02.01.2013	7.86	-
	6,250	-	-	-	(5,089)	1,161	02.01.2014	4.844	7
Total	**186,875**	**-**	**-**	**-**	**(166,964)**	**19,911**			
Under the EGT 2016 Stock Incentive Plan									
Mr. Chung Yuk Man, Clarence	-	285,625	-	-	-	285,625	29.04.2016	1.94	20
Dr. Tyen Kan Hee, Anthony	-	14,464	-	-	-	14,464	29.04.2016	1.94	20
Total	**-**	**300,089**	**-**	**-**	**-**	**300,089**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 1 January 2016	Granted during the year[19]	Exercised during the year	Lapsed during the year	Cancelled during the year[19]	As at 31 December 2016	Date of grant	Exercise price US$	Exercise period (Note)
Under the EGT 1999 Stock Option Plans									
Other eligible	625	-	-	(625)	-	-	30.01.2006	48.48	-
participants[21]	1,875	-	-	-	(625)	1,250	06.03.2007	38.88	8
	626	-	-	-	(313)	313	07.03.2007	38.339	9
	1,000	-	-	-	-	1,000	10.09.2007	49.76	10
	7,500	-	-	-	(3,750)	3,750	22.01.2008	57.92	2
	7,813	-	-	-	-	7,813	12.02.2008	67.516	11
	12,438	-	-	-	(6,250)	6,188	12.02.2008	73.44	12
	12,500	-	-	-	(12,500)	-	21.05.2008	19.52	-
	12,500	-	-	-	-	12,500	11.12.2008	1.28	5
	28,126	-	-	-	-	28,126	11.12.2008	1.28	13
Total	**85,003**	**-**	**-**	**(625)**	**(23,438)**	**60,940**			
Under the EGT 2008 Stock Incentive Plan									
Other eligible	18,750	-	-	-	-	18,750	12.02.2009	2.08	3
participants[21]	9,375	-	-	-	(9,375)	-	07.01.2010	4.64	-
	37,501	-	-	-	(9,376)	28,125	12.03.2010	4.16	14
	34,377	-	-	(9,375)	-	25,002	13.05.2010	4.24	15
	4,688	-	-	-	(4,688)	-	17.08.2010	3.84	-
	150,907	-	-	(12,916)	(54,690)	83,301	03.02.2011	5.76	16
	9,375	-	-	-	(9,375)	-	03.02.2011	5.76	-
	18,750	-	-	-	(18,750)	-	03.01.2012	3.696	-
	6,250	-	-	-	(6,250)	-	20.07.2012	8.676	-
	3,750	-	-	-	-	3,750	07.09.2012	8.564	17
	18,750	-	-	-	(18,750)	-	02.01.2013	7.86	-
	18,750	-	-	-	(11,250)	7,500	11.03.2013	7.496	18
	18,750	-	-	-	(18,750)	-	02.01.2014	4.844	-
Total	**349,973**	**-**	**-**	**(22,291)**	**(161,254)**	**166,428**			
Under the EGT 2016 Stock Incentive Plan									
Other eligible participants[21]	-	184,692	-	-	(25,626)	159,066	29.04.2016	1.94	20
Total	**-**	**184,692**	**-**	**-**	**(25,626)**	**159,066**			

Notes:

1. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.

2. The stock options granted on 22 January 2008 may be exercised from 23 July 2008 to 22 January 2018.

3. The stock options granted on 12 February 2009 may be exercised from 13 August 2009 to 12 February 2019.

4. The stock options granted on 7 January 2010 may be exercised from 8 July 2010 to 7 January 2020.

5. The stock options granted on 11 December 2008 may be exercised from 12 June 2009 to 11 December 2018.

6. The stock options granted on 3 January 2012 may be exercised from 4 July 2012 to 3 January 2022.

7. The stock options granted on 2 January 2014 may be exercised from 3 July 2014 to 2 January 2024.

8. The stock options granted on 6 March 2007 may be exercised from 7 September 2007 to 6 March 2017.

9. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.

10. The stock options granted on 10 September 2007 may be exercised from 18 November 2007 to 10 September 2017.

11. The stock options granted on 12 February 2008 are divided into 3 tranches exercisable from 14 November 2008, 14 November 2009 and 14 November 2010 respectively to 14 November 2017.

12. The stock options granted on 12 February 2008 may be exercised from 13 August 2008 to 14 November 2017.

13. The stock options granted on 11 December 2008 are divided into 3 tranches exercisable from 11 December 2009, 11 December 2010 and 11 December 2011 respectively to 11 December 2018.

14. The stock options granted on 12 March 2010 may be exercised from 12 March 2011 to 12 March 2020.

15. The stock options granted on 13 May 2010 are divided into 3 tranches exercisable from 13 May 2011, 13 May 2012 and 13 May 2013 respectively to 13 May 2020.

16. The stock options granted on 3 February 2011 are divided into 3 tranches exercisable from 3 February 2012, 3 February 2013 and 3 February 2014 respectively to 3 February 2021.

17. The stock options granted on 7 September 2012 are divided into 3 tranches exercisable from 7 September 2013, 7 September 2014 and 7 September 2015 respectively to 7 September 2022.

18. The stock options granted on 11 March 2013 are divided into 3 tranches exercisable from 11 March 2014, 11 March 2015 and 11 March 2016 respectively to 11 March 2023.

19. On 29 April 2016, the board of directors of EGT conditionally offered to (1) cancel a total of 484,781 underwater stock options (i.e. stock options with exercise prices that are significantly higher than the current market trading price of EGT's shares) held by certain option holders, including the existing directors, chief executive officer, employees and consultant of EGT (the "EGT Option Holders") (the "EGT Previously Granted Options"), which had not been exercised or lapsed since they were granted; and (2) grant a total of 484,781 replacement stock options (the "EGT Replacement Options") at an exercise price of US$1.94 to the EGT Option Holders in replacement of the EGT Previously Granted Options, subject to the approval by EGT's and the Company's shareholders of the EGT 2016 Stock Incentive Plan, which amended the EGT 2008 Stock Incentive Plan in order to bring it in alignment with Chapter 17 of the Listing Rules subsequent to EGT becoming a subsidiary of the Company. The EGT 2016 Stock Incentive Plan has been approved by both the shareholders of EGT and the Company and the plan became effective on 18 July 2016. All the EGT Option Holders had given their written consent to cancel their respective EGT Previously Granted Options and a total of 484,781 EGT Replacement Options were granted to the EGT Option Holders.

20. The EGT Replacement Options granted on 29 April 2016 are divided into 3 tranches exercisable from 29 April 2017, 29 April 2018 and 29 April 2019 respectively to 28 April 2026.

21. "Other eligible participants" represents the directors (other than the Directors), employees or consultants of EGT.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ho, Lawrence Yau Lung has effective beneficial interests in Shun Tak Holdings Limited ("STHL"), Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and SJM Holdings Limited ("SJM") of not more than 3%. These effective beneficial interests are held through a number of intermediary companies in which Mr. Ho has interest. STHL, STDM and SJM are involved in hotel and casino business, which competes with the business of the Company's accounting subsidiary, Melco Resorts & Entertainment Limited, in Macau. Mr. Ho is not a director of STHL, STDM and SJM and has no involvement with, and does not exercise any control or influence on, management and operation of STHL, STDM and SJM.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transaction and continuing connected transactions, which are subject to announcement and reporting requirements but are exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules:

(I) Connected Transaction

Purchase of Additional Interest and Assumption of Majority Ownership in Melco Resorts & Entertainment Limited

On 14 December 2016, Melco Leisure, a wholly-owned subsidiary of the Company, and Crown Asia entered into a stock purchase agreement (the "Stock Purchase Agreement") pursuant to which Melco Leisure agreed to purchase from Crown Asia a total of 198,000,000 ordinary shares (the "Sale Shares") in Melco Resorts & Entertainment Limited, representing approximately 13.4% of the issued share capital of Melco Resorts & Entertainment Limited, at an aggregate purchase price of US$1,188,000,000 less the aggregate amount of any special dividends paid in respect of the Sale Shares on or after the date of the Stock Purchase Agreement and prior to closing of the transaction (the "Transaction").

The purchase of the Sale Shares will not only further strengthen the Company's equity position in Melco Resorts & Entertainment Limited, but also demonstrate the Group's confidence in the long term business outlook in Macau. In addition, taking a majority stake in Melco Resorts & Entertainment Limited will enable the Group to effectively capture the growth opportunities in Macau, Asia and from around the globe.

Melco Resorts & Entertainment Limited is a subsidiary of the Company and Crown Asia is a substantial shareholder of Melco Resorts & Entertainment Limited. Therefore, Crown Asia is a connected person of the Company at the subsidiary level and the Transaction constitutes a connected transaction for the Company (and at the same time a major transaction) under the Listing Rules. Further details of the Transaction are set out in the announcement of the Company dated 14 December 2016.

Completion of the Transaction took place on 16 February 2017. As a result, the Company's shareholding in Melco Resorts & Entertainment Limited has increased from approximately 37.89% to approximately 51.31%.

(II) Continuing Connected Transactions

Purchase of Ferry Tickets from Shun Tak-China Travel Ship Management Limited

On 7 October 2016, MPEL Services Limited ("MPEL") and Shun Tak-China Travel Ship Management Limited ("STCTSML") entered into a ferry ticket sales framework agreement (the "Framework Agreement") for a term from 7 October 2016 to 31 December 2018 relating to the purchases from time to time by Melco Resorts & Entertainment Limited and its subsidiaries (the "Melco Group") of ferry tickets to and from Macau (the "Ferry Tickets") from STCTSML.

The Melco Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in Macau and the Philippines. As part of the privileges offered to eligible customers, the Melco Group sets up ticket terminals in its hotels and gaming areas allowing its eligible customers to directly redeem and print complimentary ferry ticketing services on site. Pursuant to the Framework Agreement, the price of the Ferry Tickets that may be purchased by the Melco Group is calculated at a discount of not less than 5% to the then prevailing retail price (net of departure tax and any fees) at which Ferry Tickets are offered for sale by STCTSML to the general public. As such, the Company considers that the entering into of the Framework Agreement is beneficial to the Group.

MPEL is a subsidiary of Melco Resorts & Entertainment Limited which in turn is a subsidiary of the Company. STCTSML is an indirect non-wholly owned subsidiary of Shun Tak Holdings Limited, which is a majority-controlled company of certain family members of Mr. Ho, Lawrence Yau Lung, a substantial shareholder and the Chairman and Chief Executive Officer of the Company. STCTSML is therefore an associate of Mr. Ho and a connected person of the Company under the Listing Rules. Accordingly, the transactions between MPEL and STCTSML contemplated under the Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

The aggregated amount of the transactions under the Framework Agreement is subject to annual cap for three years ending 31 December 2018. Annual cap of HK$8,000,000 was set for the period from 7 October 2016 to 31 December 2016 and annual caps of HK$41,000,000 and HK$45,000,000 were set for the years ending 31 December 2017 and 2018 respectively. During the period from 7 October 2016 to 31 December 2016, the total amount of fee paid by the Melco Group to STCTSML under the Framework Agreement was approximately HK$7,958,000 (the "Continuing Connected Transactions"), which is within the cap of HK$8,000,000.

Further details of the transactions are set out in the announcement of the Company dated 7 October 2016.

All the Independent Non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Framework Agreement on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2016, which do not constitute connected transactions under the Listing Rules, are disclosed in note 45 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of total issued shares	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	294,527,606	–	19.08%	2
Lasting Legend Ltd.	Beneficial owner	119,303,024	–	7.73%	2
Great Respect Limited	Beneficial owner	306,382,187	–	19.85%	4
Vistra Trustees (BVI) Limited	Trustee	306,382,187	–	19.85%	4
	Trustee	413,830,630	–	26.81%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	30,769,132	3,470,000	2.22%	7
	Interest of controlled corporations	473,521,077	–	30.67%	3
	Beneficiary of a trust	306,382,187	–	19.85%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	810,672,396	3,470,000	52.74%	6, 7
Southeastern Asset Management, Inc.	Investment manager	236,338,077	–	15.31%	–

Notes:

1. As at 31 December 2016, the total number of issued shares of the Company was 1,543,784,555.

2. The 294,527,606 shares held by Better Joy Overseas Ltd. and the 119,303,024 shares held by Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.

3. The 473,521,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 50,830,447 shares, 7,294,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust and Maple Peak Investments Inc. respectively, representing approximately 19.08%, 7.73%, 3.29%, 0.47% and 0.10% of the total issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.

4. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members (including his father, Dr. Ho Hung Sun, Stanley). Vistra Trustees (BVI) Limited is the trustee of the aforesaid discretionary family trust. Mr. Ho, Lawrence Yau Lung is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.

5. The 413,830,630 shares relate to the same block of shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. referred to in note 2 above.

6. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and was deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.

7. Regarding the interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section headed "Directors' interests in shares, underlying shares and debentures" of this report.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed in note 37 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION 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 Share Purchase 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into during the year or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 54 to 65 of this annual report.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards. Particulars of the emoluments of Directors on a named basis for the year are set out in note 14 to the consolidated financial statements.

The Company has adopted a share option scheme and two share incentive award schemes, as an incentive to Directors and employees. Details of the schemes are set out in note 37 to the consolidated financial statements.

AUDIT COMMITTEE

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

The Audit Committee, made up of a Non-executive Director and two Independent Non-executive Directors, met twice during the year. At the meetings, the Audit Committee reviewed the accounting principles and practices, the interim report and the annual report of the Group, and discussed auditing, risk management, internal control and financial reporting matters with the management.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$3,342,000 (2015: HK$3,124,000).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED
新濠國際發展有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 105 to 281, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Control over Melco Resorts &Entertainment Limited ("Melco")	
We identified the assessment of whether the Group has control over Melco as a key audit matter as it involves significant management judgement in assessing the Group's ability to direct relevant activities of Melco unilaterally. Upon completion of the deemed acquisition of Melco as described in notes 39 and 46.2 to the consolidated financial statements, the Group's shareholding in Melco increased to 37.9% on 9 May 2016 as a result of a privately negotiated share repurchase transaction of Melco with Crown Asia Investments Pty. Ltd., ("Crown Sub"). The shareholding of Crown Sub in Melco was reduced from 34.3% to 27.4% immediately upon completion of this share repurchase transaction of Melco (the "Completion"), who became as the second largest shareholder in Melco. The remaining 34.7% of shareholdings in Melco are owned by a large number of shareholders that are unrelated to the Group and Crown Sub. The amended and restated supplemental shareholders' deed dated 4 May 2016 ("Supplemental Shareholders' Deed") was entered into between the Group and Crown Sub upon the Completion to make certain amendments to the amended and restated shareholders' deed relating to Melco dated 12 December 2007 and the Memorandum and Articles of Association (the "M&A") of Melco. As set out in note 4 to the consolidated financial statements, the directors of the Company have made an assessment and concluded that the Group has obtained control over Melco after taking into consideration: (i) the fact that relevant activities of Melco are directed by the board of Melco as a result of various changes effected under the under the Supplemental Shareholders' Deed as well as the amendments to the M&A of Melco after the Completion; (ii) the power of the Group to appoint a majority of the executive and non-executive directors (other than independent directors) of the board of Melco after the Completion; (iii) the rights of the Group with regards to the nomination for the appointment of independent directors of the board of Melco after the Completion; and (iv) the power of the Group to appoint certain key management personnel of Melco, including the only executive director and the Chairman of the board and chief executive officer of Melco after the Completion.	Our procedures in relation to the assessment of control over Melco included: • Reading the shareholders' deed of Melco, the supplemental shareholders' deed of Melco, the M&A of Melco, to evaluate the Group's power to appoint a majority of the executive and non-executive directors (other than independent directors) of the board of Melco after the Completion, and the power of the Group to appoint certain key management personnel of Melco, including the only executive director and the Chairman of the board and chief executive officer of Melco after the Completion, and also the rights of the Group with regards to the nomination for the appointment of independent directors of the board of Melco after the Completion; • Making inquiries with the management to determine whether the relevant activities of Melco are directed by the board of Melco as a result of various changes effected under the Supplemental Shareholders' Deed as well as the amendments to the M&A of Melco after the Completion and reviewing the meeting minutes of the board of Melco; and • Considering the sufficiency of the Group's disclosure in respect of the acquisition and the related judgement in notes 4 and note 39

KEY AUDIT MATTERS (continued)

Key audit matter

The purchase price allocation on deemed acquisition of Melco

We identified the purchase price allocation on deemed acquisition of Melco as a key audit matter as the valuation of the fair value of the intangible assets are measured using the discounted cash flow model which is inherently complex and judgmental due to the level of estimation uncertainty associated with forecasting future cash flows. The inputs with the most significant impact on the valuation that affected the purchase price allocation comprised of the cash flows estimation, asset lives and discount rates applied to the model.

As disclosed in note 39 to the consolidated financial statements, the Group obtained control over Melco, a then associate of the Group, through the share repurchase agreement with Melco and the amendment of the shareholders' deed and the M&A of Melco. This deemed acquisition has been accounted for using the acquisition method. As the business combination was achieved without transfer of consideration from the Group, the consideration transferred was deemed to be the acquisition-date fair value of the Group's interest in Melco, which amounted to HK$20,912,855,000. As part of the acquisition accounting, the Hong Kong Financial Reporting Standards ("HKFRSs") require the deemed purchase price to be allocated to the identifiable assets acquired and liabilities assumed, with the excess to be accounted for as goodwill.

The principal areas of judgement in management's purchase price allocation exercise related to the valuation of the assets and liabilities acquired. The management engaged third party qualified valuers to perform the valuation.

How our audit addressed the key audit matter

Our procedures in relation to the assessment of the purchase price allocation on the deemed acquisition of Melco included:

- Making inquiries with management on their bases of assumptions for the preparation of the valuation model;
- Evaluating the independent external valuer's competence, capabilities and objectivity;
- Agreeing the consideration transferred in the transaction to the acquisition-date fair value of the Group's interest in Melco;
- Checking, on a sample basis, the reasonableness, appropriateness and relevance of the input data used in the fair value determination of identified assets and liabilities at the acquisition date; and
- Engaging our own internal valuation experts to challenge, by applying standard industry valuation practice and comparing to the historical trend data and also external market data:
    - the reasonableness of the underlying valuation methodologies; and
    - the discount rates used by assessing the input data, such as risk-free rate, country specific risk and so on of the calculation of the cost of capital for the Group and the other parameters such as the country risk premium and company specific premium.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Useful lives of trademarks	
We identified the useful lives of trademarks as a key audit matter because the determination of whether the trademarks have indefinite or finite life requires significant judgement, including considering the nature of the renewal process and additional economic sacrifices, if any, required when renewing the trademarks. If the useful lives of the trademarks are determined to be finite, the trademarks are amortized over their useful lives. If the useful lives of the trademarks are determined to be indefinite, the trademarks are not amortized. As disclosed in Note 23 to the consolidated financial statements, the Group's trademarks in respect of Studio City, City of Dreams – Macau, City of Dreams – Manila and Mocha Clubs, which were the major cash-generating units of the Group in the Casino and Hospitality segments, were acquired through the deemed acquisition of Melco on 9 May 2016 and have a legal life of 7 years but are renewable every 7 years at minimal cost. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so. As a result, the trademarks were considered by the management of the Group to have an indefinite useful life and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.	Our procedures in relation to the assessment of the reasonableness of the useful lives of trademarks included: • Reviewing all registration documents and contracts of the key trademarks to assess their legal and useful lives; • Obtaining an understanding of and challenging management's basis for their conclusion that the useful lives of trademarks are indefinite; and • Obtaining an understanding of the requirement to renew the trademarks upon its expiration.

KEY AUDIT MATTERS (continued)

Key audit matter

Recoverability of casino trade receivables

We identified the recoverability of casino trade receivables as a key audit matter due to the fact that the provision is subject to significant judgement and determined by management of the Group on the basis as disclosed in Note 4 to the consolidated financial statements.

The Group has made provision for doubtful casino trade receivables amounting of HK$219,097,000 as at 31 December 2016.

As disclosed in note 44(b) to the consolidated financial statements, the Group has a credit risk with a great number of gaming promotors, all of which are domiciled in Macau. Any significant adverse changes in the business environment and financial condition of the gaming promoters may impact the recoverability of the casino trade receivables. Changing market conditions and slower economic growth in China have negatively impacted the overall Macau gaming market, and as a result there may be higher credit risk associated with the debtors and the need for additional provision may be necessary.

How our audit addressed the key audit matter

Our procedures in relation to recoverability of casino trade receivables included:

- Evaluating the effectiveness of management's review controls over the assessment of the collectability of casino trade receivables;
- Evaluating the appropriateness of the provision policy and estimated provision;
- Assessing the effectiveness of the control activities for collection of casino trade receivables; and
- Testing of the Group's specific provision by examining the evidence supporting payment history, management's evaluation of this information in establishing provisions and examining subsequent settlement to determine the sufficiency of the provision made for the specific doubtful casino trade receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	23,852,811	395,082
Other income, other gains or losses	7	129,574	53,334
Employee benefits expenses	8	(4,427,451)	(284,085)
Depreciation and amortization		(3,325,477)	(38,594)
Special gaming tax, other license fees and other related taxes	9	(9,501,712)	–
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest	39	10,440,376	–
– Reclassification of previously accumulated exchange reserve upon deemed disposal	39	(54,912)	–
Other expenses	10	(5,576,773)	(289,519)
Finance costs	11	(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	12	(38,189)	(1,200)
Profit for the year	13	9,890,779	90,877

	NOTES	2016 HK$'000	2015 HK$'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(51,958)	(702)
Loss on fair value change of available-for-sale investments		(5,093)	–
Gain on fair value change 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 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
Profit (loss) for the year attributable to:			
Owners of the Company		10,365,940	100,924
Non-controlling interests		(475,161)	(10,047)
		9,890,779	90,877
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		10,407,793	74,126
Non-controlling interests		(517,003)	(9,922)
		9,890,790	64,204
Earnings per share	17		
Basic (HK$)		6.74	0.07
Diluted (HK$)		6.72	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	47,041,603	82,852
Investment properties	19	190,000	178,000
Land use rights	20	5,719,981	–
Gaming license and subconcession	21	5,991,892	–
Goodwill	22	5,299,451	–
Trademarks	23	16,992,458	–
Other intangible assets	24	15,864	5,700
Interests in associates	26	17,988	11,607,027
Interests in joint ventures	27	230	20,387
Trade and other receivables, prepayments and deposits	28	1,468,506	56,867
Deferred tax assets	35	1,640	2,133
Other financial assets	31	84,965	50,025
		82,824,578	12,002,991
Current assets			
Land use rights	20	166,057	–
Inventories	29	255,724	20,232
Trade and other receivables, prepayments and deposits	28	3,158,907	96,439
Income tax receivables		406	–
Other financial assets	31	3,517,540	1,730,026
Bank balances and cash	30	13,727,720	467,250
		20,826,354	2,313,947
Current liabilities			
Trade and other payables and accruals	32	11,014,990	153,904
Taxation payable		74,328	33,100
Borrowings – due within one year	33	398,960	4,980
Obligations under finance leases – due within one year	34	239,079	–
		11,727,357	191,984
Net current assets		9,098,997	2,121,963
Total assets less current liabilities		91,923,575	14,124,954

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax liabilities	35	2,437,570	4,368
Other payables and accruals	32	389,951	6,844
Borrowings – due after one year	33	30,011,421	1,335,290
Obligations under finance leases			
– due after one year	34	2,041,140	–
		34,880,082	1,346,502
		57,043,493	12,778,452
Capital and reserves			
Share capital	36	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

The consolidated financial statements on pages 105 to 281 were approved and authorized for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Ho, Lawrence Yau Lung
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000 (Note c)	Exchange reserve HK$'000	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	5,436,556	7,053	461,671	5,796	201,273	(77,247)	250,647	(84,625)	15,187	6,169,526	12,385,837	392,615	12,778,452
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(9,260)	-	-	-	-	(9,260)	(42,698)	(51,958)
Loss on fair value change of available-for-sale investments	-	-	-	-	(5,093)	-	-	-	-	-	(5,093)	-	(5,093)
Gain on fair value change of interest rate swap agreements	-	-	-	-	-	-	-	-	-	251	251	856	1,107
Share of exchange differences of an associate	-	-	-	-	-	1,052	-	-	-	-	1,052	-	1,052
Share of exchange differences of joint ventures	-	-	-	-	-	(9)	-	-	-	-	(9)	-	(9)
Reclassification of exchange reserve upon deemed disposal of interest in an associate	-	-	-	-	-	54,912	-	-	-	-	54,912	-	54,912
Other comprehensive income (expense) for the year	-	-	-	-	(5,093)	46,695	-	-	-	251	41,853	(41,842)	11
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	10,365,940	10,365,940	(475,161)	9,890,779
Total comprehensive income (expense) for the year	-	-	-	-	(5,093)	46,695	-	-	-	10,366,191	10,407,793	(517,003)	9,890,790

	Attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000 (Note c)	Exchange reserve HK$'000	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Exercise of share options	747	-	-	-	-	-	(292)	-	-	-	455	-	455
Recognition of equity-settled share based payments	-	-	-	-	-	-	44,326	-	47,119	-	91,445	246,319	337,764
Transfer of share options reserve upon expiry of share options	-	-	-	-	-	-	(62,184)	-	-	62,184	-	-	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	45,308	(39,752)	(5,556)	-	-	-
Purchase of shares for unvested shares under the share award schemes (Note 37)	-	-	-	-	-	-	-	(99,149)	-	-	(99,149)	-	(99,149)
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	(54,133)	(54,133)	-	(54,133)
Share of special reserve of an associate	-	-	(2,190)	-	-	-	-	-	-	-	(2,190)	-	(2,190)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(132,972)	(132,972)
Acquisition of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(6,780)	(6,780)
Reclassification of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	-	-	(148,174)	-	(201,273)	-	-	-	-	-	(349,447)	-	(349,447)
Deemed acquisition of a subsidiary (Note 39)	-	-	-	-	-	-	-	-	-	-	-	34,713,568	34,713,568
Repurchase of shares	-	-	-	-	-	-	-	-	-	(32,865)	(32,865)	-	(32,865)
	747	-	(150,364)	-	(201,273)	-	(18,150)	(53,841)	7,367	(30,370)	(445,884)	34,820,135	34,374,251
At 31 December 2016	5,437,303	7,053	311,307	5,796	(5,093)	(30,552)	232,497	(138,466)	22,554	16,505,347	22,347,746	34,695,747	57,043,493

	Attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000 (Note c)	Exchange reserve HK$'000	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	5,435,321	30,253	445,188	5,796	201,229	(51,767)	190,349	(137,189)	21,926	6,190,550	12,331,656	387,882	12,719,538
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(827)	-	-	-	-	(827)	125	(702)
Share of exchange differences of an associate	-	-	-	-	-	(12,835)	-	-	-	-	(12,835)	-	(12,835)
Share of exchange differences of joint ventures	-	-	-	-	-	(13,136)	-	-	-	-	(13,136)	-	(13,136)
Other comprehensive (expense) income for the year	-	-	-	-	-	(26,798)	-	-	-	-	(26,798)	125	(26,673)
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	100,924	100,924	(10,047)	90,877
Total comprehensive (expense) income for the year	-	-	-	-	-	(26,798)	-	-	-	100,924	74,126	(9,922)	64,204

	Attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000 (Note c)	Exchange reserve HK$'000	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Exercise of share options	1,235	-	-	-	-	-	(483)	-	-	-	752	-	752
Recognition of equity-settled share based payments	-	-	-	-	-	-	60,781	-	41,239	-	102,020	13,459	115,479
Shares vested under the share award schemes	-	-	-	-	-	-	-	52,564	(47,978)	(4,586)	-	-	-
Deemed disposal of partial interest in a subsidiary	-	-	89	-	-	-	-	-	-	-	89	(89)	-
Acquisition of partial interest in a subsidiary	-	-	(200)	-	-	-	-	-	-	-	(200)	200	-
Disposal of a subsidiary	-	-	-	-	-	1,318	-	-	-	(1,318)	-	1,056	1,056
Dividend recognized as a distribution (Note 16)	-	(23,200)	-	-	-	-	-	-	-	(116,000)	(139,200)	-	(139,200)
Share of net assets changes of an associate	-	-	(10,496)	-	-	-	-	-	-	-	(10,496)	-	(10,496)
Increase in associate's equity attributable to the Group's interest arising on equity transactions of the associate (Note 26)	-	-	25,907	-	-	-	-	-	-	-	25,907	-	25,907
Share of special reserve and other revaluation reserve of an associate	-	-	1,183	-	44	-	-	-	-	(44)	1,183	-	1,183
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	29	29
	1,235	(23,200)	16,483	-	44	1,318	60,298	52,564	(6,739)	(121,948)	(19,945)	14,655	(5,290)
At 31 December 2015	5,436,556	7,053	461,671	5,796	201,273	(77,247)	250,647	(84,625)	15,187	6,169,526	12,385,837	392,615	12,778,452

Notes:

(a) Pursuant to a scheme of capital reduction, which became effective on 29 June 1993, the Supreme Court of Hong Kong approved the cancellation of the Company's share premium account which, on that date, was stated at HK$127,274,212. By virtue of the same court's sanction, the issued and fully paid share capital of the Company was also reduced by HK$230,510,521 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, in the aggregate amount of HK$357,784,733 were transferred to a capital reserve account. The capital reserve account is distributable to the shareholders of the Company if there is no outstanding debt or claim against the Company which was in existence on the effective date of the capital reduction. In view of the fact that the Company receives no claim, demand, action or proceedings in respect of any such debt or claim since June 1993 and in view of the fact that any such debt or claim has been statute-barred under Hong Kong law and is irrecoverable against the Company, the Company is of the view that the reserve is distributable to the Company's shareholders.

(b) The special reserve brought forward from the previous year represented (1) the difference between the consideration paid and the aggregate of goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in a former subsidiary, which subsequently became an associate of the Group acquired in previous years; (2) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in a subsidiary; (3) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of a partial interest of a subsidiary; (4) deemed disposal of a partial interest in a subsidiary in relation to the exercise of share options by non-controlling interests; (5) share of net assets changes of a former associate in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries; (6) share of net asset changes of a former associate resulting from the share repurchase and cancellation by a former associate, which increased the Group's effective ownership therein; and (7) share of net assets changes of a joint venture in relation to the deemed contribution from shareholders as a result of provision of non-interest bearing loan to the joint venture.

(c) Other revaluation reserve mainly represents the share of a joint venture's revaluation reserve. In October 2009, a joint venture distributed certain equity investments to the Group as dividends in specie. The accumulated gain of approximately HK$201,273,000 on the holding of those equity investments as available-for-sale investments by the joint venture was therefore shared by the Group and included in other revaluation reserve. In May 2016, the entire balance of such gain was reclassified upon the deemed disposal of interest in an associate. The remaining balance of other revaluation reserve of HK$5,093,000 as at 31 December 2016 represents the fair value change of available-for-sale investments held by the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before tax		9,928,968	92,077
Adjustments for:			
Share of profits of associates		(180,697)	(307,333)
Share of losses of joint ventures		1,966	5,695
Finance costs		1,786,199	45,779
Gain on fair value change of investment properties		(11,695)	(8,000)
Share-based payment expense		317,714	115,479
(Gain) loss on deemed disposal of partial interest in an associate		(591)	1,394
Depreciation of property, plant and equipment		2,506,626	38,594
Amortization of intangible assets		818,851	–
(Gain) loss on disposal of property, plant and equipment		(2,797)	2,993
Impairment loss on property, plant and equipment		9,925	17,342
Interest income		(61,423)	(32,307)
Allowance for doubtful debts, net of recoveries		219,097	2,937
Written off of trade receivables		20,103	–
Loss on fair value change of held-for-trading investments		4	143
Gain on disposal of a subsidiary		–	(3,731)
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest	39	(10,440,376)	–
– Reclassification of previously accumulated exchange reserve upon deemed disposal	39	54,912	–
Operating cash flows before movements in working capital		4,966,786	(28,938)
Decrease in inventories		22,491	2,044
Decrease (increase) in trade receivables, other receivables, prepayments and deposits		1,176,355	(3,932)
Decrease in amounts due from associates		–	7,788
(Increase) decrease in amount due from a related company		(4,015)	19
(Decrease) increase in amounts due to associates		(2,167)	2,167
Increase in trade payables, other payables and accruals		2,039,771	13,390
Cash from (used in) operating activities		8,199,221	(7,462)
Income tax paid		(6,544)	(2,804)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		8,192,677	(10,266)

	NOTE	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Cash acquired through deemed acquisition of a subsidiary	39	9,910,250	–
Redemption of bank deposits with original maturity over three months upon maturity		1,729,049	1,558,002
Release of restricted cash		1,488,300	–
Dividend received from an associate		965,444	168,668
Proceeds from disposal of property, plant and equipment		96,241	1,000
Placement of bank deposits with original maturity over three months		(3,161,902)	(1,729,049)
Purchase of property, plant and equipment		(557,827)	(19,632)
Payments and deposits for construction costs		(1,515,668)	–
Deposits for acquisition of property, plant and equipment		(14,549)	–
Advance payments for construction costs		(245,661)	–
Purchase of structured notes		(50,000)	(50,000)
Purchase of other intangible assets		(11,420)	–
Additions to investment properties		(305)	–
Payments for entertainment production costs		(257)	–
Net proceeds from disposal of a subsidiary		–	542
Interest received		61,338	32,069
NET CASH FROM (USED IN) INVESTING ACTIVITIES		8,693,033	(38,400)

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(10,296,116)	(394,980)
Interest paid	(1,028,211)	(45,779)
Payments of obligations under finance leases	(308,433)	–
Dividend paid	(186,932)	(139,684)
Purchase of shares for unvested shares under the share award schemes	(99,149)	–
Acquisition of partial interest in a subsidiary	(6,780)	–
Proceeds from bank borrowings	9,243,640	546,000
Proceeds from exercise of share options	455	752
Capital contribution from non-controlling shareholders	–	29
Repurchase of shares	(32,865)	–
Return of earnest money to a project partner	(56,496)	–
Payment for proposed acquisition of addition interest in a subsidiary	(778,000)	–
NET CASH USED IN FINANCING ACTIVITIES	(3,548,887)	(33,662)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,336,823	(82,328)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	467,250	549,578
Effect of foreign exchange rate changes	(76,353)	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	13,727,720	467,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

Melco International Development Limited (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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group's business also includes Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, which commenced operations on 27 October 2015. In the Philippines, Melco Crown (Philippines) Resorts Corporation ("MCP"), a majority-owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. under the stock code of "MCP", through MCP's subsidiary, MCE Leisure (Philippines) Corporation ("MCE Leisure"), currently operates and manages City of Dreams – Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. City of Dreams – Manila commenced operations on 14 December 2014, with a grand opening of the integrated resort on 2 February 2015.

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. See Note 6 for additional information about the Group's segments.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests 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.

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 and are relevant to the Group 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 Unrealized 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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company (the "Directors") anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, the Directors are in the process of assessing the impact and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors perform a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 *Leases (continued)*

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$1,293,341,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of the other amendments to HKFRSs in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU(s)") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. If a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

A deemed disposal of partial interest occurs where the proportionate interest of the Group in an associate or a joint venture reduced, other than by an actual disposal, by the exercise of options or warrants by third parties or the issue of shares to third parties by the associate or a joint venture. A gain or loss on the deemed disposal will be recognized immediately in the profit or loss in the period in which the event occurs.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenues are recognized net of certain sales incentives which are required to be recorded as a reduction of revenue; consequently, the Group's casino revenues are reduced by discounts and points earned in customer loyalty programs, such as the player's club loyalty program.

Casino revenues are measured by the aggregate net difference between gaming wins and losses less accruals for the anticipated payouts of progressive slot jackpots, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer.

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

Revenue from the sale of goods is recognized when the goods, including lottery terminals and parts, and gaming chips and plaques are delivered and titles have passed.

The Group earns revenue from electronic gaming machine participation by providing the gaming venue owner with electronic gaming machines and casino management systems which would track game performance and provide statistics on installed electronic gaming machines owned and provided by the Group. Revenue is recognized based on the contractual terms of the slot agreements between the Group and the gaming venue owner and are based on the Group's share of net winnings, net of customer incentives and commitment fees.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties to encourage repeat business mainly from loyal slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The Group accrues for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. The accruals are based on management's estimates and assumptions regarding the estimated costs of providing those benefits, age and history with expiration of unused points resulting in a reduction of the accruals.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production, or supply of goods and services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Leasing

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

The Group as lessor/grantor of operating and right to use agreement

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

Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expense in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expenses in the period in which they are incurred.

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as a "land use rights" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefit plans including schemes registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") and government retirement benefit scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Current and deferred tax is recognized in profit or loss, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity settled share-based payment transactions

Share options/share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. At the end of the reporting period, the Group revises its estimates of the number of options and awarded shares expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve and share awards reserve, respectively. The fair value of services received determined by reference to the fair value of share options or awarded shares granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve or share awards reserve). For share options that vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

When the awarded shares are vested, the amount previously recognized in share awards reserve and the amount of the relevant treasury shares will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognized in share awards reserve will be recognized as income immediately in profit or loss.

Share options/share awards granted to consultants

Equity-settled share-based payment transaction with parties other than employees are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case they are measured by reference at the fair value of the equity instrument granted measured at the date the counterparty renders the service. The fair values of the services received are recognized as expenses, with a corresponding increase in equity (share options reserve or share awards reserve), when the counterparties render services, unless the services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements (continued)

Equity settled share-based payment transactions (continued)

Share-based payment transactions of the acquiree in a business combination

The share-based payment awards held by the employees of an acquiree (acquiree awards) are measured in accordance with HKFRS 2 ('market-based measure') at the acquisition date.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognized as remuneration cost for post-combination service.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets (including trademarks and gaming license and subconcession) acquired in a business combination

Intangible assets (including trademarks, gaming license and subconcession) acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset is this unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income, other gains or losses" line item. Fair value is determined in the manner described in Note 44(c).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of "other revaluation reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the "other revaluation reserve" is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, loans and receivables included in other financial assets and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of "other revaluation reserve".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Financial liabilities and amortized cost

Financial liabilities, including trade and other payables and borrowings are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

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

Control over Melco Resorts & Entertainment Limited ("Melco", formerly known as Melco Crown Entertainment Limited, together with its subsidiaries collectively referred to as "Melco Group")

As described in Note 39, the Group's shareholding in Melco increased to 37.9% on 9 May 2016 as a result of a privately negotiated share repurchase transaction of Melco with Crown Asia Investment Pty. Ltd. ("Crown Sub"). The shareholding of Crown Sub in Melco was reduced from 34.3% to 27.4% immediately upon completion of this share repurchase transaction of Melco (the "Completion"). The remaining 34.7% of shareholdings in Melco are owned by a large number of shareholders that are unrelated to the Group and Crown Sub. The American Depositary Shares ("ADS") of Melco have been listed on the National Association of Securities Dealers Automated Quotations ("NASDAQ") in the United States of America since 19 December 2006. A supplemental shareholders' deed ("Supplemental Shareholders' Deed") was entered into between the Company, Melco Leisure and Entertainment Group Limited, Crown, Crown Sub and Melco upon the completion of the share repurchase transaction of Melco (the "Completion") to amend certain terms to the amended and restated shareholders' deed relating to Melco dated 12 December 2007 and the Memorandum and Articles of Association ("M&A") of Melco.

The Directors assessed whether or not the Group has obtained control over Melco as a result of the increase in its equity interest in Melco and entering into the Supplemental Shareholders' Deed based on whether the Group has the practical ability to direct the relevant activities of Melco unilaterally. In making their judgement, the Directors took into consideration: (i) the fact that the relevant activities of Melco are directed by the board of Melco as a result of various changes effected under the Supplemental Shareholders' Deed as well as the amendments to the M&A of Melco after the Completion; (ii) the power of the Group to appoint a majority of the executive and non-executive directors (other than independent directors) of the board of Melco after the Completion; (iii) the rights of the Group with regards to the nomination for the appointment of independent directors of the board of Melco after the Completion; and (iv) the power of the Group to appoint certain key management personnel of Melco, including the only executive director and the Chairman of the board and chief executive officer of Melco after the Completion.

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

Critical judgements in applying accounting policies (continued)

Control over Melco Resorts & Entertainment Limited ("Melco", formerly known as Melco Crown Entertainment Limited, together with its subsidiaries collectively referred to as "Melco Group") (continued)

After this assessment, the Directors concluded that although the Group has only a 37.9% ownership interest and voting rights in Melco after the Completion, the Group has rights that give them the unilateral ability to direct the relevant activities of Melco and therefore the Group has obtained control over Melco upon the Completion.

Control over MelcoLot Limited ("MelcoLot")

MelcoLot is accounted for as an accounting subsidiary of the Group although the Group has only a 40.65% ownership interest and voting rights in MelcoLot as of 31 December 2016 and 2015. MelcoLot has been listed on the Growth Enterprise Market of the Hong Kong Stock Exchange since 17 May 2002. The remaining 59.35% of shareholdings are owned by a large number of shareholders who are dispersed and unrelated to the Group.

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

Useful lives of trademarks

The Group's trademarks were acquired through the deemed acquisition of Melco on 9 May 2016 (Note 39) and have a legal life of 7 years but are renewable every 7 years at minimal cost. The Directors are of the opinion that the Group will renew the trademarks continuously and has the ability to do so. The trademarks are considered by the management of the Group to have an indefinite useful life because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

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

Key sources of estimation uncertainty

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

Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

The deemed acquisition of Melco for the current year is accounted for as business combination and details of the fair value of the assets acquired and liabilities recognized at the date of deemed acquisition are set out in Note 39.

Estimated impairment of trade receivables

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

As at 31 December 2016, the carrying amount of trade receivables is approximately HK$1,802,173,000 (2015: HK$33,399,000), net of allowance for doubtful debts of HK$219,097,000 (2015: nil).

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

Key sources of estimation uncertainty (continued)

Assessment of useful economic lives

Property, plant and equipment and other intangible assets (other than gaming license and subconcession, goodwill and trademarks) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

The carrying amount of property, plant and equipment and other intangible assets (other than gaming license and subconcession, goodwill and trademarks) as at 31 December 2016 were HK$47,041,603,000 (2015: HK$82,852,000) and HK$15,864,000 (2015: HK$5,700,000) respectively.

Estimated impairment of intangible assets with indefinite useful lives

Determining whether goodwill and trademarks are impaired requires an estimation of the recoverable amount of the CGU to which goodwill and trademarks have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances result in a downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill and trademarks is HK$5,299,451,000 (2015: nil) and HK$16,992,458,000 (2015: nil) respectively. Details of the recoverable amount calculation are disclosed in Note 25.

5. REVENUE

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

	2016 HK$'000	2015 HK$'000
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	–
	23,852,811	395,082

6. 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 (Note 39), 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.

6. SEGMENT INFORMATION (continued)

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 HK$'000	Others HK$'000	Segments' Total HK$'000	Elimination HK$'000	Consolidated HK$'000
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	23,644,387	214,956	23,859,343	(6,532)	23,852,811
Adjusted EBITDA	5,340,257	(35,676)	5,304,581	–	5,304,581
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 equity 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					9,928,968

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2015 (Restated)

	Casino and Hospitality HK$'000	Others HK$'000	Segments' Total HK$'000	Elimination HK$'000	Consolidated HK$'000
External sales	–	395,082	395,082	–	395,082
Inter-segment sales	–	–	–	–	–
Total segment revenue	–	395,082	395,082	–	395,082
Adjusted EBITDA	307,333	42,941	350,274	–	350,274
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					(103,822)
Profit before tax					92,077

The accounting policies of the operating segments are the same as the Group's accounting policies set out in note 3. Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, 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.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

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.

6. SEGMENT INFORMATION (continued)

Other segment information

2016

	Casino and Hospitality HK$'000	Others HK$'000	Segments' Total HK$'000	Elimination HK$'000	Consolidated HK$'000
Amounts included in the measure of Adjusted EBITDA and segment assets:					
Allowance for doubtful debts, net of recoveries	219,097	–	219,097	–	219,097
Witten off (recovery of written off) of trade receivables	20,410	(307)	20,103	–	20,103
Employee benefits expenses	3,937,278	90,729	4,028,007	–	4,028,007
Impairment loss on property, plant and equipment	–	9,925	9,925	–	9,925
Gain (loss) on disposal of property, plant and equipment	(26,579)	29,376	2,797	–	2,797
Gain on fair value change of investment properties	–	11,695	11,695	–	11,695
Share of profits (losses) of associates	180,890	(193)	180,697	–	180,697
Share of losses of joint ventures	–	(1,966)	(1,966)	–	(1,966)
Capital expenditures					
– arising from deemed acquisition of Melco	83,399,245	–	83,399,245	–	83,399,245
– other additions	2,333,339	1,819	2,335,158	–	2,335,158
Interests in associates	–	17,988	17,988	–	17,988
Interests in joint ventures	–	230	230	–	230

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

2015 (Restated)

	Casino and Hospitality HK$'000	Others HK$'000	Segments' Total HK$'000	Elimination HK$'000	Consolidated HK$'000
Amounts included in the measure of Adjusted EBITDA and segment assets:					
Allowance for doubtful debts	–	2,937	2,937	–	2,937
Employee benefits expenses	–	112,180	112,180	–	112,180
Loss on disposal of property, plant and equipment	–	2,993	2,993	–	2,993
Impairment loss on property, plant and equipment	–	17,342	17,342	–	17,342
Gain on fair value change of investment properties	–	8,000	8,000	–	8,000
Share of profits of associates	307,333	–	307,333	–	307,333
Share of losses of joint ventures	–	(5,695)	(5,695)	–	(5,695)
Capital expenditures	–	12,600	12,600	–	12,600
Interests in associates	11,607,027	–	11,607,027	–	11,607,027
Interests in joint ventures	–	20,387	20,387	–	20,387

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Macau, Hong Kong, the People's Republic of China (the "PRC"), Cambodia and the Philippines. Information about the Group's revenue is presented based on location of the operations of the relevant group entities. Information about the Group's non-current assets is presented based on the location of the assets or, for interests in associates and joint ventures, by location of their head office.

	Revenue from external customers		Non-current assets	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)
Macau	20,888,112	–	76,921,251	–
Hong Kong	96,910	196,893	248,999	11,858,075
The PRC	60,281	57,163	179	443
Cambodia	42,863	120,918	6,211	24,690
The Philippines	2,764,645	20,108	5,350,388	10,758
Total	23,852,811	395,082	82,527,028	11,893,966

Revenue from major products and services

The Group's revenue from major products and services are disclosed in Note 5.

6. SEGMENT INFORMATION (continued)

Information about major customers

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

	2016 HK$'000	2015 HK$'000
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.

7. OTHER INCOME, OTHER GAINS OR LOSSES

	2016 HK$'000	2015 HK$'000
Interest income on bank deposits	60,621	32,037
Interest income on structure notes	802	270
Service fees from provision of consultancy services	7,301	–
Service fees from associates	2,062	9,145
Service fees from a related company	240	240
Gain on disposal of a subsidiary	–	3,731
Gain on fair value change of investment properties	11,695	8,000
Gain (loss) on deemed disposal of partial interest in an associate	591	(1,394)
Loss on fair value change of held-for-trading investments	(4)	(143)
	83,308	51,886
Others	46,266	1,448
	129,574	53,334

8. EMPLOYEE BENEFITS EXPENSES

	2016 HK$'000	2015 HK$'000
Wages, salaries and staff welfare	2,960,396	150,221
Discretionary bonus	647,746	14,309
Share-based payment expense	317,714	115,479
Others	501,595	4,076
Total employee benefits expenses including directors' emoluments	4,427,451	284,085

9. SPECIAL GAMING TAX, OTHER LICENSE FEES AND OTHER RELATED TAXES

According to the Macau gaming subconcession contract, Melco Crown (Macau) Limited ("Melco Crown Macau"), a subsidiary of the Group, is required to pay to the local government of Macau (the "Macau Government") a special gaming tax, gaming premium and special levy annually. The special gaming tax is assessed at the rate of 35% of the gross gaming revenue (being the aggregate net difference between gaming wins and losses before deducting sales incentives) of Melco Crown Macau. The gaming premium is composed of (i) a fixed portion of Macau Patacas ("MOP") 30 million (equivalent to approximately HK$29,000,000); and (ii) a variable portion that is calculated based on the number of gaming tables and gaming machines, including slot machines, operated by Melco Crown Macau during the period. The special levy includes (i) an amount corresponding to 1.6% of the gross gaming revenue of Melco Crown Macau that will be paid to a public foundation whose purposes are the promotion, study and development of cultural, social, economic, educative, scientific, academic and philanthropic activities in Macau; and (ii) an amount corresponding to 2.4% of the gross gaming revenue of Melco Crown Macau for the purposes of urban development, tourism promotion and social security of Macau.

The Group is required to pay license fees to The Philippine Amusement and Gaming Corporation ("PAGCOR") ranging from 5% to 15% of the gross gaming revenues generated by the Philippines subsidiary on a monthly basis.

10. OTHER EXPENSES

	2016 HK$'000	2015 HK$'000
Rental and utilities expenses	618,805	27,288
Advertising, marketing and productions	541,440	2,285
Cost of inventories recognized as an expenses	618,374	131,180
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	–
Allowance for doubtful debts, net of recoveries	219,097	2,937
Written off of trade receivables	20,103	–
General administrative and operating expenses	1,192,439	125,829
Other gaming operations' expenses	2,092,742	–
	5,576,773	289,519

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
– bonds and notes	810,122	32,239
– bank loans	338,018	13,513
– obligations under finance leases	210,636	–
Amortization of financing costs	243,439	–
Other financing costs	335,377	27
	1,937,592	45,779
Less: capitalized interest allocated to construction in progress (Note)	(151,393)	–
	1,786,199	45,779

Note: Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.04% (2015: nil) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
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 ("EIT")	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 (Note 35)	11,675	(2,576)
Total	38,189	1,200

12. INCOME TAX EXPENSE (continued)

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 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.

The casino operations of MCE Leisure, the operator of City of Dreams - Manila, were previously subject to corporate income tax at the rate of 30% based on Revenue Memorandum Circular No. 33-2013 issued by the Bureau of Internal Revenue ("BIR") in April 2013. On 10 August 2016, the Supreme Court of the Philippines (the "Supreme Court") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the PAGCOR, shall be exempted from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision. Based on the Supreme Court decision, MCE Leisure's gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of the PAGCOR charter, are paid.

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 the approval of these consolidated financial statements for issuance.

12. INCOME TAX EXPENSE (continued)

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

The Group disposed of certain subsidiaries established in the PRC, including Oasis Rich International Ltd ("Oasis Rich"), of which its 60% equity interest was transferred to Global Crossing Holdings Limited at a consideration of HK$175,200,000 for the purpose of redeeming the convertible bonds of MelcoLot in 2012. A capital gains tax provision of HK$20,858,000 was made based on 10% of the difference between the disposal consideration and the Group's share of the respective registered capital. During the year ended 31 December 2016, the relevant tax authority in the PRC has agreed that the disposal of Oasis Rich is not subject to capital gains tax since there was no gain resulting from the disposal transaction and the transaction is not regarded as an abusive use of an offshore structure for the purpose of avoiding EIT. The related capital gains tax provision of HK$17,191,000 has been reversed in the current year accordingly.

12. INCOME TAX EXPENSE (continued)

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

	2016 HK$'000	2015 HK$'000
Profit before tax	9,928,968	92,077
Tax at Macau Complementary Tax rate of 12% (2015: 16.5%) (Note)	1,191,476	15,193
Tax effect of share of results of associates and joint ventures	(21,448)	(49,771)
Tax effect of expenses not deductible for tax purposes	325,592	25,050
Tax effect of income not taxable for tax purposes	(1,287,283)	(11,170)
Utilization of tax losses previously not recognized	(116)	(936)
Tax effect of temporary difference not recognized	95,763	–
Tax effect of tax losses not recognized	309,501	29,115
Tax effect of tax exemption granted by the Macau Government and the Philippine Government	(549,514)	–
Overprovision in prior years	(1,549)	–
Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior years	(17,191)	–
Effect of different tax rates in other jurisdictions	(7,042)	–
Others	–	(6,281)
Income tax expense	38,189	1,200

Note: During the year ended 31 December 2016, the predominated tax rate was changed from the Hong Kong Profits Tax rate of 16.5% to the Macau Complementary Tax rate of 12% because the operation of the Group was substantially changed to Macau upon the completion of the deemed acquisition of Melco (Note 39).

13. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization in respect of:		
Gaming license and subconcession	710,423	–
Other intangible assets	1,256	–
Land use rights	110,706	–
Less: capitalized in construction in progress ("CIP")	(3,534)	–
	818,851	–
Auditor's remuneration	10,738	5,892
Cost of inventories recognized as an expense	618,374	131,180
Depreciation of property, plant and equipment	2,506,626	38,594
(Gain) loss on disposal of property, plant and equipment	(2,797)	2,993
Gross rental income from investment properties	(4,204)	(4,189)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	298	246
Net rental income	(3,906)	(3,943)

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2015: eight) directors were as follows:

2016

	Mr. Ho, Lawrence Yau Lung HK$'000 (Note d)	Mr. Evan Andrew Winkler HK$'000 (Notes b & d)	Mr. Tsui Che Yin, Frank HK$'000 (Note d)	Mr. Chung Yuk Man, Clarence HK$'000 (Note d)	Mr. Ng Ching Wo HK$'000 (Note e)	Mr. Chow Kwong Fai, Edward HK$'000 (Notes c & f)	Mr. Sham Sui Leung, Daniel HK$'000 (Note f)	Dr. Tyen Kan Hee, Anthony HK$'000 (Note f)	Total HK$'000
Fees	-	-	-	-	420	280	380	420	1,500
Other emoluments									
Salaries and other benefits	26,717	12,200	3,487	4,644	-	-	-	-	47,048
Discretionary bonus (Note a)	-	3,890	3,093	2,624	-	-	-	-	9,607
Retirement benefit scheme contributions	18	-	19	19	-	-	-	-	56
Share-based compensation	78,041	4,258	6,328	7,510	870	100	843	852	98,802
Total emoluments	104,776	20,348	12,927	14,797	1,290	380	1,223	1,272	157,013

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

2015

	Mr. Ho, Lawrence Yau Lung HK$'000 (Note d)	Mr. Tsui Che Yin, Frank HK$'000 (Note d)	Mr. Chung Yuk Man, Clarence HK$'000 (Note d)	Mr. Ng Ching Wo HK$'000 (Note e)	Sir Roger Lobo HK$'000 (Notes c & f)	Mr. Chow Kwong Fai, Edward HK$'000 (Notes c & f)	Mr. Sham Sui Leung, Daniel HK$'000 (Note f)	Dr. Tyen Kan Hee, Anthony HK$'000 (Note f)	Total HK$'000
Fees	-	-	-	420	140	156	380	402	1,498
Other emoluments									
Salaries and other benefits	-	3,483	3,407	-	-	-	-	-	6,890
Discretionary bonus (Note a)	-	1,160	2,246	-	-	-	-	-	3,406
Retirement benefit scheme contributions	19	19	19	-	-	-	-	-	57
Share-based compensation	51,143	10,414	6,542	1,113	449	-	1,081	1,081	71,823
Total emoluments	51,162	15,076	12,214	1,533	589	156	1,461	1,483	83,674

Notes:

(a) The discretionary bonus is determined based on the Group's financial performance for the years ended 31 December 2016 and 2015.

(b) Mr. Evan Andrew Winkler was appointed on 2 August 2016 as the managing director of the Company. He is entitled a special hire-on-bonus of United States dollar ("US$") 1,000,000 (equivalent to approximately HK$7,780,000) and a special hire-on equity grant of US$3,500,000 (equivalent to approximately HK$27,230,000).

(c) Mr. Chow Kwong Fai, Edward was appointed on 12 June 2015 as an independent non-executive director to fill the vacancy occasioned by the passing away of Sir Roger Lobo.

(d) The individuals represent the executive directors of the Company and the Group. The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

(e) The individual is a non-executive director of the Company. The non-executive director's emoluments shown above were for his services as a director of the Company.

(f) The individuals represent the independent non-executive directors of the Company. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

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

Except for one director who waived emoluments of approximately HK$1,200,000 (2015: HK$1,200,000), no other directors waived any emoluments in the year ended 31 December 2016 (2015: nil).

During the year ended 31 December 2016, 4,905,000 (2015: 2,133,000) share options under the share option scheme of the Company, nil (2015: 6,368,000) share options under the share option scheme of MelcoLot, 300,089 (2015: nil) share options under the share option scheme of Entertainment Gaming Asia Inc. ("EGT"), 5,890,000 (2015: 2,515,000) awarded shares under the share awards scheme of the Company and 9,104,243 (2015: nil) awarded shares under the share awards scheme of MCP were granted to the Directors in respect of their services provided to the Group. Further details are set out in Note 37.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four Directors (2015: three), details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining one (2015: two) highest paid employee(s) who is/are neither a director nor Chief Executive of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,134	6,585
Discretionary bonus	–	1,523
Retirement benefit scheme contributions	622	34
Share-based compensation	10,380	19,212
	14,136	27,354

15. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of the highest paid employee(s) who is/are not the directors whose remuneration fell within the following bands are as follows:

	Number of employees 2016	2015
HK$13,000,001 to HK$13,500,000	–	1
HK$13,500,001 to HK$14,000,000	–	1
HK$14,000,001 to HK$14,500,000	1	–
	1	2

During both years, certain highest paid employees (excluding director and chief executive) were granted share options and awarded shares, in respect of their services to the Group under the share option schemes and share awarded schemes set out in Note 37.

16. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividend recognized 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.

17. 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 HK$'000	2015 HK$'000
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)
Earnings for the purpose of diluted earnings per share	10,365,940	99,017

	2016 '000	2015 '000
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
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,543,388	1,551,408

17. EARNINGS PER SHARE (continued)

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 certain of the Company's share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes (see Note 37) 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 are anti-dilutive.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Machinery and equipment HK$'000	Transportation HK$'000	CIP HK$'000	Total HK$'000
COST									
At 1 January 2015	10,703	45,755	76,383	23,697	85,956	33,277	2,628	10,908	289,307
Exchange adjustments	-	(2,706)	-	(6)	(49)	(2)	(52)	-	(2,815)
Additions	-	4,376	-	1,468	8,098	5,690	-	-	19,632
Transfer from CIP	-	-	-	-	545	-	-	(545)	-
Disposal of a subsidiary	-	-	-	-	-	(10)	-	-	(10)
Disposals and written off	-	(19)	(56)	-	(1,527)	(5,244)	(169)	-	(7,015)
At 31 December 2015	10,703	47,406	76,327	25,159	93,023	33,711	2,407	10,363	299,099
Exchange adjustments	(119,991)	(29,696)	-	(142,278)	(68,346)	(59)	(862)	(933)	(362,165)
Additions	206,635	75,145	-	297,661	174,562	349	329	-	754,681
Capitalized construction costs	-	-	-	-	-	-	-	1,584,869	1,584,869
Acquired on deemed acquisition of a subsidiary (Note 39)	34,447,053	696,244	-	3,538,691	3,097,629	-	448,794	5,259,675	47,488,086
Transfer from CIP	1,705,362	53,642	-	42,095	(2,589)	-	-	(1,798,510)	-
Disposals and written off	(3,543)	(191,366)	-	(17,479)	(61,155)	(27,022)	(4,312)	-	(304,877)
At 31 December 2016	36,246,219	651,375	76,327	3,743,849	3,233,124	6,979	446,356	5,055,464	49,459,693

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Machinery and equipment HK$'000	Transportation HK$'000	CIP HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2015	349	2,001	71,103	15,254	71,461	3,928	1,518	-	165,614
Exchange adjustments	-	(2,180)	-	(11)	(39)	(17)	(34)	-	(2,281)
Provided for the year	3,253	18,816	1,607	2,943	5,438	6,030	507	-	38,594
Impairment losses recognized in profit or loss	4,680	5,547	-	931	1,950	-	71	4,163	17,342
Eliminated on disposals and written off	-	-	-	-	(1,392)	(1,558)	(72)	-	(3,022)
At 31 December 2015	8,282	24,184	72,710	19,117	77,418	8,383	1,990	4,163	216,247
Exchange adjustments	(11,489)	(10,613)	-	(26,345)	(29,196)	(30)	(360)	-	(78,033)
Provided for the year	1,158,738	186,087	1,313	484,805	627,027	1,965	46,691	-	2,506,626
Impairment losses recognized in profit or loss	-	-	-	4,442	2,981	2,502	-	-	9,925
Eliminated on disposals and written off	(2,180)	(157,936)	-	(11,619)	(54,732)	(6,001)	(4,207)	-	(236,675)
At 31 December 2016	1,153,351	41,722	74,023	470,400	623,498	6,819	44,114	4,163	2,418,090
CARRYING VALUES									
At 31 December 2016	35,092,868	609,653	2,304	3,273,449	2,609,626	160	402,242	5,051,301	47,041,603
At 31 December 2015	2,421	23,222	3,617	6,042	15,605	25,328	417	6,200	82,852

18. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	2.5% to 25%
Gaming equipment	20% to $33^{1}/_{3}$%
Restaurant vessels, ferries and pontoons	5% to 10%
Leasehold improvements	10% to $33^{1}/_{3}$% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	$6^{2}/_{3}$% to 50%
Machinery and equipment	20% to $33^{1}/_{3}$%
Transportation	10% to $33^{1}/_{3}$%

The carrying amount of buildings of HK$35,092,869,000 includes amount of HK$1,643,335,000 in respect of assets held under finance leases (Note 34).

The Group had pledged an aircraft with a carrying amount of approximately HK$247,253,000 (2015: nil) to secure general banking facilities granted to the Group (Note 33).

19. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 January	178,000	170,000
Additions	305	–
Gain on fair value change recognized in profit or loss	11,695	8,000
At 31 December	190,000	178,000
Unrealized gain on property revaluation included in other income, other gains or losses	11,695	8,000

All of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model and are classified and accounted for as investment properties. All of the Group's investment properties have been pledged to secure the banking facilities granted to the Group (Note 33).

Fair value measurements and valuation processes

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

The fair value of the Group's investment properties as at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group.

The fair value was determined based on the direct comparison method. The direct comparison method makes reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate which approximates to 30%. The bulk discount rate is derived from analyzing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. Also, the bulk discount rate is being taken into account the restriction on the terms that the car parking spaces have to be disposed as a whole rather than on an individual basis. There has been no change from the valuation technique used in the prior year.

19. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

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

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

Level 3 fair value measurement

Description	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Fair value 2016 HK$'000	Fair value 2015 HK$'000
Car parking spaces	Direct comparison method				
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking space between the comparable and the property, of sales amount ranging from HK$510,000 to HK$540,000 (2015: HK$440,000 to HK$520,000) per car parking space.	An increase in the unit sale rate used would result in an increase in fair value, and vice versa	190,000	178,000
	(2) Bulk discount rate	Bulk discount rate approximates to 30% (2015: 30%) of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

20. LAND USE RIGHTS

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Arising from deemed acquisition (Note 39)	5,996,744	–
Less: amortization provided for the year	(110,706)	–
At 31 December	5,886,038	–
Less: Current portion	(166,057)	–
Non-current portion	5,719,981	–

Land use rights were acquired through the deemed acquisition of Melco on 9 May 2016 (Note 39) which are released over the respective lease term of approximately 31 to 40 years on a straight-line basis.

The land use rights (2015: nil) are pledged to banks as security for obtaining the banking facilities of certain subsidiaries of the Group (Note 33).

21. GAMING LICENSE AND SUBCONCESSION

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Arising from deemed acquisition (Note 39)	6,702,315	–
Less: amortization provided for the year	(710,423)	–
At 31 December	5,991,892	–

The amounts were determined based on the acquisition-date fair values of the gaming license and subconcession for the gaming business of the Group in the Philippines and Macau, respectively, upon the deemed acquisition of Melco on 9 May 2016 (Note 39). The gaming license and subconcession for the business in the Philippines and Macau are amortized on a straight-line basis over the term of the gaming license and subconcession agreements which expires in 2033 and 2022, respectively.

22. GOODWILL

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Arising from deemed acquisition (Note 39)	5,299,451	–
At 31 December	5,299,451	–

Particulars regarding impairment testing on goodwill are disclosed in Note 25.

23. TRADEMARKS

	2016 HK$'000	2015 HK$'000
COST		
At 1 January	–	–
Arising from deemed acquisition (Note 39)	16,992,458	–
At 31 December	16,992,458	–

The Group's trademarks were acquired through the deemed acquisition of Melco on 9 May 2016 (Note 39) and have a legal life of 7 years but are renewable every 7 years at minimal cost. The Directors are of the opinion that the Group would renew the trademark continuously and has the ability to do so. The trademarks are considered by the management of the Group to have an indefinite useful life because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of trademark are disclosed in Note 25.

24. OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Internal-use software HK$'000	Total HK$'000
COST			
At 1 January 2015, 31 December 2015 and 1 January 2016	5,700	–	5,700
Additions	–	11,420	11,420
At 31 December 2016	5,700	11,420	17,120
ACCUMULATED AMORTISATION			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Charge for the year	–	1,256	1,256
At 31 December 2016	–	1,256	1,256
CARRYING VALUES			
At 31 December 2016	5,700	10,164	15,864
At 31 December 2015	5,700	–	5,700

Other intangible assets include club membership with indefinite useful life and software with an useful life of 4 years which are amortised on a straight-line basis.

25. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

Goodwill

The Group obtained control over Melco upon the completion of the deemed acquisition (Note 39). This transaction has been accounted for using the acquisition method of accounting. Goodwill acquired in a business combination is allocated, at acquisition date, to group of CGUs that is expected to benefit from that business combination. As at 31 December 2016, the carrying amount of the goodwill is HK$5,299,451,000 (2015: nil).

For the purpose of impairment testing on goodwill, the recoverable amount of the group of CGUs has been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 11.90%. The cash flows beyond the 5-year period are extrapolated with growth rate ranging from 0% to 3%. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry.

Cash flow projections during the budget period for the group of CGUs are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the budget period. The assumptions and estimations are based on the group of CGU's past performance, management's expectations of the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the group of CGUs to exceed the recoverable amounts of the group of CGUs.

Trademarks

For the purpose of impairment testing, trademarks with indefinite useful lives set out in Note 23, have been allocated to four individual CGUs, comprising subsidiaries operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2016 allocated to these units are as follows:

	2016 HK$'000	2015 HK$'000
Studio City	5,088,329	–
City of Dreams – Macau	11,184,643	–
City of Dreams – Manila	455,473	–
Mocha Clubs	264,013	–
	16,992,458	–

25. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives (continued)

Trademarks (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of all CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate from 0% to 3%. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. The rates used to discount the forecast cash flows from Studio City, City of Dreams – Macau, City of Dreams – Manila and Mocha Clubs are 12.92%, 12.37%, 15.36% and 11.25% respectively.

Cash flow projections during the budget period for all CGUs are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the budget period. The assumptions and estimations are based on the CGU's past performance, management's expectations of the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed the recoverable amounts of the CGUs.

During the year ended 31 December 2016, management of the Group determined that there is no impairment of any of its CGUs containing trademarks with indefinite useful lives or group of CGUs containing goodwill.

26. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of interests in associates		
Listed in the United States of America ("The US")	–	6,902,134
Listed in Canada	339,601	339,601
Unlisted	18,598	417
Net changes in interests in associates	54,370	1,343,134
Impairment losses recognized	(320,695)	(320,695)
Share of changes in net assets and exchange reserves	7,616	150,785
Share of post-acquisition results, net of dividends received	(81,502)	3,191,651
	17,988	11,607,027
Fair value of listed investments (Note a)	3,362	24,367,745
Carrying amount of interests in associates with shares listed on respective stock exchanges	–	11,607,027

26. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2016	2015	Principal activities
Melco (Notes b and e) (Note 39)	Cayman Islands/ Macau/ Philippines	N/A	34.23%	Operation of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
Mountain China Resorts (Holding) Limited ("MCR") (Notes b and d)	Canada/ the PRC	16.69%	16.69%	Operation of ski resorts
ChariLot Company Limited ("ChariLot") (Note c)	Hong Kong	40.00%	40.00%	Provision of services for distribution of lottery products
Oriental Regent (Note f)	Hong Kong	5.00%	N/A	Investment holding

26. INTERESTS IN ASSOCIATES (continued)

Notes:

(a) Fair values of listed investments were determined at the market price of listed shares as of year end on respective stock exchanges (Level 1 fair value measurement).

(b) The ADS and shares of Melco were dually listed on the NASDAQ and the Main Board of the Hong Kong Stock Exchange, respectively, up to 3 July 2015, when the listing of the ordinary shares of Melco on the Main Board of the Hong Kong Stock Exchange was withdrawn. The shares of Melco are only listed on NASDAQ in the form of ADS thereafter. The shares of MCR are listed on TSX Venture Exchange of Canada.

(c) This associate is held by MelcoLot.

(d) The Group is entitled to appoint one director to the board of MCR provided that any part of the loans to the associate (Note 28(d)) remain outstanding in accordance with the terms of agreement signed with MCR in April 2010. Accordingly, MCR continued to be an associate of the Group as at 31 December 2016 and 2015.

(e) During the year ended 31 December 2016, the Group recognized a gain on deemed disposal of partial interest in an associate of approximately HK$591,000 (2015: Loss of HK$1,394,000) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco.

(f) On 23 August 2013, a wholly-owned subsidiary of the Company, New Crescent Investments Limited ("New Crescent") entered into an investment agreement with four investors and Oriental Regent (the "Investment Agreement"). The Investment Agreement provides that New Crescent would make an investment in a gaming and resort development project in the Russia Federation (the "Russia Project"), by subscribing new shares of Oriental Regent representing 5% of the enlarged issued share capital of Oriental Regent upon completion of subscription pursuant to the terms and conditions of the Investment Agreement. The investment was completed on 31 October 2013 and the consideration paid by the Group was approximately HK$20,041,000. Pursuant to certain terms and conditions in the Investment Agreement, the relevant activities of Oriental Regent require unanimous approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent, and accordingly, Oriental Regent was classified as a joint venture of the Group as New Crescent has the right to appoint one director of Oriental Regent.

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

    On 14 April 2016, the Group entered into an amendment agreement to the Investment Agreement which removed the requirement of unanimous approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent on the relevant activities of Oriental Regent. Accordingly, the Group's investment in Oriental Regent is no longer accounted for as a joint venture and it has now become an associate of the Group since then given the Group's entitlement to appoint one director to the board of Oriental Regent, which governs the financial and operating policy decisions of Oriental Regent.

During the year ended 31 December 2016, the Group derecognized the carrying amount of an interest in an associate of Melco on deemed acquisition of Melco which became a subsidiary in May 2016 (Note 39).

26. INTERESTS IN ASSOCIATES (continued)

During the year ended 31 December 2015, the Group recognized the changes in net assets of approximately HK$10,496,000 in relation to the subscription of shares of one of the subsidiaries of Melco, MCP, and transfer of property and equipment between subsidiaries of Melco. The Group also recognized an increase in net assets attributable to the Group of approximately HK$25,907,000 in special reserve in the consolidated statement of changes in equity, in relation to the share repurchases and cancellation by Melco in 2015 which increased the Group's effective ownership interest therein.

Aggregate information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of losses for the year	(193)	–
The Group's share of other comprehensive expense for the year	–	–
The Group's share of total comprehensive expense for the year	(193)	–
Aggregate carrying amount of the Group's interest in these associates	17,988	–
Unrecognized share of losses of associates for the year	(7,761)	(9,454)
Cumulative unrecognized share of losses of associates	(477,150)	(469,389)

Summarized financial information of material associate in current year

	For the period from 1 January 2016 to 8 May 2016 (date of deemed disposal) HK$'000
Revenue	11,500,138
Profit for the period attributable to the owners of Melco	523,855
Loss for the period attributable to the non-controlling interests of Melco	(336,785)
Profit for the period	187,070
Other comprehensive income for the period	1,107
Total comprehensive income for the period	188,177

26. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associate in prior year

Melco

	2015
	HK$'000
Current assets	
Cash and cash equivalents	12,533,782
Bank deposits with original maturity over three months	5,638,446
Restricted cash	2,467,178
Other current assets	2,857,298
Total current assets	23,496,704
Non-current assets	
Property and equipment and related land use rights	52,597,873
Gaming subconcession	2,882,933
Other non-current assets	1,814,444
Total non-current assets	57,295,250
Current liabilities	
Accrued expenses and other current liabilities	(8,275,446)
Current portion of long-term debts	(828,609)
Other current liabilities	(399,355)
Total current liabilities	(9,503,410)

26. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associate in prior year (continued)

Melco (continued)

	2015 HK$'000
Non-current liabilities	
Long-term debts	(28,659,855)
Capital lease obligations, due after one year	(2,104,311)
Other non-current liabilities	(657,628)
Total non-current liabilities	(31,421,794)
Non-controlling interests	(5,209,760)
Revenue	32,767,368
Profit for the year attributable to the owners of Melco	884,111
Loss for the year attributable to the non-controlling interests of Melco	(1,180,926)
Loss for the year	(296,815)
Other comprehensive expense for the year	(37,227)
Total comprehensive expense for the year	(334,042)
Dividends received from the associate during the year	168,668

26. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associate in prior year (continued)

Melco (continued)

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

	2015 HK$'000
Net assets of Melco attributable to its owners	34,656,990
Share options reserve not shared by the Group	(775,505)
	33,881,485
Proportion of the Group's ownership interest in Melco	34.29%
	11,617,961
Goodwill	252,235
Adjustment in relation to the unrealized gains for the assets contributed by the Group upon the formation of Melco	(263,169)
Carrying amount of the Group's interest in Melco	11,607,027
Fair value of the shares of Melco held by the Group	24,364,491

Melco is engaged in a gaming and resort business in Asia which is mainly through its operations in Altira Macau, City of Dreams – Macau, Studio City and City of Dreams – Manila. In the opinion of the Directors, the investments provide the Group the opportunity to be engaged in the development of gaming and resort business in Asia.

27. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Cost of unlisted investments in joint ventures	311	28,686
Share of changes in net assets	–	26,434
Share of post-acquisition results and other comprehensive income, net of dividends received	(81)	(34,733)
	230	20,387

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2016	2015	Principal activities
Melco Crown Entertainment Asia Holdings Limited ("MCEAH")	Cayman Islands/ Hong Kong	50.00%	50.00%	Inactive
PALTECH Company Limited ("PALTECH") (Note a)	Hong Kong	60.00%	60.00%	Inactive
Power Way Group Limited ("Power Way") (Note b)	British Virgin Islands/ Hong Kong	67.03%	67.03%	Inactive
Oriental Regent (Note 26)	Hong Kong	N/A	5.00%	Investment holding
BCN Integrated Resorts 2, S.A.U. ("BCN") (Note c)	Spain	50.00%	50.00%	In the process of liquidation

27. INTERESTS IN JOINT VENTURES (continued)

Notes:

(a) PALTECH is held by MelcoLot. The Group indirectly owns a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the relevant activities of PALTECH require approval from 75% of the equity holders. PALTECH is jointly controlled by the Group and another shareholder, and as such, it is accounted for as a joint venture of the Group.

(b) Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of Power Way require approval of the Group together with the remaining shareholder of Power Way and accordingly, Power Way is a joint venture of the Group.

(c) The Group indirectly owns a 50% equity interest in BCN and the remainder is owned by Veremonte Espana, S.L.U. ("Veremonte"). BCN was formed for the purpose of submitting an application for participation in the tender for the award of authorizations for installation and exploitation of casinos in the recreational tourist center of Vila-Seca and Salou, near Barcelona, Spain. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of BCN require unanimous consent of both shareholders and, accordingly, BCN is classified as a joint venture of the Group. As announced by the Company on 9 October 2015, the Group has agreed with Veremonte that BCN will not participate in the second phase of the tender process. A notice of withdrawal from the tender process was sent by BCN to the Generalitat of Catalonia in Spain on 8 October 2015 and BCN will be wound up in due course. As of the date of approval of these consolidated financial statements for issuance, BCN is still in the process of winding up.

Aggregate information of joint ventures held at the year end that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of losses for the year	(6)	(7)
The Group's share of other comprehensive expense for the year	(9)	(28)
The Group's share of total comprehensive expense for the year	(15)	(35)
Unrecognized share of losses of joint ventures for the year	(17)	(20)
Cumulative unrecognized share of losses of joint ventures	(60)	(43)

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Current assets		
Trade receivables (Note a)	1,757,370	33,399
Other receivables, prepayments and deposits (Note b)	1,397,381	62,899
Amounts due from related companies (Note c)	4,156	141
	3,158,907	96,439
Non-current assets		
Trade receivables (Note a)	44,803	–
Amounts due from associates (Note d)	53,562	–
Amount due from a joint venture (Note d)	–	53,562
Other receivables, prepayments and deposits (Note b)	1,370,141	3,305
	1,468,506	56,867

Notes:

(a) **Trade receivables**

In relation to the gaming operations from the Casino and Hospitality segment, the Group grants unsecured credit lines to gaming promoters based on pre-approved credit limits. The Group typically issues markers to gaming promoters with a credit period of 30 days. There are some gaming promoters for whom credit is granted on a revolving basis based on the Group's monthly credit risk assessment of these gaming promoters.

Credit lines granted to all gaming promoters are subject to monthly review and settlement procedures. For certain approved casino customers, the Group typically allows a credit period of 14 to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of typically 90 days may be offered to casino customers with large gaming losses and established credit history.

The Group's trade receivables related to the rooms, food and beverage, entertainment and retail from the Casino and Hospitality segment and Others segment are largely operated on cash on delivery or due immediately on the date of billing, except for those well-established customers to whom credit terms of 30 to 120 days (2015: 30 to 120 days) would be granted.

The Group allows credit periods ranging from 30 to 180 days (2015: 30 to 180 days) to its trade customers related to the lottery business from Others segment.

The Group allows credit periods of 15 to 30 days (2015: 15 to 30 days) to its trade customers related to the electronic gaming machines participation and gaming chips and plaques business from Others segment.

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

(a) Trade receivables (continued)

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

	2016 HK$'000	2015 HK$'000
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
	1,802,173	33,399
Less: Current portion	1,757,370	33,399
Non-current portion	44,803	–

Before extending credit to approved customers and gaming promoters from the Casino and Hospitality segment, the Group would carry out background checks and investigations of creditworthiness. The Group also maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimize any credit risk associated with these trade debtors. Included in the Group's trade receivable balance were debtors with an aggregate carrying amount of HK$651,271,000 (2015: HK$2,573,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2016 HK$'000	2015 HK$'000
0–30 days	296,140	1,870
31–90 days	191,780	659
91–180 days	62,690	–
Over 180 days	100,661	44
Total	651,271	2,573

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

(a) Trade receivables (continued)

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Allowance for doubtful debts, net of recoveries	219,097	–
At 31 December	219,097	–

Included in the allowance for doubtful debts are individually impaired trade receivable amounting to HK$219,097,000 (2015: nil) which management considered the outstanding balances from these gaming promoters or customers were uncollectible.

(b) Other receivables, prepayments and deposits

	2016 HK$'000	2015 HK$'000
Current assets		
Prepayments	161,162	19,253
Deposits	839,018	23,965
Other receivables (Note)	397,201	19,681
	1,397,381	62,899
Non-current assets		
Long-term prepayments and other assets	849,795	–
Rental, utilities and other deposits	103,535	–
Deposits for acquisition of property, plant and equipment	14,277	–
Other receivables (Note)	402,534	3,305
	1,370,141	3,305

Note: Other receivables classified under current assets mainly include rental receivables of HK$109,540,000 (2015: nil) and interest receivables of HK$22,515,000 (2015: HK$16,461,000).

Other receivables classified under non-current assets mainly include value-added tax receivables of HK$150,872,000 (2015: nil) and deferred rental assets of HK$228,875,000 (2015: nil).

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

(c) The amounts due from related companies are unsecured, non-interest bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a shareholder with significant influence of holding over 20% shareholding in the related companies, and also a director of the Company, has a significant shareholding in the related companies. The maximum amount outstanding during the year ended 31 December 2016 is approximately HK$4,388,000 (2015: HK$141,000).

(d) Amount due from an associate of approximately HK$2,401,000 (2015: HK$2,378,000) is unsecured, non-interest bearing and repayable on demand and approximately HK$165,761,000 (2015: HK$165,761,000) which is unsecured, interest bearing at 3% per annum and repayable on demand. All of the above balances were fully impaired as at 31 December 2016 and 2015.

As described in Note 26, Oriental Regent, a former joint venture, became an associate upon entering into the amendment agreement to the Investment Agreement. As a result, the outstanding balance of HK$53,562,000 was reclassified as amount due from an associate. The balance is unsecured, non-interest bearing and repayable on 15 July 2017 and shall automatically renew by the issuer for another term of three years.

29. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	–	13,723
Work in progress	–	470
Finished goods	151,680	4,308
Food and beverages	104,044	1,731
	255,724	20,232

30. BANK BALANCES AND CASH

Bank balances and cash comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less carry prevailing deposit interest rate at approximately 0.2% (2015: 0.2%) per annum.

As at 31 December 2016, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$87,483,000 (2015: HK$115,689,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. OTHER FINANCIAL ASSETS

	2016	2015
	HK$'000	HK$'000
Current assets		
Held-for-trading investments (Note a)	26	30
Structured notes (Note b)	50,065	–
Pledged bank deposits	947	947
Restricted cash (Note c)	304,600	–
Bank deposits with original maturity over three months (Note d)	3,161,902	1,729,049
	3,517,540	1,730,026
Non-current assets		
Structured notes (Note b)	50,045	50,025
AFS investment (Note e)	33,907	–
Restricted cash (Note c)	1,013	–
	84,965	50,025

31. OTHER FINANCIAL ASSETS (continued)

Notes:

(a) Held-for-trading investments as at 31 December 2016 and 2015 represent an investment in equity securities listed in Hong Kong.

(b) On 25 June 2015, the Group subscribed, at par, for 24-month puttable step-up coupon notes in the principal amount of HK$50,000,000 (the "2015 Structured Notes") from an investment bank (the "Issuer"). The 2015 Structured Notes are interest-bearing at progressive rates ranging from 0.97%–1.45% payable at the end of each quarter (the "Interest Payment Date"), with a maturity on 30 June 2017.

On 27 June 2016, the Group further subscribed, at par, for 24-month puttable step-up coupon notes issued by the Issuer in principal amount of HK$50,000,000 (the "2016 Structured Notes", together with the 2015 Notes collectively referred as the "Structured Notes"). The 2016 Structured Notes are interest-bearing at progressive rates ranging from 0.87% to 1.73% payable at the end of each quarter ("Interest Payment Date"), with a maturity date on 29 June 2018.

The Group has the right to put the Structured Notes, in whole but not in part, to the Issuer at par plus accrued interest on each Interest Payment Date from and including the fifth Interest Payment Date to and including the Interest Payment Date immediately preceding the maturity date. If the Group exercises its right to put the Structured Notes, the Issuer will have a corresponding obligation to redeem the Structured Notes in respect of which the right to put has been exercised. The management of the Company does not expect that the Structured Notes will be redeemed early.

(c) Restricted cash consists of (i) bank accounts that are restricted for withdrawal and for payment of project costs or debt servicing associated with borrowings under respective notes, syndicated term and revolving loans and other associated agreements; (ii) cash in an escrow account for City of Dreams – Manila; (iii) collateral bank accounts associated with borrowings under credit facilities; and (iv) interest income earned on restricted cash balances which are restricted as to withdrawal and use. The effective interest rate is approximately 0.2% per annum (2015: nil).

(d) Bank deposits with original maturity over three months carry a fixed interest rate at about 1.5% (2015: 1.8%) per annum.

(e) As at 31 December 2016, the Group's AFS investment represent an investment in equity securities listed in Hong Kong in which the company is engaged in (i) manufacturing and trading of original brand grape wine, Tibetan barley wine and Chinese baijiu in the PRC; (ii) development and operation of real estate and cultural tourism in South Korea; and (iii) operation of a gaming business in Jeju, South Korea.

The fair value of the investment as at 31 December 2016 amounted to HK$33,907,000. For the year ended 31 December 2016, a decrease in fair value of HK$5,093,000 was recognized in other comprehensive income.

As the investee is a listed entity on the Hong Kong Stock Exchange with its shares traded in an active market, the fair value of the investment as at 31 December 2016 was determined based on a published price quotation available on the Hong Kong Stock Exchange and was classified as Level 1 of the fair value hierarchy.

32. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Current liabilities		
Trade payables (Note a)	148,328	29,341
Outstanding gaming chips and tokens liabilities	3,077,549	–
Special gaming tax, other license fees and other related taxes payable	1,243,258	–
Construction costs payable	1,102,282	–
Customer deposits and ticket sales	2,022,372	–
Dividend payable	1,140	967
Interest payable	299,707	–
Amounts due to associates (Note b)	–	2,167
Payable for acquisition of property, plant and equipment	321,794	–
Advance of earnest money (Note c)	–	56,496
Other accruals and liabilities (Note d)	2,798,560	64,933
	11,014,990	153,904
Non-current liabilities		
Accrued staff costs	110,386	–
Deferred rental income	119,478	–
Deposits received	57,566	–
Other liabilities	102,521	6,844
	389,951	6,844

32. TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

Notes:

(a) Trade payables

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

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

The average credit term on purchases of goods is 90 days (2015: 90 days).

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

(c) As of 31 December 2015, there was earnest money of approximately HK$56,496,000 advanced from an investment project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription for new shares of Express Wealth Enterprise Limited ("Express Wealth"), a subsidiary of the Company (the "Subscription") pursuant to the subscription agreement signed between the Group and Firich on 20 November 2014 (the "Subscription Agreement"). Express Wealth was formed for the purpose of obtaining the gaming license and undertaking the proposed casino project situated in a project site wholly-owned by Dhabi Group Georgia, LLC located in Tbilisi, Georgia (the "Georgian Casino Project").

Since the conditions precedent to the completion of the Subscription Agreement, including those related to the Subscription and the Georgian Casino Project, were not fulfilled in last year, the transaction was not proceeded further. Pursuant to the Subscription Agreement, the entire balance of the advance of earnest money from Firich, after deduction of the relevant part of the preliminary costs and expenses incurred for the Georgian Casino Project in previous years, was returned to Firich during the year.

(d) The other accruals and liabilities include accrued operating expenses of HK$640,582,000 (2015: HK$6,277,000), accrued gaming promotor and agency commission of HK$123,269,000 (2015: nil), accrued gaming related cost of HK$478,467,000 (2015: nil) and accrued staff costs of HK$1,556,242,000 (2015: HK$36,190,000).

33. BORROWINGS

	2016 HK$'000	2015 HK$'000
Notes (Note (i))	25,290,987	–
Bonds (Note (ii))	760,000	760,000
Bank loans (Note (iii))	575,290	580,270
Term loan (Note (iv))	128,657	–
Syndicated term and revolving loans (Note (v))	3,655,447	–
	30,410,381	1,340,270
Less: Amounts due within one year shown under current liabilities	(398,960)	(4,980)
Amount shown under non-current liabilities	30,011,421	1,335,290
Secured	21,703,374	34,270
Unsecured and guaranteed	8,161,007	760,000
Unsecured and unguaranteed	546,000	546,000
	30,410,381	1,340,270

	2016 HK$'000	2015 HK$'000
The carrying amounts of the above borrowings are repayable:		
Within one year	398,960	4,980
Within a period of more than one year but not exceeding two years	1,706,822	4,980
Within a period of more than two years but not exceeding five years	28,300,209	1,320,940
More than five years	4,390	9,370
	30,410,381	1,340,270

During the year ended 31 December 2016, the Group obtained new bank borrowings of HK$9,243,640,000 (2015: HK$546,000,000) and repaid bank borrowings of HK$10,296,116,000 (2015: HK$394,980,000).

33. BORROWINGS (continued)

Notes:

(i) The notes are newly obtained by the Group through the deemed acquisition of Melco and bear interest rates ranging from 5% to 8.5% per annum. The notes are denominated in United States dollar ("US$") and Philippine Peso ("PHP") and due within a period of 3 to 8 years.

The indenture governing the Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of certain subsidiaries of the Group to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the Notes also contains conditions and events of default customary for such financings.

(ii) In February 2013, Melco Finance Limited, a wholly-owned subsidiary of the Company, issued guaranteed bonds with a principal amount of HK$760,000,000 to independent investors. The interest on the bonds accrue at a fixed rate of 4.15% per annum and are payable quarterly in arrears. The bonds are denominated in HK$ and have a maturity date of 5 March 2018.

(iii) Bank borrowings denominated in Hong Kong dollar bear interest rates of Hong Kong Inter-bank Offered Rates ("HIBOR") plus 1.5% to 2.5% (31 December 2015: HIBOR plus 1.5% to 2.5%) per annum and are repayable in instalments over a period of 3 to 12 years.

(iv) The term loan is newly obtained by the Group through the deemed acquisition of Melco and bears interest rates at London Interbank Offered Rate ("LIBOR") plus 2.8% per annum. The term loan, which is for financing an aircraft owned by Melco, is denominated in US$ and is repayable in instalments over a period of 7 years.

The term loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding certain amount by the borrower.

(v) The syndicated term and revolving loans are denominated in HK$ and are newly obtained by the Group through the deemed acquisition of Melco and bear interest rates of HIBOR plus 1.25% to 4.5% per annum. The credit facilities are repayable over a period of 5 to 6 years or, if earlier, the date of repayment, prepayment or cancellation in full of one of the credit facilities.

The syndicated term and revolving loans contain certain covenants that, subject to certain exceptions and conditions, limit the ability of certain subsidiaries of the Group to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) prepay or redeem subordinated debt or equity; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the collateral; (viii) pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The syndicated term and revolving loans also contain conditions and events of default customary for such financings.

33. BORROWINGS (continued)

The exposure of the Group's borrowings are as follows:

	2016 HK$'000	2015 HK$'000
Fixed-rate borrowings	26,050,987	760,000
Variable-rate borrowings	4,359,394	580,270
	30,410,381	1,340,270

The ranges of effective interest rates on the Group's borrowings are as follows:

	2016	2015
Notes	5% to 8.5%	N/A
Bonds	4.15%	4.15%
Bank loans	1.82% to 2.82%	1.73% to 2.73%
Term loan	3.52%	N/A
Syndicated term and revolving loans	2% to 4.75%	N/A

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	4,990,737	1,340,270
US$	23,100,544	-
PHP	2,319,100	–
	30,410,381	1,340,270

33. BORROWINGS (continued)

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

(i) certain property, plant and equipment (Note 18);

(ii) investment properties (Note 19);

(iii) land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent) (Note 20);

(iv) certain bank deposits (Note 31);

(v) chattels, receivables and other assets (including shareholder and inter-group loans); and

(vi) issued share capital of certain subsidiaries of Melco.

34. OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current liabilities	239,079	–
Non-current liabilities	2,041,140	–
	2,280,219	–

The leases are newly obtained by the Group through the deemed acquisition of Melco (Note 39).

On 13 March 2013, a lease agreement (the "MCP Lease Agreement") for lease of certain of the building structures for City of Dreams-Manila, which is expected to expire on 11 July 2033, became effective. Apart from the MCP Lease Agreement, it is the Group's policy to lease certain of its property, plant and equipment under finance leases (Note 18).

Interest rates underlying all obligations under finance leases were fixed at the date of inception ranging from 2.93% to 13.57% per annum. No arrangements had been entered into for contingent rental payments.

34. OBLIGATIONS UNDER FINANCE LEASES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Obligations under finance leases payable:				
Within one year	256,939	–	239,079	–
Within a period of more than one year but not more than two years	281,164	–	228,537	–
Within a period of more than two year but not more than five years	1,018,882	–	631,503	–
Within a period of more than five years	4,622,182	–	1,181,100	–
	6,179,167	–	2,280,219	–
Less: future finance charges	(3,898,948)	–	N/A	N/A
Present value of lease obligations	2,280,219	–	2,280,219	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(239,079)	–
Amount due for settlement after 12 months			2,041,140	–

The carrying amounts of the Group's finance lease obligations that are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
HK$	2,062	–
PHP	2,278,157	–
	2,280,219	–

35. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	1,640	2,133
Deferred tax liabilities	(2,437,570)	(4,368)
	(2,435,930)	(2,235)

The following are the major deferred tax (liabilities) and assets recognized and movements thereon during the current and prior years:

	Fair value adjustment on property, plant and equipment, land use rights, gaming license and subconcession and trademarks HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	-	(13,001)	7,089	1,101	(4,811)
Credit to profit or loss for the year (Note 12)	-	484	1,060	1,032	2,576
As at 31 December 2015 and 1 January 2016	-	(12,517)	8,149	2,133	(2,235)
Additions through deemed acquisition (Note 39)	(2,396,361)	(26,141)	-	400	(2,422,102)
Credit (Charge) to profit or loss for the year (Note 12)	8,148	(18,930)	-	(893)	(11,675)
Exchange difference	-	82	-	-	82
At 31 December 2016	(2,388,213)	(57,506)	8,149	1,640	(2,435,930)

35. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$10,547,640,000 (2015: HK$987,970,000). A deferred tax asset has been recognized in respect of HK$49,378,000 (2015: HK$49,378,000) tax losses to the extent that it is probable that future taxable temporary differences will be available against which the temporary differences can be utilized. No deferred tax asset has been recognized in respect of the remaining tax loss of HK$10,498,262,000 (2015: HK$938,592,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$7,302,675,000 (2015: HK$50,280,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 5 years and up to 2021. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$797,945,000 (2015: HK$3,575,000) in respect of the accelerated accounting depreciation. No deferred tax asset has been recognized in relation to this deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

36. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2016	2015	2016 HK$'000	2015 HK$'000
Issued and fully paid:				
At 1 January	1,546,663,555	1,546,463,555	5,436,556	5,435,321
Repurchase of shares	(3,000,000)	–	–	–
Exercise of share options	121,000	200,000	747	1,235
At 31 December	1,543,784,555	1,546,663,555	5,437,303	5,436,556

The shares issued during the year rank pari passu in all respects with the then existing shares.

During the year ended 31 December 2016, the Company repurchased a total of 3,000,000 of its shares at an aggregate consideration of HK$ 32,780,000 (before expenses) on the Hong Kong Stock Exchange. The repurchase was made with a view to enhancing the net assets and earnings per share of the Company. All the repurchased shares were subsequently cancelled.

36. SHARE CAPITAL (continued)

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

During the year ended 31 December 2016, the trustee of the Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") purchased 10,021,000 (2015: nil) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$99,149,000 (2015: nil) which are for the Company's share purchase scheme.

As at 31 December 2016, 10,473,185 (2015: 3,879,785) and 75,000 (2015: 75,000) issued shares of the Company were held by the Company's share purchase scheme and share subscription scheme, respectively.

37. LONG TERM INCENTIVE SCHEMES

(I) The Company

Share option schemes

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

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

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

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

(i) Purpose of the schemes

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

(ii) Participants of the schemes

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

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

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

The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. As at 31 December 2016, the total number of Shares available for issue under the 2012 Share Option Scheme is 87,576,038 Shares (representing approximately 5.67% of the Shares in issue) and a total of 10,075,900 and 18,253,000 Shares (representing approximately 0.65% and 1.18%, respectively, of the Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme and 2012 Share Option Scheme respectively.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(iv) Maximum entitlement of each participant under the schemes

The total number of Shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless the same is approved by the Company's shareholders in general meeting.

In addition, any share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the Shares in issue and with an aggregate value (based on the price of the Shares on the date of grant) in excess of HK$5 million, are subject to shareholders' approval in general meeting.

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

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

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

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

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

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

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

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(viii) The basis of determining the exercise price

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

(ix) The remaining life of the schemes

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

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

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

Movements of the share options under the 2002 Share Option Scheme during the year ended 31 December 2016 are set out below:

(a) The 2002 Share Option Scheme

	Number of share options												
Category of participants	Outstanding at 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options HK$	Exercise price of share options HK$
Directors	307,000	-	-	-	-	307,000	-	-	(307,000)	-	13.02.2006	11.75	11.80
Directors	600,000	-	(300,000)	-	-	300,000	-	-	(300,000)	-	03.04.2006	15.70	15.87
Directors[4]	153,000	-	(51,000)	-	-	102,000	-	-	-	102,000	28.02.2008	11.50	11.50
Directors[6]	273,000	-	(91,000)	-	-	182,000	-	-	-	182,000	03.04.2009	2.99	2.99
Directors[7]	540,000	-	-	(200,000)	-	340,000	-	-	-	340,000	07.04.2010	3.76	3.76
Directors[8]	180,000	-	(60,000)	-	-	120,000	-	-	-	120,000	07.04.2010	3.76	3.76
Directors[9]	1,400,000	-	(350,000)	-	-	1,050,000	-	-	-	1,050,000	08.04.2011	5.75	5.75
Directors[10]	2,370,000	-	(210,000)	-	-	2,160,000	-	-	-	2,160,000	27.01.2012	7.10	7.10
Sub-total	5,823,000	-	(1,062,000)	(200,000)	-	4,561,000	-	-	(607,000)	3,954,000			
Employees	380,000	-	-	-	-	380,000	-	-	(380,000)	-	13.02.2006	11.75	11.80
Employees[5]	91,300	-	-	-	-	91,300	-	-	-	91,300	01.04.2008	10.70	10.80
Employees[6]	111,000	-	-	-	-	111,000	-	-	-	111,000	03.04.2009	2.99	2.99
Employees[3, 7]	645,000	-	(125,000)	-	-	520,000	-	(121,000)	-	399,000	07.04.2010	3.76	3.76
Employees[9]	1,032,000	-	-	-	-	1,032,000	-	-	-	1,032,000	08.04.2011	5.75	5.75
Employees[10]	2,463,400	-	(330,000)	-	-	2,133,400	-	-	-	2,133,400	27.01.2012	7.10	7.10
Sub-total	4,722,700	-	(455,000)	-	-	4,267,700	-	(121,000)	(380,000)	3,766,700			
Others	2,912,000	-	-	-	-	2,912,000	-	-	(2,912,000)	-	13.02.2006	11.75	11.80
Others	300,000	-	300,000	-	-	600,000	-	-	(600,000)	-	03.04.2006	15.70	15.87
Others[4, 22]	51,000	-	51,000	-	-	102,000	-	-	-	102,000	28.02.2008	11.50	11.50
Others[5, 22]	110,200	-	-	-	-	110,200	-	-	-	110,200	01.04.2008	10.70	10.80
Others[6, 22]	120,000	-	91,000	-	-	211,000	-	-	-	211,000	03.04.2009	2.99	2.99
Others[7, 22]	260,000	-	185,000	-	-	445,000	-	-	-	445,000	07.04.2010	3.76	3.76
Others[9, 22]	186,000	-	350,000	-	-	536,000	-	-	-	536,000	08.04.2011	5.75	5.75
Others[10, 22]	411,000	-	540,000	-	-	951,000	-	-	-	951,000	27.01.2012	7.10	7.10
Sub-total	4,350,200	-	1,517,000	-	-	5,867,200	-	-	(3,512,000)	2,355,200			
Total	**14,895,900**	**-**	**-**	**(200,000)**	**-**	**14,695,900**	**-**	**(121,000)**	**(4,499,000)**	**10,075,900**			
Share options exercisable at year end	11,848,500					14,695,900				10,075,900			

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2016 are set out below:

(b) The 2012 Share Option Scheme

Category of participants	Outstanding at 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Modified during the year (Note 17)	Exercised during the year	Cancelled during the year (Note 17)	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options HK$	Exercise price of share options HK$
	Number of share options													
Directors[11]	2,800,000	-	(200,000)	-	-	2,600,000	-	(2,600,000)	-	-	-	02.04.2013	13.20	13.40
Directors[12]	2,000,000	-	(150,000)	-	-	1,850,000	-	(1,850,000)	-	-	-	03.04.2014	26.65	26.65
Directors[13]	1,500,000	-	-	-	-	1,500,000	-	-	-	(1,500,000)	-	03.04.2014	26.65	26.65
Directors[15]	-	633,000	-	-	(30,000)	603,000	-	(603,000)	-	-	-	08.04.2015	14.24	14.24
Directors[16]	-	1,500,000	-	-	-	1,500,000	-	-	-	(1,500,000)	-	08.04.2015	14.24	14.24
Directors[19]	-	-	-	-	-	-	-	5,053,000	-	-	5,053,000	08.04.2016	9.99	10.24
Directors[18, 19]	-	-	-	-	-	-	437,000	-	-	-	437,000	08.04.2016	9.99	10.24
Directors[18, 20]	-	-	-	-	-	-	1,500,000	-	-	-	1,500,000	08.04.2016	9.99	10.24
Director[21]	-	-	-	-	-	-	2,968,000	-	-	-	2,968,000	01.09.2016	8.69	8.69
Sub-total	6,300,000	2,133,000	(350,000)	-	(30,000)	8,053,000	4,905,000	-	-	(3,000,000)	9,958,000			
Employees[11]	2,564,000	-	(500,000)	-	-	2,064,000	-	(2,064,000)	-	-	-	02.04.2013	13.20	13.40
Employees[12]	2,831,000	-	(700,000)	-	-	2,131,000	-	(2,131,000)	-	-	-	03.04.2014	26.65	26.65
Employees[14]	200,000	-	-	-	-	200,000	-	(200,000)	-	-	-	29.08.2014	20.65	20.83
Employees[15]	-	937,000	(223,000)	-	-	714,000	-	(714,000)	-	-	-	08.04.2015	14.24	14.24
Employees[19]	-	-	-	-	-	-	-	5,109,000	-	-	5,109,000	08.04.2016	9.99	10.24
Employees[18, 19]	-	-	-	-	-	-	582,000	-	-	-	582,000	08.04.2016	9.99	10.24
Sub-total	5,595,000	937,000	(1,423,000)	-	-	5,109,000	582,000	-	-	-	5,691,000			
Others[11, 22]	499,000	-	700,000	-	-	1,199,000	-	(1,199,000)	-	-	-	02.04.2013	13.20	13.40
Others[12, 22]	245,000	-	850,000	-	-	1,095,000	-	(1,095,000)	-	-	-	03.04.2014	26.65	26.65
Others[15, 22]	-	43,000	223,000	-	-	266,000	-	(266,000)	-	-	-	08.04.2015	14.24	14.24
Others[18, 19, 22]	-	-	-	-	-	-	44,000	2,560,000	-	-	2,604,000	08.04.2016	9.99	10.24
Sub-total	744,000	43,000	1,773,000	-	-	2,560,000	44,000	-	-	-	2,604,000			
Total	**12,639,000**	**3,113,000**	**-**	**-**	**(30,000)**	**15,722,000**	**5,531,000**	**-**	**-**	**(3,000,000)**	**18,253,000**			
Share options exercisable at year end	4,554,000					9,402,000					4,218,500			

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

2. As at 31 December 2016, the Company had 10,075,900 share options outstanding under the 2002 Share Option Scheme and 18,253,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the outstanding share options would result in the issue of 28,328,900 additional ordinary shares of the Company and additional share capital of approximately HK$245,532,000 before issuance expenses.

3. During the year ended 31 December 2016, no share options were cancelled under the 2002 Share Option Scheme and a total of 3,000,000 share options were cancelled under the 2012 Share Option Scheme.

   In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the share options were exercised were HK$11.39 and HK$11.38 respectively.

4. The share options granted on 28 February 2008 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 27 February 2018.

5. The share options granted on 1 April 2008 are divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018.

6. The share options granted on 3 April 2009 are divided into 3 tranches exercisable from 3 April 2010, 3 April 2011 and 3 April 2012 respectively to 2 April 2019.

7. The share options granted on 7 April 2010 are divided into 6 tranches exercisable from 7 April 2010, 7 April 2011, 7 April 2012, 7 April 2013, 7 April 2014 and 7 April 2015 respectively to 6 April 2020.

8. The share options granted on 7 April 2010 are divided into 3 tranches exercisable from 7 April 2011, 7 April 2012 and 7 April 2013 respectively to 6 April 2020.

9. The share options granted on 8 April 2011 are divided into 4 tranches exercisable from 5 May 2011, 8 April 2012, 8 April 2013 and 8 April 2014 respectively to 7 April 2021.

10. The share options granted on 27 January 2012 are divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

Notes: (continued)

11. The share options granted on 2 April 2013 are divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023.

12. The share options granted on 3 April 2014 are divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024.

13. The share options granted on 3 April 2014 are divided into 2 tranches exercisable from 3 April 2014 and 3 April 2015 respectively to 2 April 2024. During the year ended 31 December 2016, a total of 1,500,000 share options were cancelled.

14. The share options granted on 29 August 2014 are divided into 3 tranches exercisable from 11 August 2016, 11 August 2017 and 11 August 2018 to 28 August 2024.

15. The share options granted on 8 April 2015 are divided into 4 tranches exercisable from 8 April 2015, 8 April 2016, 8 April 2017 and 8 April 2018 respectively to 7 April 2025.

16. The share options granted on 8 April 2015 are divided into 2 tranches exercisable from 8 April 2015 and 8 April 2016 respectively to 7 April 2025. During the year ended 31 December 2016, a total of 1,500,000 share options were cancelled.

17. On 8 April 2016, (1) a total of 15,722,000 share options (the "Previously Granted Options") granted by the Company on 2 April 2013, 3 April 2014, 29 August 2014 and 8 April 2015 to its Directors, employees and consultants (the "Grantees") under the 2012 Share Option Scheme, which had not been exercised or lapsed since they were granted, were cancelled and/or modified; and (2) a total of 12,722,000 new share options (the "Replacement Options") were granted to the Grantees (other than Mr. Ho, Lawrence Yau Lung) under the 2012 Share Option Scheme and a new share award in respect of 1,740,000 shares (the "Replacement Share Award") were granted to Mr. Ho, Lawrence Yau Lung pursuant to the Share Purchase Scheme adopted by the Company on 18 October 2007 in replacement of the Previously Granted Options. All the Grantees had given their written consent to cancel their respective share options.

    Among the Previously Granted Options, 12,722,000 of such options were replaced by an identical number of Replacement Options. Such Replacement Options are treated as modified options since the terms of such options were modified by changing the exercise period and reducing the exercise prices from HK$13.40, HK$26.65, HK$20.83 and HK$14.24 (as the case may be) to HK$10.24.

    Details of the cancellation and grant of share options are set out in the announcement of the Company dated 8 April 2016 and details of the Replacement Share Award are set out in the "Share award schemes" section.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

Notes: (continued)

18. On 8 April 2016, in addition to the grant of Replacement Options, the Company also granted a total of 2,563,000 new share options (the "New Options") to the Grantees under the 2012 Share Option Scheme.

19. The Replacement Options and the New Options granted on 8 April 2016 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026.

20. The New Options granted on 8 April 2016 are divided into 2 tranches exercisable from 8 April 2016 and 8 April 2017 respectively to 7 April 2026.

21. The share options granted on 1 September 2016 are divided into 2 tranches exercisable from 2 August 2018 and 2 August 2019 respectively to 31 August 2026.

22. The category "Others" represents the former directors/employees or consultants of the Group.

On 8 April 2016, the Company granted Replacement Options and New Options to the Grantees, which entitle the Grantees to subscribe for a total of 15,285,000 shares of the Company at an exercise price of HK$10.24 per share. The validity period of the options is ten years, from 8 April 2016 to 7 April 2026. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$10.08.

The estimated fair value of the 12,722,000 original share options was approximately HK$51,971,000 at the date of modification on 8 April 2016. The estimated fair value of the 12,722,000 modified share options and 2,563,000 new share options on 8 April 2016, which is the modified date or grant date, was approximately HK$74,821,000 and HK$15,158,000, respectively. The estimated fair value of the share options granted were measured using the Black-Scholes Option Pricing Model as at the modified date or grant date with a fair value per option granted of HK$5.88 to HK$5.91.

On 1 September 2016, the Company granted a total of 2,968,000 share options to a director, which entitle the director to subscribe for a total of 2,968,000 shares of the Company at an exercise price of HK$8.69 per share. The validity period of the options is ten years, from 1 September 2016 to 31 August 2026. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$8.02.

The estimated fair value of the 2,968,000 share options was approximately HK$14,784,000. The estimated fair value of the share options granted were measured using the Black-Scholes Option Pricing Model as at the date of grant with a fair value per option granted of HK$4.98.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	Grant date of the share options			
	1 September 2016	(Replacement and granted on) 8 April 2016	(Cancelled and modified on) 8 April 2016	8 April 2015
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Share price at date of grant of share options	HK$8.69	HK$9.99	HK$9.99	HK$14.24
Exercise price	HK$8.69	HK$10.24	HK$13.40-HK$26.65	HK$14.24
Expected volatility	56%	59%	51-60%	56%
Expected life	10 years	10 years	6.6 years–8.7 years	10 years
Risk-free rate	0.969%-0.973%	1.167%-1.225%	1.03%-1.18%	1.37%
Expected dividend yield	0.74%	0.74%	0.74%	0.56%
Suboptimal exercise factor	5.2	3.3-5.2	3.3-5.2	3.3-5.1

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

Changes in the subjective input assumptions could materially affect the fair value estimate.

The Group recognized total expenses of approximately HK$44,326,000 for the year ended 31 December 2016 (2015: HK$50,782,000) in relation to the share options granted by the Company.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, namely the Share Purchase Scheme and the Share Subscription Scheme. Certain rules of such schemes were amended on 28 August 2014 and 12 June 2015.

The purpose of the Share Purchase Scheme and the Share Subscription Scheme is to recognize the contributions of the directors, employees and consultants of the Group and provide them with incentives so as to retain them for the continual operation and development of the Group and to attract suitable personnel for the future development of the Group. The shares of the Company to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time. The shares awarded to the grantees under the Share Purchase Scheme will be settled by the shares of the Company purchased in the market whereas the shares awarded to the grantees under the Share Subscription Scheme will be settled by allotment of new shares of the Company.

A summary of the principal terms of the Share Purchase Scheme and Share Subscription Scheme and movements of the awarded shares under these schemes are set out below:

(a) Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of its adoption until 17 October 2027.

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any eligible persons (including any directors, employees, consultants and advisers of any members of the Group) to be a participant in the Share Purchase Scheme. The scheme limit of this scheme is 2% of the issued shares of the Company from time to time (excluding the Shares which have already been transferred to employees on vesting).

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme (continued)

The Board or the trustee of this scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of Shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of Shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of Shares, the trustee shall apply the same towards the purchase of Shares on the Hong Kong Stock Exchange.

No payment shall be made to the trustee of this scheme and no instructions to acquire Shares shall be given to the trustee where any member of the Board is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the appendix to the Listing Rules or any applicable laws and regulations or any internal code of conduct in securities dealing adopted by the Company from time to time.

Vesting of the Shares will be conditional on the selected eligible person remaining an eligible person of the Company or a subsidiary of the Company until the vesting date. The Board has the discretion to stipulate such other conditions in respect of a particular eligible person which will apply to the vesting of the Shares. Any Shares held by the trustee on behalf of the selected eligible person shall vest in accordance with the timetable determined by the Board at its discretion. The Trustee has the power to exercise at its discretion all voting rights attached to any Shares held.

The Board may by resolution terminate the operation of the Share Purchase Scheme.

37. LONG TERM INCENTIVE SCHEMES (CONTINUED)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme (continued)

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the year ended 31 December 2016 are set out below:

	Number of awarded shares												
Category of participant	Outstanding at 1.1.2015	Awarded during the year	Reclassified during the year	Vested during the year	Cancelled during the year	Outstanding at 31.12.2015 & 1.1.2016	Awarded during the year	Vested during the year	Cancelled during the year	Outstanding at 31.12.2016	Share price on the date of award HK$	Date of award	Vesting date
Directors	1,100,000	-	-	(1,100,000)	-	-	-	-	-	-	26.65	03.04.2015	03.04.2015
Directors	-	1,181,000	-	(1,181,000)	-	-	-	-	-	-	14.24	08.04.2015	08.04.2015
Directors	-	1,179,000	-	-	(4,000)	1,175,000	-	(1,175,000)	-	-	14.24	08.04.2015	08.04.2016
Directors	-	79,000	-	-	(4,000)	75,000	-	-	-	75,000	14.24	08.04.2015	08.04.2017
Directors	-	76,000	-	-	(3,000)	73,000	-	-	-	73,000	14.24	08.04.2015	08.04.2018
Directors	-	-	-	-	-	-	2,034,000	(2,034,000)	-	-	9.99	08.04.2016	08.04.2016
Directors	-	-	-	-	-	-	2,033,000	-	-	2,033,000	9.99	08.04.2016	08.04.2017
Directors	-	-	-	-	-	-	63,000	-	-	63,000	9.99	08.04.2016	08.04.2018
Directors	-	-	-	-	-	-	62,000	-	-	62,000	9.99	08.04.2016	08.04.2019
Directors	-	-	-	-	-	-	849,000	-	-	849,000	8.69	01.09.2016	02.08.2018
Directors	-	-	-	-	-	-	849,000	-	-	849,000	8.69	01.09.2016	02.08.2019
Sub-total	1,100,000	2,515,000	-	(2,281,000)	(11,000)	1,323,000	5,890,000	(3,209,000)	-	4,004,000			
Employees	-	123,600	-	(123,600)	-	-	-	-	-	-	14.24	08.04.2015	08.04.2015
Employees	-	116,600	(28,000)	-	-	88,600	-	(88,600)	-	-	14.24	08.04.2015	08.04.2016
Employees	-	114,400	(28,000)	-	-	86,400	-	-	-	86,400	14.24	08.04.2015	08.04.2017
Employees	-	109,400	(27,000)	-	-	82,400	-	-	-	82,400	14.24	08.04.2015	08.04.2018
Employees	-	-	-	-	-	-	90,000	(90,000)	-	-	9.99	08.04.2016	08.04.2016
Employees	-	-	-	-	-	-	84,000	-	-	84,000	9.99	08.04.2016	08.04.2017
Employees	-	-	-	-	-	-	79,000	-	-	79,000	9.99	08.04.2016	08.04.2018
Employees	-	-	-	-	-	-	78,000	-	-	78,000	9.99	08.04.2016	08.04.2019
Sub-total	-	464,000	(83,000)	(123,600)	-	257,400	331,000	(178,600)	-	409,800			
Consultants	-	6,000	-	(6,000)	-	-	-	-	-	-	14.24	08.04.2015	08.04.2015
Consultants	-	5,000	28,000	-	-	33,000	-	(33,000)	-	-	14.24	08.04.2015	08.04.2016
Consultants	-	5,000	28,000	-	-	33,000	-	-	-	33,000	14.24	08.04.2015	08.04.2017
Consultants	-	5,000	27,000	-	-	32,000	-	-	-	32,000	14.24	08.04.2015	08.04.2018
Consultants	-	-	-	-	-	-	7,000	(7,000)	-	-	9.99	08.04.2016	08.04.2016
Consultants	-	-	-	-	-	-	7,000	-	-	7,000	9.99	08.04.2016	08.04.2017
Consultants	-	-	-	-	-	-	7,000	-	-	7,000	9.99	08.04.2016	08.04.2018
Consultants	-	-	-	-	-	-	5,000	-	-	5,000	9.99	08.04.2016	08.04.2019
Sub-total	-	21,000	83,000	(6,000)	-	98,000	26,000	(40,000)	-	84,000			
Total	**1,100,000**	**3,000,000**	**-**	**(2,410,600)**	**(11,000)**	**1,678,400**	**6,247,000**	**(3,427,600)**	**-**	**4,497,800**			

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(b) Share Subscription Scheme

The Share Subscription Scheme has a term of 20 years from the date of its adoption until 17 October 2027.

The Board may, from time to time at its absolute discretion select any eligible persons (including any directors, employees, consultants and advisers of any members of the Group) to be a participant of the Share Subscription Scheme. The scheme limit of this scheme is 2% of the issued Shares from time to time (excluding the Shares which have already been transferred to the eligible persons on vesting). The maximum number of Shares which may be awarded to a director and an eligible person (other than a director) of the Company or its subsidiaries, are 0.2% and 0.05% of the issued Shares from time to time, respectively.

The Board or the trustee of this scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of Shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of Shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such notional cash amount on the Hong Kong Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount equal to the subscription price determined by the Board of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

No payment shall be made and no instructions to subscribe for Shares shall be given to the trustee of this scheme where any member of the Board is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under the Model Code as set out in the appendix to the Listing Rules or any applicable laws and regulations or any internal code of conduct in securities dealing adopted by the Company from time to time.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(b) Share Subscription Scheme (continued)

Vesting of the Shares will be conditional on the selected eligible person remaining an eligible person of the Company or a subsidiary of the Company until the vesting date. The Board has the discretion to stipulate such other conditions in respect of a particular eligible person which will apply to the vesting of the Shares. Any Shares held by the trustee on behalf of the selected eligible person shall vest in accordance with the timetable determined by the Board at its discretion. The Trustee has the power to exercise at its discretion all voting rights attached to any Shares held.

The Board may by resolution terminate the operation of the Share Subscription Scheme.

During the year ended 31 December 2016, the Company granted a total of 6,247,000 shares of the Company (2015: 3,000,000 shares) under the Share Purchase Scheme. A total of 2,131,000 awarded shares vested immediately on the date of grant and 2,124,000, 149,000, 145,000, 849,000, 849,000 of the awarded shares will vest on 8 April 2017, 8 April 2018, 8 April 2019, 2 August 2018 and 2 August 2019 respectively. The fair value of the awarded shares amounted to HK$60,200,000 and was determined with reference to the share price of the Company on the date of award of HK$9.99 and HK$8.69 per share on 8 April 2016 and 1 September 2016 respectively.

No award was granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2016.

The Group and the Company recognized total expenses of approximately HK$47,119,000 (2015: HK$41,239,000) for the year ended 31 December 2016 in relation to the shares granted under the share award schemes.

During the years ended 31 December 2016 and 2015, the share price on the date of award has been used to determine the fair value of the shares under the share award schemes.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company)

Melco Share Incentive Plan

Melco adopted a share incentive plan in 2006 (the "Melco 2006 Share Incentive Plan"), which was replaced by another share incentive plan in 2011, as amended (the "Melco 2011 Share Incentive Plan"). Under the plans, Melco may either grant restricted shares or options to purchase Melco's ordinary shares to the participants of the plans. The prevailing Melco 2011 Share Incentive Plan, as amended, will expire in 10 years from its date of adoption on 7 December 2011. No further awards may be granted under the expired Melco 2006 Share Incentive Plan. All future awards will be issued under the Melco 2011 Share Incentive Plan, as amended, or the plans succeeded it, if any. Awards previously granted under the Melco 2006 Share Incentive Plan shall remain valid subject to the terms and conditions of the Melco 2006 Share Incentive Plan.

At its acquisition date on 9 May 2016, the outstanding share-based payment transactions of Melco were not exchanged by the Group and were measured at their market-based measure at that date.

The fair values of outstanding stock options on 9 May 2016 were calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	Outstanding stock options of vested portion	Outstanding stock options of unvested portion
Melco 2006 Share Incentive Plan		
Applicable share price	US$4.81	N/A
Exercise price	US$1.01 – US$5.06	N/A
Expected volatility	42%-52%	N/A
Expected life (years)	1.33-5.42	N/A
Risk-free rate	0.51%-1.77%	N/A
Expected dividend yield	0.8%	N/A
Total fair value on 9 May 2016	HK$320,207,000	N/A
Melco 2011 Share Incentive Plan		
Applicable share price	US$4.81	US$4.81 - US$5.76
Exercise price	US$8.42 – US$12.98	US$7.48 - US$12.98
Expected volatility	53%-65%	49%-65%
Expected life (years)	6.78-7.67	5.42-8.24
Risk-free rate	0.51%-1.77%	0.51%-1.77%
Expected dividend yield	0.8%	0.8%-1.0%
Total fair value on 9 May 2016	HK$238,000	HK$498,022,000

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

The fair value of outstanding restricted shares are determined with reference to the share market price of Melco on 9 May 2016.

	Outstanding restricted shares of vested portion	Outstanding restricted shares of unvested portion
Number of restricted shares	72,000	4,855,000
Share price per share as at 9 May 2016	US$4.81	US$4.81
Total fair value as at 9 May 2016	HK$2,679,000	HK$181,686,000

63,776 ADRs share options and 31,888 ADRs restricted shares were granted by Melco during the period from 9 May 2016 (date of deemed acquisition) to 31 December 2016.

As Melco has become a subsidiary of the Company under the Listing Rules, its share incentive plan constitutes a share option scheme govern by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, Melco amended the Melco 2011 Share Incentive Plan (the "Melco Amended 2011 Share Incentive Plan") and such plan has been approved by both the shareholders of Melco and the Company and became effective on 9 December 2016.

Options over new shares of Melco ("Melco Shares") are subject to Chapter 17 of the Listing Rules. All other types of awards (being options over Melco Shares that are not new shares, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units) are not subject to Chapter 17 of the Listing Rules.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

The following is a summary of the principal terms of the Melco Amended 2011 Share Incentive Plan:

(i) *Purpose of the plan*

To promote the success and enhance the value of Melco, by linking the personal interests of the members of its board, employees and consultants, its parents, its subsidiaries and its related entities to those of Melco's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Melco's shareholders.

(ii) *Types of awards*

The awards may grant under the Melco Amended 2011 Share Incentive Plan include options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

(iii) *Participants of the plans*

Persons eligible to participate include members of Melco's board, employees and consultants, any parent or subsidiary or any related entity of Melco that the board designates as a related entity for the purposes of the plans.

(iv) *Total number of Melco Shares available for issue under the plan*

The total number of Melco Shares which may be issued upon exercise of all stock options to be granted under the Melco Amended 2011 Share Incentive Plan and any other share incentive plans or other schemes of Melco must not in aggregate exceed 10% of Melco Shares in issue on the date of approval of each of the plans. The 10% limit may be refreshed with the approval by the Company's shareholders.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

(iv) Total number of Melco Shares available for issue under the plan (continued)

The maximum number of Melco Shares which may be issued upon exercise of all outstanding stock options granted and yet to be exercised under the Melco Amended 2011 Share Incentive Plan and other share incentive plan or other schemes of Melco must not exceed 30% of the total number of Melco Shares in issue from time to time.

As at 31 December 2016, the maximum number of Melco Shares which may be issued pursuant to all Melco awards under the Melco Amended 2011 Share Incentive Plan is 100,000,000, representing approximately 6.8% of the total number of issued Melco Shares. Without prejudice to the overall limit on the maximum number of 100,000,000 Melco Shares which may be issued pursuant to all the share awards of Melco ("Melco Awards") referred to above, under the Listing Rules, the total number of Melco Shares available for issue under the Melco Amended 2011 Share Incentive Plan is 147,592,452 (representing 10% of the total number of Melco Shares in issue on the date of approval of the plan by the Company's shareholders) and a total of 10,852,351 Melco Shares (representing approximately 0.74% of Melco Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the Melco Amended 2011 Share Incentive Plan.

(v) Maximum entitlement of each participant under the plan

The total number of Melco Shares issued and to be issued upon exercise of the stock options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Melco Shares in issue unless the Company issues a circular to the Company's shareholders in compliance with the Listing Rules and the same is approved by the Company's shareholders in general meeting.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

(v) *Maximum entitlement of each participant under the plan (continued)*

In addition, any stock options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of Melco Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the Melco Shares in issue and with an aggregate value based on the official closing price of the Melco Shares as stated in the daily quotation sheets of the NASDAQ Global Select or NASDAQ Global Market on the date of grant, in excess of an amount in United States Dollars which is equivalent to HK$5 million, are subject to the approval of the Company's shareholders in general meeting.

(vi) *The period within which the Melco Shares must be taken up under an option*

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

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

As determined by the Melco Compensation Committee upon the grant of an option.

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

As determined by the Melco Compensation Committee upon the grant of an option.

(ix) *The basis of determining the exercise price*

The Melco Compensation Committee may determine the exercise price, grant price or purchase price, if any, of any option.

(x) *The remaining life of the plan*

The Melco Amended 2011 Share Incentive Plan will expire on 7 December 2021.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

Movements of stock options granted under Melco 2006 Share Incentive Plan and Melco Amended 2011 Share Incentive Plan during the period from 9 May 2016 to 31 December 2016 are as follows:

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

Category of participant	Number of stock options: Outstanding at 9.5.2016 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of grant of stock options	Share price on the date of grant of stock options US$	Exercise price of stock options US$
Under the Melco 2006 Share Incentive Plan									
Directors[3]	3,036,810	-	-	-	-	3,036,810	17.03.2009	3.72	1.09
Directors[4]	755,058	-	-	-	-	755,058	25.11.2009	3.38	1.43
Directors[5]	1,446,498	-	-	-	-	1,446,498	23.03.2011	2.52	2.52
Directors[6]	56,628	-	-	-	-	56,628	18.03.2008	1.49	4.01
Total	**5,294,994**	**-**	**-**	**-**	**-**	**5,294,994**			
Stock options exercisable at relevant date	5,294,994					5,294,994			
Under the Melco Amended 2011 Share Incentive Plan									
Directors[7]	474,399	-	-	-	-	474,399	29.03.2012	2.05	4.70
Directors[8]	362,610	-	-	-	-	362,610	10.05.2013	6.86	5.76
Directors[9]	320,343	-	-	-	-	320,343	28.03.2014	6.86	5.76
Directors[10]	690,291	-	-	-	-	690,291	30.03.2015	6.86	5.76
Directors[11]	1,302,840	-	-	-	-	1,302,840	18.03.2016	6.86	5.76
Total	**3,150,483**	**-**	**-**	**-**	**-**	**3,150,483**			
Stock options exercisable at relevant date	474,399					474,399			

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

(ii) Stock options granted to other eligible participants

	Number of stock options								
Category of participant	Outstanding at 9.5.2016 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of grant of stock options	Share price on the date of grant of stock options US$	Exercise price of stock options US$
Under the Melco 2006 Share Incentive Plan									
Others[12, 21]	119,697	-	(23,940)	-	-	95,757	10.09.2007	5.06	5.06
Others[6, 21]	131,913	-	(18,657)	-	-	113,256	18.03.2008	4.01	4.01
Others[13, 21]	2,937,486	-	(928,800)	-	-	2,008,686	25.11.2008	1.01	1.01
Others[3, 21]	276,072	-	-	-	-	276,072	17.03.2009	1.09	1.09
Others[14, 21]	267,885	-	(2,997)	-	-	264,888	25.11.2009	1.43	1.43
Others[4, 21]	263,028	-	-	-	-	263,028	25.11.2009	1.43	1.43
Others[15, 21]	140,400	-	-	-	-	140,400	25.11.2009	1.43	1.43
Others[16, 21]	112,287	-	(32,001)	-	-	80,286	26.05.2010	1.25	1.25
Others[17, 21]	300,000	-	-	-	-	300,000	16.08.2010	1.33	1.33
Others[5, 21]	1,768,521	-	(692,094)	-	-	1,076,427	23.03.2011	2.52	2.52
Total	**6,317,289**	**-**	**(1,698,489)**	**-**	**-**	**4,618,800**			
Stock options exercisable at relevant date	6,317,289					4,618,800			
Under the Melco Amended 2011 Share Incentive Plan									
Others[7, 21]	995,583	-	(22,215)	-	-	973,368	29.03.2012	4.70	4.70
Others[18, 21]	15,516	-	-	(10,344)	(5,172)	-	10.05.2013	8.42	8.42
Others[8, 21]	762,045	-	-	-	(13,125)	748,920	10.05.2013	5.76	5.76
Others[21]	10,794	-	-	-	(10,794)	-	28.03.2014	12.98	12.98
Others[9, 21]	767,307	-	-	-	(9,878)	757,429	28.03.2014	5.76	5.76
Others[19, 21]	50,604	-	-	-	(50,604)	-	30.03.2015	7.48	7.48
Others[10, 21]	1,669,638	-	-	-	(25,629)	1,644,009	30.03.2015	5.76	5.76
Others[11, 21]	3,456,846	-	-	-	(70,032)	3,386,814	18.03.2016	5.76	5.76
Others[20, 21]	-	191,328	-	-	-	191,328	23.12.2016	5.23	5.23
Total	**7,728,333**	**191,328**	**(22,215)**	**(10,344)**	**(185,234)**	**7,701,868**			
Stock options exercisable at relevant date	1,005,927					973,368			

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

Notes:

1. Melco has become an accounting subsidiary of the Company with effect from 9 May 2016.

2. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.

3. The stock options granted on 17 March 2009 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019.

4. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 17 March 2018.

5. The stock options granted on 23 March 2011 are divided into 3 tranches exercisable from 23 March 2012, 23 March 2013 and 23 March 2014 respectively to 22 March 2021.

6. The stock options granted on 18 March 2008 are divided into 4 tranches exercisable from 18 March 2009, 18 March 2010, 18 March 2011 and 18 March 2012 respectively to 17 March 2018.

7. The stock options granted on 29 March 2012 are divided into 3 tranches exercisable from 29 March 2013, 29 March 2014 and 29 March 2015 respectively to 28 March 2022.

8. The stock options granted on 10 May 2013 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 9 May 2023. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

9. The stock options granted on 28 March 2014 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 27 March 2024. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

10. The stock options granted on 30 March 2015 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 29 March 2025. The exercise price and vesting schedules of such stock options were modified on 18 March 2016.

11. The stock options granted on 18 March 2016 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 17 March 2026.

12. The stock options granted on 10 September 2007 are divided into 4 tranches exercisable from 10 September 2008, 10 September 2009, 10 September 2010 and 10 September 2011 respectively to 9 September 2017.

13. The stock options granted on 25 November 2008 are divided into 2 tranches exercisable from 25 November 2010 and 25 November 2011 respectively to 24 November 2018.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Melco Share Incentive Plan (continued)

Notes: (continued)

14. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 9 September 2017.

15. The stock options granted on 25 November 2009 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 10 April 2018.

16. The stock options granted on 26 May 2010 are divided into 2 tranches exercisable from 26 May 2012 and 26 May 2013 respectively to 25 May 2020.

17. The stock options granted on 16 August 2010 are divided into 2 tranches exercisable from 16 August 2012 and 16 August 2014 respectively to 15 August 2020.

18. The stock options granted on 10 May 2013 are divided into 3 tranches exercisable from 10 May 2014, 10 May 2015 and 10 May 2016 respectively to 9 May 2023.

19. The stock options granted on 30 March 2015 is exercisable from 30 March 2018 to 29 March 2025.

20. The stock options granted on 23 December 2016 are exercisable from 26 September 2019 to 22 December 2026.

21. "Other eligible participants" represents the directors (other than the directors of the Company), employees or consultants of Melco.

The Group recognized total expenses of approximately HK$141,693,000 for the year ended 31 December 2016 in relation to the stock options granted by Melco.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco (an accounting subsidiary of the Company) (continued)

Share incentive plan

Movements of the restricted shares, which were granted under the Melco 2011 Share Incentive Plan (as amended)_during the period from 9 May 2016 to 31 December 2016, are set out below:

	Number of restricted shares							
Category of participant	Outstanding at 9.5.2016 (Note 1)	Awarded during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of award	Vesting date
Directors	65,268	-	(65,268)	-	-	-	10.05.2013	10.05.2016
Directors	163,375	-	-	-	-	163,375	28.03.2014	28.03.2017
Directors	5,523	-	-	-	-	5,523	30.03.2015	30.03.2017
Directors	350,667	-	-	-	-	350,667	30.03.2015	30.03.2018
Directors	6,948	-	-	-	-	6,948	18.03.2016	18.03.2017
Directors	224,088	-	-	-	-	224,088	18.03.2016	18.03.2018
Directors	224,088	-	-	-	-	224,088	18.03.2016	18.03.2019
Sub-total	1,039,957	-	(65,268)	-	-	974,689		
Others[3]	163,422	-	(161,310)	-	(2,112)	-	10.05.2013	10.05.2016
Others[2,3]	1,047	-	-	-	-	1,047	10.05.2013	07.06.2017
Others[3]	405,304	-	-	-	(8,145)	397,159	28.03.2014	28.03.2017
Others[2,3]	2,190	-	-	-	-	2,190	28.03.2014	07.06.2017
Others[3]	55,113	-	-	-	-	55,113	30.03.2015	30.03.2017
Others[3]	874,680	-	-	-	(28,623)	846,057	30.03.2015	30.03.2018
Others[2,3]	9,492	-	-	-	-	9,492	30.03.2015	07.06.2017
Others[3]	55,584	-	-	-	-	55,584	18.03.2016	18.03.2017
Others[3]	1,276,206	-	-	-	(49,155)	1,227,051	18.03.2016	18.03.2018
Others[3]	1,276,206	-	-	-	(49,155)	1,227,051	18.03.2016	18.03.2019
Others[3]	-	95,664	-	-	-	95,664	23.12.2016	26.12.2019
Sub-total	4,119,244	95,664	(161,310)	-	(137,190)	3,916,408		
Total	**5,159,201**	**95,664**	**(226,578)**	**-**	**(137,190)**	**4,891,097**		

Notes:

1. Melco has become an accounting subsidiary of the Company with effect from 9 May 2016.

2. The vesting date of these restricted shares was modified to 7 June 2017 with effect from 8 June 2016.

3. "Other eligible participants" represents the directors (other than the directors of the Company), employees or consultants of Melco.

4. During the year ended 31 December 2016, Melco granted a total of 95,664 shares of Melco under the Melco 2011 Share Incentive Plan. The restricted shares will vest on 26 September 2019. The fair value of the restricted shares amounted to HK$411,213 was determined with reference to the share price of Melco at the date of award of HK$5.23 per share.

The Group recognized total expenses of approximately HK$74,231,000 for the year ended 31 December 2016 in relation to the shares granted under the Melco 2011 Share Incentive Plan.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company)

Melco Crown Philippines Share Incentive Plan

Melco Crown Philippines adopted a share incentive plan in 2013 (the "MCP Share Incentive Plan"), which will expire 10 years from 24 June 2013. Under the MCP Share Incentive Plan, Melco Crown Philippines may grant either options to purchase Melco Crown Philippines' ordinary shares or restricted shares.

At its acquisition date on 9 May 2016, the outstanding share-based payment transactions of Melco Crown Philippines were not exchanged by the Group and were measured at their market-based measure at that date.

	Outstanding share options of vested portion	Outstanding share options of unvested portion
MCP Share Incentive Plan		
Applicable share price	PHP2.25	PHP2.25
Exercise price	PHP8.30 – PHP13.256	PHP3.46 – PHP13.256
Expected volatility	50%	50%
Expected life (years)	7.09-8.03	7.71-8.90
Risk-free rate	3.09%-4.70%	3.09%-4.70%
Expected dividend yield	–	–
Total fair value on 9 May 2016	**HK$9,849,000**	**HK$1,639,000**

The fair value of outstanding restricted shares are determined with reference to the share market price of Melco Crown Philippines on 9 May 2016.

	Outstanding restricted shares of vested portion	Outstanding restricted shares of unvested portion
Number of restricted shares	2,138,000	6,315,000
Share price per share as at 9 May 2016	PHP2.25	PHP2.25
Total fair value on 9 May 2016	**HK$351,000**	**HK$1,037,000**

No share option was granted by Melco Crown Philippines during the period from 9 May 2016 (date of deemed acquisition) to 31 December 2016.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

As Melco Crown Philippines has become a subsidiary of the Company under the Listing Rules, its share incentive plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, Melco Crown Philippines amended the MCP Share Incentive Plan (the "MCP Amended Share Incentive Plan") and such plan was approved by both the shareholders of Melco Crown Philippines and the Company and it became effective on 15 March 2017.

Options over new shares of Melco Crown Philippines (the "MCP Shares") are subject to Chapter 17 of the Listing Rules. All other types of awards (being options over MCP Shares that are not new shares, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units) are not subject to Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the MCP Amended Share Incentive Plan:

(i) *Purpose of the plan*

To promote the success and enhance the value of Melco Crown Philippines, by linking the personal interests of the members of its board, employees and consultants, its parents, its subsidiaries and its related entities by providing such individuals with an incentive for outstanding performance to generate superior returns to Melco Crown Philippines' shareholders.

(ii) *Types of awards*

The awards may grant under the MCP Amended Share Incentive Plan include options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

(iii) *Participants of the plan*

Persons eligible to participate include members of Melco Crown Philippines' board, employees and consultants as may be determined by the Compensation Committee of Melco Crown Philippines.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

(iv) *Total number of MCP shares available for issue under the plan*

The total number of MCP Shares which may be issued upon exercise of all share options to be granted under the MCP Amended Share Incentive Plan and any other share incentive plans or other schemes of Melco Crown Philippines must not in aggregate exceed 10% of MCP Shares in issue on the date of approval of the plan. The 10% limit may be refreshed with the approval of the Company's shareholders.

As at 31 December 2016, the maximum aggregate number of MCP Shares which may be issued pursuant to all awards under the plan is 442,630,330 MCP Shares, and in no event the number of MCP Shares which may be issued upon exercise of all outstanding awards granted and yet to be exercised under the plan and any other share incentive plans or other schemes exceed 5% of the MCP Shares in issue from time to time.

Without prejudice to the overall limit on the maximum number of 442,630,330 MCP Shares which may be issued pursuant to all MCP awards referred to above, under the Listing Rules, the total number of MCP Shares available for issue under the MCP Amended Share Incentive Plan is 566,289,727 (representing 10% of the total number of MCP Shares in issue) and a total of 12,374,710 MCP Shares (representing approximately 0.22% of MCP Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the MCP Amended Share Incentive Plan.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

(v) Maximum entitlement of each participant under the plan

The total number of MCP Shares issued and to be issued upon exercise of the stock options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the MCP Shares in issue unless the Company issues a circular to the Company's shareholders in compliance with the Listing Rules, any applicable law and any other exchange rules from time to time and the same is approved by the Company's shareholders in general meeting.

In addition, any share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of MCP Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the MCP Shares in issue and with an aggregate value based on the official closing price of the MCP Shares as stated in the daily quotation sheets of The Philippine Stock Exchange, Inc. on the date of grant, in excess of an amount in Peso which is equivalent to HK$5 million, are subject to the approval of the Company's shareholders in general meeting.

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

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

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

As determined by the MCP Compensation Committee upon the grant of an option.

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

As determined by the MCP Compensation Committee upon the grant of an option.

(ix) The basis of determining the exercise price

The MCP Compensation Committee may determine the exercise price, grant price or purchase price, if any, of any option.

(x) The remaining life of the plan

The MCP Amended Share Incentive Plan will expire on 24 June 2023.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

Movements of share options granted under the MCP Amended Share Incentive Plan during the period from 9 May 2016 to 31 December 2016 are as follows:

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

Category of participant	Number of share options: Outstanding at 9.5.2016 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options PHP	Exercise price of share options PHP
Under the MCP Amended Share Incentive Plan									
Directors[3, 7]	26,012,127	-	-	-	(26,012,127)	-	28.06.2013	8.30	8.30
Total	**26,012,127**	**-**	**-**	**-**	**(26,012,127)**	**-**			
Share options exercisable at relevant date	26,012,127					-			

(ii) Share options granted to other eligible participants

Category of participant	Number of share options: Outstanding at 9.5.2016 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options PHP	Exercise price of share options PHP
Under the MCP Amended Share Incentive Plan									
Others[3, 7, 8]	79,120,227	-	-	(5,029,012)	(69,409,033)	4,682,182	28.06.2013	8.30	8.30
Others[7, 8]	1,560,728	-	-	-	(1,560,728)	-	17.02.2014	8.30	8.30
Others[8]	346,828	-	-	(346,828)	-	-	28.02.2014	8.30	8.30
Others[4, 7, 8]	1,040,485	-	-	-	(346,829)	693,656	27.03.2014	8.30	8.30
Others[8]	1,040,485	-	-	(693,656)	(346,829)	-	28.03.2014	8.30	8.30
Others[5, 7, 8]	3,317,045	-	-	(903,406)	(2,211,299)	202,340	30.05.2014	13.26	13.26
Others[6, 8]	6,796,532	-	-	-	-	6,796,532	16.11.2015	3.46	3.46
Total	**93,222,330**	**-**	**-**	**(6,972,902)**	**(73,874,718)**	**12,374,710**			
Share options exercisable at relevant date	81,729,518					7,277,311			

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

Notes:

1. Melco Crown Philippines has become an accounting subsidiary of the Company with effect from 9 May 2016.

2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The share options granted on 28 June 2013 are divided into 3 tranches exercisable from 4 March 2015, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.

4. The share options granted on 27 March 2014 are divided into 3 tranches exercisable from 29 April 2015, 29 April 2016 and 29 April 2017 respectively to 26 March 2024.

5. The share options granted on 30 May 2014 are divided into 3 tranches exercisable from 30 May 2015, 30 May 2016 and 30 May 2017 respectively to 29 May 2024.

6. The share options granted on 16 November 2015 are divided into 3 tranches exercisable from 16 November 2016, 16 November 2017 and 16 November 2018 respectively to 15 November 2025.

7. On 2 August 2016, the board of directors of Melco Crown Philippines approved an option exchange program, which is designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted. Share options eligible for exchange were those that were granted during the years ended 31 December 2013 and 2014 under MCP Share Incentive Plan. The approval of the option exchange program from the Philippine Securities and Exchange Commission was obtained on 30 September 2016. The exchange was subject to the eligible personnel's consent. Under the program, a total of 96,593,629 options were cancelled and a total of 43,700,116 replacement restricted shares were granted on 30 September 2016.

8. "Other eligible participants" represents the directors (other than the directors of the Company), employees or consultants of Melco Crown Philippines.

The Group recognized total expenses of approximately HK$742,000 for the year ended 31 December 2016 in relation to the shares options granted by Melco Crown Philippines.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

Movements of the restricted shares, which were granted under the MCP Share Incentive Plan during the period from 9 May 2016 to 31 December 2016, are set out below:

	Number of restricted shares							
Category of participants	Outstanding at 9.5.2016 (Note 1)	Awarded during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31.12.2016	Date of award	Vesting date
Directors	224,640	-	(224,640)	-	-	-	30.05.2014	30.05.2016
Directors	224,642	-	-	-	-	224,642	30.05.2014	30.05.2017
Directors	586,691	-	(586,691)	-	-	-	29.09.2015	29.09.2016
Directors	586,691	-	-	-	-	586,691	29.09.2015	29.09.2017
Directors	1,173,385	-	-	-	-	1,173,385	29.09.2015	29.09.2018
Directors[3]	-	4,552,121	-	-	-	4,552,121	30.09.2016	30.09.2018
Directors[3]	-	4,552,122	-	-	-	4,552,122	30.09.2016	30.09.2019
Sub-total	2,796,049	9,104,243	(811,331)	-	-	11,088,961		
Others[4]	867,070	-	-	-	(867,070)	-	28.06.2013	29.04.2016
Others[2, 4]	173,415	-	-	-	-	173,415	28.06.2013	07.06.2017
Others[4]	260,121	-	-	-	-	260,121	17.02.2014	29.04.2017
Others[4]	173,415	-	-	-	(173,415)	-	27.03.2014	29.04.2017
Others[4]	173,415	-	-	-	(173,415)	-	28.03.2014	29.04.2017
Others[4]	925,643	-	(821,291)	-	(104,352)	-	30.05.2014	30.05.2016
Others[4]	925,665	-	-	-	(154,942)	770,723	30.05.2014	30.05.2017
Others[4]	849,566	-	(849,566)	-	-	-	16.11.2015	16.11.2016
Others[4]	849,566	-	-	-	-	849,566	16.11.2015	16.11.2017
Others[4]	1,699,134	-	-	-	-	1,699,134	16.11.2015	16.11.2018
Others[3, 4]	-	17,297,913	-	-	(91,042)	17,206,871	30.09.2016	30.09.2018
Others[3, 4]	-	17,297,960	-	-	(91,043)	17,206,917	30.09.2016	30.09.2019
Sub-total	6,897,010	34,595,873	(1,670,857)	-	(1,655,279)	38,166,747		
Total	**9,693,059**	**43,700,116**	**(2,482,188)**	**-**	**(1,655,279)**	**49,255,708**		

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines") (an accounting subsidiary of the Company) (continued)

Melco Crown Philippines Share Incentive Plan (continued)

Notes:

1. Melco Crown Philippines has become a subsidiary of the Company with effect from 9 May 2016.
2. The vesting date of these restricted shares was modified to 7 June 2017 with effect from 8 June 2016.
3. Re-grant of restricted shares under Melco Crown Philippines Equity Modification Programme on 30 September 2016.
4. "Other eligible participants" represents the directors (other than the directors of the Company), employees or consultants of Melco Crown Philippines.

The Group recognized total expenses of approximately HK$2,343,000 for the year ended 31 December 2016 in relation to the shares granted under the MCP Share Incentive Plan.

(IV) MelcoLot (a listed subsidiary of the Company)

Share option schemes

The share option scheme adopted by MelcoLot at the general meeting on 20 April 2002 (the "MelcoLot 2002 Share Option Scheme") expired on 20 April 2012. No further options shall thereafter be granted under MelcoLot 2002 Share Option Scheme but the options granted thereunder prior to the expiry date of MelcoLot 2002 Share Option Scheme will continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the MelcoLot 2002 Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the scheme.

At the annual general meeting of MelcoLot held on 18 May 2012, the shareholders of MelcoLot approved the adoption of a new share option scheme (the "MelcoLot 2012 Share Option Scheme") under which the directors of MelcoLot may grant share options to eligible persons to subscribe for the shares of MelcoLot, subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the MelcoLot 2012 Share Option Scheme will remain valid for a period of ten years from the date of adoption until 17 May 2022.

37. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

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

(i) *Purpose of the schemes*

The purpose of the MelcoLot 2002 Share Option Scheme is to encourage the eligible participants to achieve the long-term performance targets set by MelcoLot and at the same time allows its participants to enjoy the results of MelcoLot attained through their efforts and contributions. The purpose of the MelcoLot 2012 Share Option Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and to attract, retain and motivate high-caliber eligible participants to work towards enhancing value of MelcoLot and its shares for the benefit of MelcoLot and its shareholders as a whole.

(ii) *Participants of the schemes*

The participants of the MelcoLot 2002 Share Option Scheme shall be the directors, employees, advisers or business consultants of MelcoLot or any of its subsidiaries. The participants of the MelcoLot 2012 Share Option Scheme shall be (1) any full time or part time employees of MelcoLot (including any executive or non-executive directors of MelcoLot or any of its subsidiaries); and (2) any suppliers, consultants, agents and advisers of MelcoLot.

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

The total number of MelcoLot's shares which may be issued upon exercise of all share options to be granted under the MelcoLot 2002 Share Option Scheme, MelcoLot 2012 Share Option Scheme and any other schemes of MelcoLot must not in aggregate exceed 10% of MelcoLot's shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of MelcoLot's shareholders and the Company's shareholders. Following the expiry of the MelcoLot 2002 Share Option Scheme, no further share options can be granted thereunder. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the MelcoLot 2012 Share Option Scheme and any other schemes of MelcoLot must not exceed 30% of MelcoLot's shares in issue from time to time.

As at 31 December 2016, the number of MelcoLot's shares available for issue under the MelcoLot 2012 Share Option Scheme is 28,254,383, representing approximately 0.90% of the issued shares of MelcoLot.

37. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

(iv) Maximum entitlement of each participant under the schemes

The total number of MelcoLot's shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period must not exceed 1% of MelcoLot's shares in issue unless the same is approved by MelcoLot's shareholders in general meeting. In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of MelcoLot or any of their respective associates, and where the total number of MelcoLot's shares issued and to be issued upon exercise of all options granted or to be granted to such person in any twelve-month period exceed 0.1% of MelcoLot's shares in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval of MelcoLot's shareholders in general meeting.

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

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

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

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

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

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

(viii) The basis of determining the exercise price

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

(ix) The remaining life of the scheme

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

37. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Movements of the share options under the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme during the year ended 31 December 2016 are set out below:

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

	Number of share options														
Category of participant	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Modified during the year	Cancelled during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options HK$	Exercise price of share options HK$
Under MelcoLot 2012 Share Option Scheme															
Directors[7]	13,772,271	-	-	-	-	-	13,772,271	-	-	-	-	13,772,271	02.07.2013	0.54	0.511
Directors[8, 9]	20,384,000	-	-	-	(20,384,000)	-	-	-	-	-	-	-	11.08.2014	1.14	1.14
Directors[8, 9]	-	6,368,000	-	-	18,879,000	-	25,247,000	-	-	-	-	25,247,000	09.10.2015	0.465	0.465
Total	**34,156,271**	**6,368,000**	**-**	**-**	**(1,505,000)**	**-**	**39,019,271**	**-**	**-**	**-**	**-**	**39,019,271**			
Share options exercisable at relevant date	14,782,757						9,181,514					32,707,521			

(ii) Share options granted to other eligible participants

	Number of share options														
Category of participant	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Modified during the year	Cancelled during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2016	Date of grant of share options	Share price on the date of grant of share options HK$	Exercise price of share options HK$
Under MelcoLot 2002 Share Option Scheme															
Others[2, 10]	52,300	-	-	-	-	-	52,300	-	-	-	-	52,300	12.01.2007	0.09	0.063
Others[3, 10]	3,143,610	-	-	-	-	-	3,143,610	-	-	-	-	3,143,610	31.03.2008	0.89	0.638
Others[4, 10]	2,956,728	-	-	-	-	-	2,956,728	-	-	-	-	2,956,728	16.02.2009	0.30	0.215
Others[5, 10]	502,084	-	(111,574)	-	-	-	390,510	-	-	-	-	390,510	10.07.2009	0.32	0.263
Others[6, 10]	446,297	-	-	-	-	-	446,297	-	-	-	-	446,297	18.11.2010	0.15	0.109
Total	**7,101,019**	**-**	**(111,574)**	**-**	**-**	**-**	**6,989,445**	**-**	**-**	**-**	**-**	**6,989,445**			
Share options exercisable at relevant date	7,101,019						6,989,445					6,989,445			
Under MelcoLot 2012 Share Option Scheme															
Others[7, 10]	17,562,600	-	-	-	-	-	17,562,600	-	-	-	-	17,562,600	02.07.2013	0.54	0.511
Others[8, 9, 10]	61,324,000	-	-	-	(60,976,000)	(348,000)	-	-	-	-	-	-	11.08.2014	1.14	1.14
Others[9, 10]	-	-	-	-	56,461,000	-	56,461,000	-	-	-	-	56,461,000	09.10.2015	0.465	0.465
Total	**78,886,600**	**-**	**-**	**-**	**(4,515,000)**	**(348,000)**	**74,023,600**	**-**	**-**	**-**	**-**	**74,023,600**			
Share options exercisable at relevant date	36,490,200						11,708,400					59,908,350			

37. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 12 January 2007 are divided into 4 tranches exercisable from 12 January 2008, 12 January 2009, 12 January 2010 and 12 January 2011 respectively to 11 January 2017.

3. The share options granted on 31 March 2008 are divided into 2 tranches exercisable from 30 September 2008 and 31 March 2009 respectively to 30 March 2018.

4. The share options granted on 16 February 2009 are divided into 3 tranches exercisable from 16 February 2010, 16 February 2011 and 16 February 2012 respectively to 15 February 2019.

5. The share options granted on 10 July 2009 are divided into 3 tranches exercisable from 10 July 2010, 10 July 2011 and 10 July 2012 respectively to 9 July 2019.

6. The share options granted on 18 November 2010 are divided into 2 tranches exercisable from 18 May 2011 and 18 November 2011 respectively to 17 November 2020.

7. The share options granted on 2 July 2013 are divided into 4 tranches exercisable from 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively to 1 July 2023.

8. The share options granted on 11 August 2014 (which were replaced by share options modification on 9 October 2015 as stated in note 9 below) were divided into 3 tranches exercisable from 11 August 2014, 11 August 2015 and 11 August 2016 respectively to 10 August 2024.

9. On 9 October 2015, (1) a total of 81,708,000 share options (the "2014 Share Options") previously granted by the Company to its directors, employees, consultants and substantial shareholder (the "Grantees") under the MelcoLot 2012 Share Option Scheme on 11 August 2014, which had not been exercised or lapsed since they were granted, were cancelled (the "2014 Cancelled Share Options"); and (2) a total of 81,708,000 new share options (the "Replacement Share Options") were granted under the MelcoLot 2012 Share Option Scheme to the Grantees in replacement of the 2014 Share Options, on a reallocation basis, which effectively comprised modification of 75,340,000 share options (the "Modified Share Options") and the grant of 6,368,000 new options. All the Grantees had given their written consent to cancel their respective 2014 Share Options. The Replacement Share Options granted on 9 October 2015 are divided into 3 tranches exercisable from 9 October 2015, 9 October 2016 and 9 October 2017 respectively to 8 October 2025. As a condition of the issue of the Replacement Share Options, the Grantees are not permitted to exercise the Replacement Share Options or any part thereof until after the earlier of (a) completion of the sale and purchase transaction relating to the shares in Melco Property Development Limited and the issue of consideration shares by the Company to Melco or its nominee(s) pursuant to the share purchase agreement dated 9 October 2015 entered into between MelcoLot and the Company (the "Share Purchase Agreement"); or (b) the termination of the Share Purchase Agreement.

10. "Other eligible participants" represents the directors (other than the directors of the Company), employees or consultants of MelcoLot.

37. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

The fair value of share options granted/modified during the year ended 31 December 2015 were calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	Replacement Share Options granted on 9 October 2015	2014 Cancelled Share Options modified on 9 October 2015
Number of options granted/modified	81,708,000	81,360,000
Closing share price immediately before the date of grant/on the date of modification	HK$0.465	HK$0.465
Exercise price	HK$0.465	HK$1.14
Exercise multiplier	2.8–3.3	2.8–3.3
Expected volatility	91%	87%
Option life/remaining option life	10 years	8.8 years
Risk-free interest rate	1.55%	1.382%
Expected dividend yield	0%	0%
Fair value of an option	HK$0.3015 – HK$0.3563	HK$0.2726 – HK$0.2856

The models involve assumptions and variables based on the management's best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

The expected multiplier was determined by MelcoLot's share options exercise history.

The expected volatility was determined by using the annualised historical volatility of the MelcoLot's share price over the past years up to the valuation date.

The Group recognized an expense in total of HK$6,830,000 (2015: HK$22,439,000) for the year ended 31 December 2016 in relation to share options granted by MelcoLot.

During the year ended 31 December 2016, no share options were granted, exercised, lapsed or cancelled under the MelcoLot 2002 Share Option Scheme and the MelcoLot 2012 Share Option Scheme.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company)

Share option schemes

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

As EGT has become a subsidiary of the Company under the Listing Rules, its stock option plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, EGT amended the EGT 2008 Stock Incentive Plan (the "EGT 2016 Stock Incentive Plan") and such plan was approved by both the shareholders of EGT and the Company and became effective on 18 July 2016.

Options over new shares of EGT (the "EGT Shares") are subject to Chapter 17 of the Listing Rules. All other types of awards are not subject to Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the EGT 2016 Stock Incentive Plan:

(i) *Purpose of the plan*

The EGT 2016 Stock Incentive Plan is intended to advance the interests of EGT and its stockholders by enabling EGT and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation, and to reward those individuals who contribute to the achievement of economic objectives.

(ii) *Types of awards*

The incentive awards that may be granted under the EGT 2016 Stock Incentive Plan include incentive stock options, non-statutory stock options, performance stock awards and restricted stock awards.

(iii) *Participants of the plan*

All employees, officers and directors of EGT or any EGT's subsidiary and any person who has a relationship with EGT or any EGT's subsidiary, such as a consultant or an adviser to EGT or any EGT's subsidiary, will be eligible to receive incentive awards under the EGT 2016 Stock Incentive Plan.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

(iv) *Total number of EGT shares available for issue under the plan*

The total number of EGT Shares which may be issued upon exercise of all share options to be granted under the EGT 2016 Stock Incentive Plan and all other employee stock option plans of EGT must not in aggregate exceed 10% of EGT Shares in issue on the date of approval of the plan. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders.

The maximum number of EGT Shares which may be issued upon exercise of all outstanding stock options granted and yet to be exercised under the EGT 2016 Stock Incentive Plan and all other employee stock option plans of EGT must not exceed 30% of the total number of EGT shares in issue from time to time.

As at 31 December 2016, the maximum number of EGT Shares authorised for issuance under the EGT 2016 Stock Incentive Plan is 1,250,000. Without prejudice to the overall limit on the maximum number of 1,250,000 EGT Shares available for issuance referred to above, under the Listing Rules, the total number of EGT Shares available for issue under the EGT 2016 Stock Incentive Plan and all other employee stock option plans of EGT is 1,446,422 (representing 10% of the total number of EGT Shares in issue) and a total of 459,155 EGT Shares (representing approximately 3.17% of EGT Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the EGT 2016 Stock Incentive Plan.

(v) *Maximum entitlement of each participant under the plan*

The total number of EGT Shares issued and to be issued upon exercise of the stock options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the EGT Shares in issue unless the Company issues a circular to the Company's shareholders in compliance with the Listing Rules and the same is approved by the Company's shareholders in general meeting.

In addition, any stock options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of EGT Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the EGT Shares in issue, and having an aggregate value, based on the fair market value of EGT Shares on the date of grant of the relevant options, in excess of HK$5 million, are subject to the approval of the Company's shareholders in general meeting.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

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

The period during which an option may be exercised is determined by a committee of EGT (including EGT board or a committee of the EGT board to which the EGT board delegates power to administer the EGT 2016 Stock Incentive Plan) (the "EGT Committee") in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

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

As determined by the EGT Committee upon the grant of an option.

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

As determined by the EGT Committee upon the grant of an option.

(ix) The basis of determining the exercise price

The exercise price is determined by the EGT Committee in its discretion provided that such price will not be less than the higher of (i) 100% of the Fair Market Value (as defined in the EGT 2016 Stock Incentive Plan) of one EGT Share on the date on which the EGT Committee approves the grant of the relevant option, which must be a business day in the United States of America; and (ii) the average Fair Market Value of one EGT Share for the five business days in the United States of America immediately preceding the date on which the EGT Committee approves the grant of the relevant option.

Notwithstanding the above, if at the time such option is granted, the participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of EGT or any parent or subsidiary corporation of EGT, the per share price to be paid shall be 110% of the Fair Market Value with respect to an option.

(x) The remaining life of the plan

The EGT 2016 Stock Incentive Plan will expire on 17 July 2026.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Movements of the stock options, which granted under the EGT 1999 Stock Option Plans, EGT 2008 Stock Incentive Plan and EGT 2016 Stock Incentive Plan during the year ended 31 December 2016, are set out below:

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

	Number of stock options													
Category of participant	Outstanding at 1.1.2015	Adjustment for share consolidation (Note 1)	Granted after share consolidation	Exercised after share consolidation	Lapsed during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 34)	Outstanding at 31.12.2016	Date of grant of stock options	Share price on the date of grant of stock options US$	Adjusted exercise price of stock options US$ (Note 1)
Under EGT 1999 Stock Option Plans														
Directors[3]	7,500	(5,625)	-	-	-	1,875	-	-	-	(1,875)	-	22.01.2008	14.96	57.92
Directors[4]	25,000	(18,750)	-	-	-	6,250	-	-	-	(6,250)	-	12.02.2008	16.88	73.44
Directors[5]	500,000	(375,000)	-	-	-	125,000	-	-	-	(125,000)	-	29.12.2008	0.60	2.72
Directors[15]	50,000	(37,500)	-	-	-	12,500	-	-	-	-	12,500	11.12.2008	0.24	1.28
Total	**582,500**	**(436,875)**	**-**	**-**	**-**	**145,625**	**-**	**-**	**-**	**(133,125)**	**12,500**			
Stock options exercisable at relevant date	582,500					145,625					12,500			
Under EGT 2008 Stock Incentive Plan														
Directors[6]	37,500	(28,125)	-	-	-	9,375	-	-	-	-	9,375	12.02.2009	0.48	2.08
Directors[7]	25,000	(18,750)	-	-	-	6,250	-	-	-	(3,125)	3,125	07.01.2010	1.24	4.64
Directors[8]	125,000	(93,750)	-	-	-	31,250	-	-	-	(31,250)	-	22.01.2010	1.08	4.40
Directors[9]	137,500	(103,125)	-	-	-	34,375	-	-	-	(34,375)	-	03.02.2011	1.48	5.76
Directors[16]	12,500	(9,375)	-	-	-	3,125	-	-	-	(3,125)	-	03.02.2011	1.48	5.76
Directors[10]	175,000	(131,250)	-	-	-	43,750	-	-	-	(43,750)	-	03.01.2012	0.92	3.696
Directors[17]	25,000	(18,750)	-	-	-	6,250	-	-	-	-	6,250	03.01.2012	0.92	3.696
Directors[11]	50,000	(37,500)	-	-	-	12,500	-	-	-	(12,500)	-	02.01.2013	2.05	7.86
Directors[12]	65,000	(48,750)	-	-	-	16,250	-	-	-	(16,250)	-	02.01.2013	2.05	7.86
Directors[13]	25,000	(18,750)	-	-	-	6,250	-	-	-	(6,250)	-	02.01.2014	1.21	4.844
Directors[14]	100,000	(75,000)	-	-	(13,750)	11,250	-	-	-	(11,250)	-	02.01.2014	1.21	4.844
Directors[18]	25,000	(18,750)	-	-	-	6,250	-	-	-	(5,089)	1,161	02.01.2014	1.21	4.844
Total	**802,500**	**(601,875)**	**-**	**-**	**(13,750)**	**186,875**	**-**	**-**	**-**	**(166,964)**	**19,911**			
Stock options exercisable at relevant date	637,500					159,375					19,911			
Under EGT 2016 Stock Incentive Plan														
Directors[35]	-	-	-	-	-	-	300,089	-	-	-	300,089	29.04.2016	1.94	1.94
Total	**-**	**-**	**-**	**-**	**-**	**-**	**300,089**	**-**	**-**	**-**	**300,089**			
Stock options exercisable at relevant date	-					-					-			

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

(ii) Stock options granted to other eligible participants

	Number of stock options													
Category of participant	Outstanding at 1.1.2015	Adjustment for share consolidation (Note 1)	Granted after share consolidation	Exercised after share consolidation	Lapsed during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 34)	Outstanding at 31.12.2016	Date of grant of stock options	Share price at date of grant of stock options US$	Adjusted exercise price of stock options US$ (Note 1)
Under EGT 1999 Stock Option Plans														
Others[36]	221	(165)	-	-	(56)	-	-	-	-	-	-	05.01.2005	7.00	26.836
Others[36]	2,500	(1,875)	-	-	(625)	-	-	-	-	-	-	16.02.2005	7.60	29.28
Others[36]	12,500	(9,375)	-	-	(3,125)	-	-	-	-	-	-	07.11.2005	12.12	48.00
Others[19, 36]	2,500	(1,875)	-	-	-	625	-	-	(625)	-	-	30.01.2006	13.04	48.48
Others[20, 36]	7,500	(5,625)	-	-	-	1,875	-	-	-	(625)	1,250	06.03.2007	9.88	38.88
Others[21, 36]	2,500	(1,874)	-	-	-	626	-	-	-	(313)	313	07.03.2007	9.60	38.339
Others[22, 36]	4,000	(3,000)	-	-	-	1,000	-	-	-	-	1,000	10.09.2007	11.80	49.76
Others[3, 36]	30,000	(22,500)	-	-	-	7,500	-	-	-	(3,750)	3,750	22.01.2008	14.96	57.92
Others[23, 36]	31,250	(23,437)	-	-	-	7,813	-	-	-	-	7,813	12.02.2008	16.88	67.516
Others[24, 36]	49,750	(37,312)	-	-	-	12,438	-	-	-	(6,250)	6,188	12.02.2008	16.88	73.44
Others[25, 36]	50,000	(37,500)	-	-	-	12,500	-	-	-	(12,500)	-	21.05.2008	4.96	19.52
Others[15, 36]	50,000	(37,500)	-	-	-	12,500	-	-	-	-	12,500	11.12.2008	0.24	1.28
Others[26, 36]	112,500	(84,374)	-	-	-	28,126	-	-	-	-	28,126	11.12.2008	0.24	1.28
Total	**355,221**	**(266,412)**	**-**	**-**	**(3,806)**	**85,003**	**-**	**-**	**(625)**	**(23,438)**	**60,940**			
Stock options exercisable at relevant date	335,221					85,003					60,940			

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

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

Category of participant	Number of stock options											Date of grant of stock options	Share price at date of grant of stock options US$	Adjusted exercise price of stock options US$ (Note 1)
	Outstanding at 1.1.2015	Adjustment for share consolidation (Note 1)	Granted after share consolidation	Exercised after share consolidation	Lapsed during the year	Outstanding at 31.12.2015 & 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 34)	Outstanding at 31.12.2016			
Under EGT 2008 Stock Incentive Plan														
Others[6,36]	75,000	(56,250)	-	-	-	18,750	-	-	-	-	18,750	12.02.2009	0.48	2.08
Others[7,36]	37,500	(28,125)	-	-	-	9,375	-	-	-	(9,375)	-	07.01.2010	1.24	4.64
Others[27,36]	150,001	(112,500)	-	-	-	37,501	-	-	-	(9,376)	28,125	12.03.2010	1.08	4.16
Others[28,36]	137,502	(103,125)	-	-	-	34,377	-	-	(9,375)	-	25,002	13.05.2010	1.04	4.24
Others[29,36]	18,750	(14,062)	-	-	-	4,688	-	-	-	(4,688)	-	17.08.2010	1.00	3.84
Others[30,36]	603,619	(452,712)	-	-	-	150,907	-	-	(12,916)	(54,690)	83,301	03.02.2011	1.48	5.76
Others[16,36]	37,500	(28,125)	-	-	-	9,375	-	-	-	(9,375)	-	03.02.2011	1.48	5.76
Others[17,36]	75,000	(56,250)	-	-	-	18,750	-	-	-	(18,750)	-	03.01.2012	0.92	3.696
Others[33,36]	25,000	(18,750)	-	-	-	6,250	-	-	-	(6,250)	-	20.07.2012	2.21	8.676
Others[31,36]	15,000	(11,250)	-	-	-	3,750	-	-	-	-	3,750	07.09.2012	2.16	8.564
Others[11,36]	75,000	(56,250)	-	-	-	18,750	-	-	-	(18,750)	-	02.01.2013	2.05	7.86
Others[32,36]	75,000	(56,250)	-	-	-	18,750	-	-	-	(11,250)	7,500	11.03.2013	1.90	7.496
Others[18,36]	75,000	(56,250)	-	-	-	18,750	-	-	-	(18,750)	-	02.01.2014	1.21	4.844
Total	**1,399,872**	**(1,049,899)**	**-**	**-**	**-**	**349,973**	**-**	**-**	**(22,291)**	**(161,254)**	**166,428**			
Share options exercisable at relevant date	1,336,539					344,973					166,428			
Under EGT 2016 Stock Incentive Plan														
Others[35,36]	-	-	-	-	-	-	184,692	-		(25,626)	159,066	29.04.2016	1.94	1.94
Total	**-**	**-**	**-**	**-**	**-**	**-**	**184,692**	**-**		**(25,626)**	**159,066**			
Stock options exercisable at relevant date	-					-					-			

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Notes:

1. EGT underwent a share consolidation with effect from 26 February 2015. As a result of the share consolidation, every four shares have been combined into one share. The exercise prices and number of stock options granted from 2005 to 2014 have been adjusted for the effect of the share consolidation.
2. The vesting period of the stock options is from the date of grant until the commencement of the exercise period.
3. The stock options granted on 22 January 2008 may be exercised from 23 July 2008 to 22 January 2018.
4. The stock options granted on 12 February 2008 may be exercised from 15 May 2008 to 14 November 2017.
5. The stock options granted on 29 December 2008 may be exercised from 29 December 2009 to 29 December 2018.
6. The stock options granted on 12 February 2009 may be exercised from 13 August 2009 to 12 February 2019.
7. The stock options granted on 7 January 2010 may be exercised from 8 July 2010 to 7 January 2020.
8. The stock options granted on 22 January 2010 may be exercised from 1 January 2011 to 22 January 2020.
9. The stock options granted on 3 February 2011 are divided into 2 tranches exercisable from 4 August 2011 and 1 January 2012 respectively to 3 February 2021.
10. The stock options granted on 3 January 2012 are divided into 2 tranches exercisable from 4 July 2012 and 1 January 2013 respectively to 3 January 2022.
11. The stock options granted on 2 January 2013 may be exercised from 3 July 2013 to 2 January 2023.
12. The stock options granted on 2 January 2013 may be exercised from 2 January 2016 to 2 January 2023.
13. The stock options granted on 2 January 2014 may be exercised from 3 July 2014 to 2 January 2024.
14. The stock options granted on 2 January 2014 may be exercised from 2 January 2017 to 2 January 2024.
15. The stock options granted on 11 December 2008 may be exercised from 12 June 2009 to 11 December 2018.
16. The stock options granted on 3 February 2011 may be exercised from 4 August 2011 to 3 February 2021.
17. The stock options granted on 3 January 2012 may be exercised from 4 July 2012 to 3 January 2022.
18. The stock options granted on 2 January 2014 may be exercised from 3 July 2014 to 2 January 2024.
19. The stock options granted on 30 January 2006 may be exercised from 31 July 2006 to 30 January 2016.
20. The stock options granted on 6 March 2007 may be exercised from 7 September 2007 to 6 March 2017.
21. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Notes: (continued)

22. The stock options granted on 10 September 2007 may be exercised from 18 November 2007 to 10 September 2017.

23. The stock options granted on 12 February 2008 are divided into 3 tranches exercisable from 14 November 2008, 14 November 2009 and 14 November 2010 respectively to 14 November 2017.

24. The stock options granted on 12 February 2008 may be exercised from 13 August 2008 to 14 November 2017.

25. The stock options granted on 21 May 2008 are divided into 3 tranches exercisable from 21 May 2009, 21 May 2010 and 21 May 2011 respectively to 21 May 2018.

26. The stock options granted on 11 December 2008 are divided into 3 tranches exercisable from 11 December 2009, 11 December 2010 and 11 December 2011 respectively to 11 December 2018.

27. The stock options granted on 12 March 2010 may be exercised from 12 March 2011 to 12 March 2020.

28. The stock options granted on 13 May 2010 are divided into 3 tranches exercisable from 13 May 2011, 13 May 2012 and 13 May 2013 respectively to 13 May 2020.

29. The stock options granted on 17 August 2010 are divided into 3 tranches exercisable from 17 August 2011, 17 August 2012 and 17 August 2013 respectively to 17 August 2020.

30. The stock options granted on 3 February 2011 are divided into 3 tranches exercisable from 3 February 2012, 3 February 2013 and 3 February 2014 respectively to 3 February 2021.

31. The stock options granted on 7 September 2012 are divided into 3 tranches exercisable from 7 September 2013, 7 September 2014 and 7 September 2015 respectively to 7 September 2022.

32. The stock options granted on 11 March 2013 are divided into 3 tranches exercisable from 11 March 2014, 11 March 2015 and 11 March 2016 respectively to 11 March 2023.

33. The stock options granted on 20 July 2012 are divided into 3 tranches exercisable from 20 July 2013, 20 July 2014 and 20 July 2015 respectively to 20 July 2022.

34. On 29 April 2016, the EGT board conditionally offered to (1) cancel a total of 484,781 underwater stock options (i.e. stock options with exercise prices that are significantly higher than the current market trading price of EGT's shares) held by certain option holders, including the existing directors, chief executive officer, employees and consultant of EGT (the "EGT Option Holders") (the "EGT Previously Granted Options"), which had not been exercised or lapsed since they were granted; and (2) grant a total of 484,781 replacement stock options (the "EGT Replacement Options") at an exercise price of US$1.94 to the EGT Option Holders in replacement of the EGT Previously Granted Options, subject to the approval by EGT's and the Company's shareholders of the EGT 2016 Stock Incentive Plan, which amended the EGT 2008 Stock Incentive Plan in order to bring it in alignment with Chapter 17 of the Listing Rules subsequent to EGT becoming a subsidiary of the Company. The EGT 2016 Stock Incentive Plan has been approved by both the shareholders of EGT and the Company and the plan became effective on 18 July 2016. All the EGT Option Holders had given their written consent to cancel their respective EGT Previously Granted Options and a total of 484,781 Replacement Options were granted to the EGT Option Holders.

37. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a listed subsidiary of the Company) (continued)

Share option schemes (continued)

Notes: (continued)

35. The EGT Replacement Options granted on 29 April 2016 are divided into 3 tranches exercisable from 29 April 2017, 29 April 2018 and 29 April 2019 respectively to 28 April 2026.

36. "Other eligible participants" represents the directors (other than the Directors), employees or consultants of EGT.

The Black-Scholes-Merton Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the stock options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized a total expenses of HK$449,000 (2015: HK$1,019,000) for the year ended 31 December 2016 in relation to the stock options granted by EGT.

38. RETIREMENT BENEFIT SCHEMES

The Group provides defined contribution plans for its employees and executive officers in Macau, Hong Kong, the Philippines and Certain other jurisdictions.

Macau

Employees employed by the Group in Macau are members of government-managed Social Security Fund Scheme (the "SSF Scheme") operated by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits.

The Group provides options for its qualifying employees in Macau to participate in voluntary defined contribution schemes (the "Macau Schemes") operated by the Group in Macau. The Group either contributes a fixed percentage of the eligible employees' base salaries, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of base salaries, determined by seniority, tenure and the type of plan, to the Macau Schemes. The Group's contributions to the Macau Schemes are vested in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Macau Schemes were established under trust with the fund assets being held separately from those of the Group by independent trustees in Macau.

38. RETIREMENT BENEFIT SCHEMES (continued)

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the ORSO Scheme and a MPF Scheme. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme. No more contribution was made to the ORSO Scheme after the switch.

For members of the MPF Scheme, both the employee and the Group contribute 5% each of relevant payroll costs to the Scheme, subject to a maximum contribution of HK$1,500, which contribution is matched by the employee.

The Philippines

Employees employed by MCP and its subsidiaries ("MCP Group") in the Philippines are members of government-managed Social Security System Scheme (the "SSS Scheme") operated by the Philippines Government and MCP Group is required to pay a certain percentage of the employees' relevant income and met the minimum mandatory requirements of the SSS Scheme to fund the benefits.

The PRC

The Group contributes to a local municipal government retirement scheme for all qualifying employees in the PRC. The employers and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

Other Jurisdictions

The Group's subsidiaries in certain other jurisdictions operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' relevant income and met the minimum mandatory requirements.

The obligations of the Group with respect to the above retirement benefits schemes are to make the required contributions under the relevant schemes.

39. DEEMED ACQUISITION OF A SUBSIDIARY

On 4 May 2016, Melco, a then associate of the Group, entered into a share repurchase agreement with Crown Sub, a wholly-owned subsidiary at Crown Resorts Limited ("Crown") pursuant to which Melco 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 entered into the Supplemental Shareholders' Deed to amend certain terms to the amended and restated shareholders' deed relating to Melco dated 12 December 2007 and the M&A of Melco. Immediately prior to the Share Repurchase, Melco 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 was reduced to approximately 27.4%, while the equity interests of the Group and public shareholders in Melco were increased to approximately 37.9% and 34.7%, respectively, and the Group has become the single largest shareholder of Melco. Following the Supplemental Shareholders' Deed coming into effect on the same date, the Group has obtained control of Melco 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 (the "Deemed Consideration").

39. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognized at the date of deemed acquisition

	HK$'000
Assets	
Property, plant and equipment (Note 18)	47,488,086
Land use rights (Note 20)	5,996,744
Gaming license and subconcession (Note 21)	6,702,315
Trademarks (Note 23)	16,992,458
Deferred tax assets (Note 35)	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 liabilities (Note 35)	(2,422,502)
Borrowings	(29,840,861)
Obligations under finance leases	(2,378,016)
	50,326,972

The fair value is valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer, not connected to the Group.

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.

39. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising from deemed acquisition

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

39. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising from deemed acquisition (continued)

Notes:

(i) The difference between the fair value and the Group's carrying amount of its interest in Melco before the business combination of approximately HK$10,440,376,000 and the Group's cumulative share of the exchange reserve of Melco 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 as an associate.

(ii) The non-controlling interests in Melco Group recognized at the acquisition date were measured at the non-controlling interests' proportion of Melco Group's identifiable net assets.

(iii) The outstanding share options and restricted shares of Melco and Melco Crown Philippines (including both vested and unvested portions) that are not replaced were measured at the acquisition date. Details of the share-based payment transaction and the basis of the valuation are set out in Note 37.

(iv) Goodwill arose in the deemed acquisition of Melco because the deemed consideration transferred for the combination effectively included the benefit of future market development of Melco. 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 recognized 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

	HK$'000
Bank balances and cash acquired	9,910,250

Included in the profit for the year ended 31 December 2016 is a loss of HK$450,255,000 attributable to the additional business generated by Melco Group. Revenue for the year ended 31 December 2016 includes HK$23,637,855,000 generated from Melco Group.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$35,359,687,000 and profit for the year would have been HK$9,938,860,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

39. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

In determining the pro forma revenue and profit of the Group had Melco been acquired at the beginning of the current year, the Directors calculated depreciation and amortization of land use rights, property, plant and equipment and intangible assets based on the recognized amounts of land use rights, property, plant and equipment and intangible assets at the date of acquisition, and recognized the share-based payments as remuneration cost for post-combination service based on their market-based measure at the acquisition date.

40. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of a portion of land for City of Dreams – Manila, Mocha Clubs sites, office premises, warehouses, staff quarters and various equipment were HK$210,824,000 (2015: HK$18,287,000), which included contingent rental expenses of HK$26,354,000 (2015: nil).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	207,113	5,537
In the second to fifth year inclusive	630,984	–
Over five years	483,734	–
	1,321,831	5,537

Leases for properties are negotiated for a term ranging from 1 to 20 years.

40. OPERATING LEASE ARRANGEMENTS (continued)

(b) The Group as lessor

At 31 December 2016, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to nine years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2016 HK$'000	2015 HK$'000
Within one year	3,496	5,155
In the second to fifth year inclusive	–	5,106
	3,496	10,261

(c) The Group as grantor of operating and right to use arrangement

The Group entered into non-cancellable operating and right to use agreements mainly for mall spaces in the sites of City of Dreams – Macau, City of Dreams – Manila and Studio City with various retailers that expire at various dates through October 2025. Certain of the operating and right to use agreements include minimum base fee with escalated contingent fee clauses.

As the end of the reporting period, minimum future fees to be received under all non-cancellable operating and right to use agreements were as follows:

	2016 HK$'000	2015 HK$'000
Within one year	108,438	–
In the second to fifth year inclusive	490,155	–
	598,593	–

41. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,733,163	–

42. OTHER COMMITMENTS

The other commitments of the Group set out below are arising from the deemed acquisition of Melco on 9 May 2016 (Note 39).

Gaming Subconcession

On 8 September 2006, the Macau Government granted a gaming subconcession to Melco Crown Macau, a subsidiary of the Group, to operate the gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Crown Macau has committed to pay the Macau Government the following:

(i) A fixed annual premium of MOP30,000,000 (equivalent to HK$29,126,000).

(ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- MOP300,000 (equivalent to HK$291,000 per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;
- MOP150,000 (equivalent to HK$146,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and
- MOP1,000 (equivalent to HK$970) per year for each electrical or mechanical gaming machine, including the slot machine.

(iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

42. OTHER COMMITMENTS (continued)

Gaming Subconcession (continued)

(iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau Government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

(v) Melco Crown Macau must maintain a guarantee issued by a Macau bank in favor of the Macau Government in a maximum amount of MOP300,000,000 (equivalent to HK$291,262,000) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee given by the bank to the Macau Government as disclosed in Note 42(v) above, a sum of 1.75% of the guarantee amount will be payable by Melco Crown Macau quarterly to such the bank.

Land Concession Contracts

The Group's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Group's land holding subsidiaries are required to (i) pay an upfront land premium, which is recognized as land use right in the consolidated statement of financial position and a nominal annual government land use fee, which is recognized as other expenses and may be adjusted every five years; and (ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On 18 December 2013, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located. According to the revised land amendment, the government land use fees were HK$1,447,000 per annum. As of 31 December 2016, the Group's total commitment for government land use fees for Altira Macau site to be paid during the remaining term of the land concession contract which expires in March 2031 was US$2,631,000 (equivalent to HK$20,469,000).

42. OTHER COMMITMENTS (continued)

Land Concession Contracts (continued)

City of Dreams

On 29 January 2014, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located. The amendment required an additional land premium of approximately US$23,344,000 (equivalent to HK$181,616,000), which was fully paid in January 2016. According to the revised land amendment, the government land use fees were US$1,185,000 (equivalent to HK$9,219,000) per annum during the development period of additional hotel at City of Dreams; and US$1,235,000 (equivalent to HK$9,608,000 per annum after the completion of the development. As of 31 December 2016, the Group's total commitment for government land use fees for City of Dreams site to be paid during the remaining term of the land concession contract which expires in August 2033 was US$20,431,000 (equivalent to HK$158,953,000).

Studio City

On 23 September 2015, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City land on which Studio City is located ("Studio City Land"). Such amendment reflected the change to build a five-star hotel to a four-star hotel. According to the revised land amendment, the government land use fees were US$490,000 (equivalent to HK$3,812,000) per annum during the development period of Studio City and US$1,131,000 (equivalent to HK$8,799,000) per annum after the development period. As of 31 December 2016, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was US$10,034,000 (equivalent to HK$78,065,000).

In October 2016, the Group filed an application with the Macau Government requesting an extension of the development period for the additional development on Studio City Land, which is expected to include a hotel and related amenities. Such application is being reviewed by the Macau government as of the date of approval of the consolidated financial statements for issuance.

42. OTHER COMMITMENTS (continued)

Regular/Provisional License

PAGCOR issued the Regular License ("Regular License") dated 29 April 2015 in replacement of the Provisional License ("Provisional License") to the PAGCOR licensees ("Licensees"), one of which is Melco Crown (Philippines), for the operation of City of Dreams – Manila. Other commitments of the Group required by PAGCOR under the Regular/ Provisional License are as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to HK$15,622,000) to ensure prompt and punctual remittance/payment of all license fees.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR Charter.

- The Licensees including the Group are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

Philippine Parties under the cooperation agreement ("Cooperation agreement")

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular/Provisional License and each Licensee ("indemnifying Licensee") must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular/Provisional License. Also, each of the Philippine Parties and MCE Holding (Philippines) Corporation agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total debt, which includes the borrowings disclosed in Note 33, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

44. FINANCIAL INSTRUMENTS

44a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
AFS financial assets	33,907	–
Fair value through profit or loss		
– Held-for-trading investments	26	30
Loans and receivables (including cash and cash equivalents)	19,676,186	2,369,134
Financial liabilities		
Amortized cost	37,644,984	1,445,022

44b. Financial risk management objectives and policies

The Group's major financial instruments include other financial assets, trade and other receivables, deposits, bank balances and cash, trade and other payables and accruals, borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

There was a significant change to the Group's exposure to the financial risk or the manner in which it manages and measures the risk of the deemed acquisition of Melco (Note 39). Details of sensitivity analysis for currency risk and interest rate risk are set out below.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group has certain bank deposits, trade and other receivables, trade and other payables , bank borrowings and obligations under finance leases denominated in currencies other than the functional currency of the relevant group entities.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

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

	Assets		Liabilities	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
US$	2,519,506	733,847	(23,928,356)	(56,677)

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the US$ against Hong Kong dollars, the functional currency of the relevant group entities.

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

A negative number below indicates a decrease in post-tax profit where the Hong Kong dollar strengthens 1% against the relevant currency. For a 1% weakening of the Hong Kong dollar against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit.

	US$ Impact HK$'000
2016: Post-tax profit for the year	(188,398)
2015: Post-tax profit for the year	(5,654)

This is mainly attributable to the exposure on outstanding US$ bank deposits and borrowings of the relevant group entities at the year-end.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, bank deposits with an original maturity over three months, structured notes, obligations under finance lease, and borrowings which carried interest at fixed rate (see Notes 31, 33 and 34 for details). The Group currently does not enter into any hedging instrument for fair value interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, restricted cash and borrowings which carried interest at floating rate (see Notes 31 and 33 for details). It is the Group's policy to keep its receivables and borrowings at floating rates of interest so as to minimize the fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. 10 basis points and 50 basis points are the sensitivity rates used for variable-rate bank balances and borrowings, respectively, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table details the Group's sensitivity to a 10 basis points increase or decrease on its variable-rate bank balances and a 50 basis points increase or decrease on its variable-rate bank borrowings.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

The negative/positive number below indicates a decrease/increase in the Group's post-tax profit if interest rates had been 10 basis points and 50 basis points higher for the variable-rate bank balances and variable-rate bank borrowings respectively, and all other variables were held constant. For interest rates had been 10 basis points and 50 basis points lower for the variable-rate bank balances and variable-rate bank borrowings respectively, and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

	Bank balances HK$'000	Borrowings HK$'000
2016: Post-tax profit for the year	3,403	(19,490)
2015: Post-tax profit for the year	359	(2,423)

Credit risk

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness including its gaming promoters in Macau and the Philippines, which receivable can be offset against commissions payable and any other value items held by the Group to the respective customer and for which the Group intends to set-off when required. In addition, the Group reviews the recoverable amount of each individual trade debt monthly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with several with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2016, the Group has concentration of credit risk as 24% (2015: 80%) of the Group's trade receivables are due from the Group's five largest customers within the Casino and Hospitality segment (2015: Other segment). Given the close business relationship between the Group and these customers and their good repayment history, the Group considers that the credit risk associated with the balances of the customers is low.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Liquidity risk

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

The Group relies on borrowings as a significant source of liquidity, details of which are set out in Note 33. As at 31 December 2016, the Group had available unused banking facilities of HK$10,117,070,000 (2015: Nil).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
2016							
Non-derivative financial liabilities							
Trade and other payables	-	4,878,691	33,430	40,777	1,486	4,954,384	4,954,384
Borrowings	5.86%	2,256,204	3,519,369	32,501,519	4,427	38,281,519	30,410,381
Obligations under finance leases	13.56%	256,939	281,164	1,018,882	4,622,182	6,179,167	2,280,219
		7,391,834	3,833,963	33,561,178	4,628,095	49,415,070	37,644,984

	Weighted average interest rate	On demand or less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
2015							
Non-derivative financial liabilities							
Trade and other payables	-	101,618	-	-	-	101,618	101,618
Amounts due to associates	-	2,167	-	-	-	2,167	2,167
Dividend payable	-	967	-	-	-	967	967
Borrowings	3.62%	37,073	36,987	1,327,266	9,527	1,410,853	1,340,270
		141,825	36,987	1,327,266	9,527	1,515,605	1,445,022

44. FINANCIAL INSTRUMENTS (continued)

44c. Fair value measurements of financial instruments

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

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

Fair value hierarchy as at 31 December

	Level 1	
Financial assets	2016	2015
	HK$'000	HK$'000
Held for trading investments		
Listed equity securities	26	30
AFS investment		
Listed equity securities	33,907	–
	33,933	30

(ii) Fair value of financial assets that are not measured at fair value on a recurring basis

The fair values of the financial assets and liabilities have been assessed by the Directors in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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

45. RELATED PARTY TRANSACTIONS

(a) The Group has entered into the following transactions with related parties:

	2016 HK$'000	2015 HK$'000
Catering income received from directors	483	519
Overseas travels, entertainment and gifts expenses charged by an associate	1,110	705
Service income received from associates	2,062	9,145
Service income received from a related company (Note)	240	240
Sundry income received from associates	2	121
Management fee paid to associates	956	2,177
Sales of gaming products to associates	2,512	72,012
Purchase of lottery terminals, parts and hardware from a subsidiary of a non-controlling shareholder of a subsidiary	56,336	48,207
Consultancy fee expense paid to subsidiaries of a non-controlling shareholder of a subsidiary	2,031	–
Consultancy fee and management fee paid to an associate of a non-controlling shareholder of a subsidiary	5,129	–
Software license fee expenses paid to subsidiaries of a non-controlling shareholder of a subsidiary	1,618	–

Note: Mr. Ho Lawrence Yau Lung, a shareholder with significant influence by holding over a 20% shareholding in and also a director of the Company, has a significant shareholding in this related company.

(b) Compensation of key the management personnel

The remuneration of the Directors and other members of key management during the year was as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	75,983	29,291
Post-employment benefits	122	136
Share-based compensation	106,878	93,130
	182,983	122,557

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Company's operating results and market standards.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

46.1 General information of principal subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2016	2015	2016	2015
Melco	Cayman Islands	Development and operation of casino gaming and entertainment casino resort facilities	1,475,924,523 ordinary shares of US$0.01 each (2015: 1,630,924,523 ordinary shares of US$0.01 each)	-	N/A	37.9%	N/A
Melco Leisure and Entertainment Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US$1	100%	100%	-	-
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares and 33,930 B shares	-	-	86.68%	86.68%
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares and 13,495 ordinary shares	-	-	84.75%	84.75%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares	-	-	86.68%	86.68%
Melco Technology Group Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares	100%	100%	-	-
EGT Entertainment Holding Limited	Hong Kong	Investment holding in Hong Kong	833,333 ordinary shares	-	-	100%	100%

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

46.1 General information of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2016	2015	2016	2015
Melco Services Limited	British Virgin Islands	Provision of management and network support services to group companies	1 share of US$1	100%	100%	-	-
Zonic Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US$1	-	-	100%	100%
Melco LottVentures Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US$1	-	-	100%	100%
Melco Finance Limited	British Virgin Islands	Issuer of bonds	1 share of US$1	-	-	100%	100%
Giant Growth Limited	British Virgin Islands	Investment holding in Canada	1 share of US$1	-	-	100%	100%
MelcoLot	Cayman Islands	Provision of services and solutions for distribution of lottery products and trading of lottery terminals in China	3,145,656,900 ordinary shares of HK$0.01 each	-	-	40.65%	40.65%
EGT	The US	Development and operation of casinos and gaming venues and leasing of electronic gaming machines in Philippines and Cambodia.	14,464,220 common shares of US$0.001 each	-	-	64.84%	64.84%

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

46.1 General information of principal subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Melco Finance Limited and Melco Group which issued bonds of HK$760,000,000 and notes of HK$25,290,987,000, respectively, as disclosed in Note 33, in which the Group has no interest.

46.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
				HK$'000	HK$'000	HK$'000	HK$'000
Melco (Note a)	Cayman Islands/ Macau/Philippines	62.11%	N/A	(462,336)	N/A	34,309,055	N/A
MelcoLot (Note b)	Cayman Islands/ The PRC	59.35%	59.35%	(1,977)	(19,898)	250,825	246,034
EGT	The US/ Philippines/ Cambodia/ Hong Kong	35.16%	35.16%	(10,994)	9,309	99,341	110,199
Individually immaterial subsidiaries with non-controlling interests				146	542	36,526	36,382
Total				(475,161)	(10,047)	34,695,747	392,615

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

46.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Notes:

(a) Melco is listed on the NASDAQ. Although the Group has only 37.9% ownership in Melco, the Directors concluded that the Group has the practical ability to direct the relevant activities of Melco as a result of various changes effected under the Supplemental Shareholders' Deed as well as the amendments to the M&A of Melco after the Completion. Details of the control over Melco are set out in Note 39.

(b) MelcoLot is listed on the Hong Kong Stock Exchange. Although the Group has only 40.65% ownership in MelcoLot, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of MelcoLot on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 59.35% ownership interests in MelcoLot are owned by large numbers of shareholders with insignificant shareholding that are unrelated to the Group, none of the shareholders that unrelated to the Group individually holding more than 10%.

Summarized financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Melco

	2016 HK$'000
Current assets	17,900,990
Non-current assets	83,067,987
Current liabilities	11,567,879
Non-Current liabilities	33,539,839
Equity attributable to owners of Melco	21,552,204
Non-controlling interests	34,309,055

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

46.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	9 May 2016 (date of acquisition) to 31 December 2016 HK$'000
Revenue	23,637,855
Expenses	24,036,848
Loss for the period	(450,255)
Profit attributable to owners of Melco	12,080
Loss attributable to the non-controlling interests of Melco	(462,335)
Loss for the period	(450,255)

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

46.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	9 May 2016 (date of acquisition) to 31 December 2016 HK$'000
Other comprehensive expense attributable to owners of Melco	(24,596)
Other comprehensive expense attributable to the non-controlling interests of Melco	(26,206)
Other comprehensive expense for the period	(50,802)
Total comprehensive expense attributable to owners of Melco	(12,516)
Total comprehensive expense attributable to the non-controlling interests of Melco	(488,541)
Total comprehensive expense for the period	(501,057)
Dividend to non-controlling shareholders	132,972
Net cash inflow from operating activities	8,275,228
Net cash outflow from investing activities	(2,256,146)
Net cash outflow from financing activities	(8,940,605)
Effect of foreign exchange rate changes	(76,353)
Net cash outflow	(2,997,876)

47. EVENT AFTER THE REPORTING PERIOD

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.4% of Melco for a cash consideration of HK$8,531,206,000 on 8 February 2017. 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 the consideration of the acquisition. As a result of the acquisition which was completed on 16 February 2017, the Group's shareholding in Melco 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. An amount of HK$4,935,902,000 (being the proportionate share of the carrying amount of the net assets of Melco Group) has been transferred from non-controlling interests. The difference of HK$3,595,304,000 between the increase in the non-controlling interests and the consideration paid has been recognized in special reserve and exchange reserve.

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the Directors consider that the new presentation is more relevant and appropriate to the consolidated financial statements following the diversification of the Group's business during the year. The changes included the reclassification of certain income and expenditure items presented in the consolidated statement of profit or loss and other comprehensive income and certain assets and liabilities presented in the consolidated statement of financial position.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries	1,785,397	1,667,338
Other intangible assets	5,700	5,700
Amounts due from subsidiaries	4,280,400	4,540,048
	6,071,497	6,213,086
Current assets		
Other receivables, prepayments and deposits	18,902	23,726
Amounts due from subsidiaries	84,737	51,025
Bank deposits with original maturity over three months	1,225,482	1,346,131
Bank balances and cash	94,451	84,439
	1,423,572	1,505,321
Current liabilities		
Other payables	15,853	5,365
Amounts due to subsidiaries	1,091,376	1,123,099
Dividend payable	1,140	967
	1,108,369	1,129,431
Net current assets	315,203	375,890
Total assets less current liabilities	6,386,700	6,588,976
Non-current liabilities		
Amount due to a subsidiary	24,015	28,995
Borrowings – due after one year	546,000	546,000
	570,015	574,995
	5,816,685	6,013,981
Capital and reserves		
Share capital (see Note 36)	5,437,303	5,436,556
Reserves	379,382	577,425
	5,816,685	6,013,981

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Ho, Lawrence Yau Lung	**Tsui Che Yin, Frank**
DIRECTOR	*DIRECTOR*

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves

	Capital reserve HK$'000	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained Profits HK$'000	Total HK$'000
At 1 January 2015	30,253	168,135	(137,189)	21,926	589,218	672,343
Loss for the year	-	-	-	-	(47,256)	(47,256)
Exercise of share options	-	(483)	-	-	-	(483)
Recognition of equity-settled share based payments	-	50,782	-	41,239	-	92,021
Shares vested under the share award schemes	-	-	52,564	(47,978)	(4,586)	-
Dividends paid (Note 16)	(23,200)	-	-	-	(116,000)	(139,200)
At 31 December 2015	7,053	218,434	(84,625)	15,187	421,376	577,425
Loss for the year	-	-	-	-	(103,049)	(103,049)
Exercise of share options	-	(292)	-	-	-	(292)
Recognition of equity-settled share based payments	-	44,326	-	47,119	-	91,445
Transfer of share options reserve upon expiry of share options	-	(62,184)	-	-	62,184	-
Shares vested under the share award schemes	-	-	45,308	(39,752)	(5,556)	-
Purchase of shares for unvested shares under share award schemes	-	-	(99,149)	-	-	(99,149)
Shares repurchase	-	-	-	-	(32,865)	(32,865)
Dividends paid (Note 16)	-	-	-	-	(54,133)	(54,133)
At 31 December 2016	7,053	200,284	(138,466)	22,554	287,957	379,382

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2012	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	146,851	183,274	201,735	395,082	23,852,811
Profit for the year	1,123,614	1,604,116	1,435,127	90,877	9,890,779
Attributable to:					
Owners of the Company	1,121,903	1,596,715	1,487,172	100,924	10,365,940
Non-controlling interests	1,711	7,401	(52,045)	(10,047)	(475,161)
	1,123,614	1,604,116	1,435,127	90,877	9,890,779

ASSETS AND LIABILITIES

	At 31 December				
	2012	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	9,925,332	12,943,071	14,097,064	14,316,938	103,650,932
Total liabilities	(627,438)	(1,327,724)	(1,377,526)	(1,538,486)	(46,607,439)
	9,297,894	11,615,347	12,719,538	12,778,452	57,043,493
Equity attributable to owners of the Company	9,374,433	11,688,948	12,331,656	12,385,837	22,347,746
Non-controlling interests	(76,539)	(73,601)	387,882	392,615	34,695,747
	9,297,894	11,615,347	12,719,538	12,778,452	57,043,493

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HO, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Evan Andrew WINKLER *(Managing Director)*
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence

Non-executive Director

Mr. NG Ching Wo

Independent Non-executive Directors

Mr. CHOW Kwong Fai, Edward
Mr. SHAM Sui Leung, Daniel
Dr. TYEN Kan Hee, Anthony

EXECUTIVE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew WINKLER
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TAM Chi Wai, Dennis*
Mr. LEUNG Hoi Wai, Vincent*

AUDIT COMMITTEE

Dr. TYEN Kan Hee, Anthony *(Chairman)*
Mr. NG Ching Wo
Mr. SHAM Sui Leung, Daniel

REMUNERATION COMMITTEE

Mr. SHAM Sui Leung, Daniel *(Chairman)*
Mr. NG Ching Wo
Dr. TYEN Kan Hee, Anthony

NOMINATION COMMITTEE

Dr. TYEN Kan Hee, Anthony *(Chairman)*
Mr. NG Ching Wo
Mr. CHOW Kwong Fai, Edward

CORPORATE GOVERNANCE COMMITTEE

Mr. NG Ching Wo *(Chairman)*
Mr. SHAM Sui Leung, Daniel
Dr. TYEN Kan Hee, Anthony
Mr. LEUNG Hoi Wai, Vincent*

REGULATORY COMPLIANCE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew WINKLER
Mr. TSUI Che Yin, Frank
Mr. LEUNG Hoi Wai, Vincent*

FINANCE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew WINKLER
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TAM Chi Wai, Dennis*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. CHOW Kwong Fai, Edward *(Chairman)*
Mr. HO, Lawrence Yau Lung
Mr. Evan Andrew WINKLER
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Ms. MA Po Ming, Maggie*

COMPANY SECRETARY

Mr. LEUNG Hoi Wai, Vincent

* non-voting co-opted members

QUALIFIED ACCOUNTANT

Mr. TAM Chi Wai, Dennis

REGISTERED OFFICE

38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Gibson, Dunn & Crutcher LLP
King & Wood Mallesons

PRINCIPAL BANKERS

Bank of China, Macau Branch
Industrial and Commercial Bank of China (Macau) Limited
UBS AG

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

200 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.melco-group.com

www.melco-group.com

Hong Kong
Penthouse 38/F., The Centrium, 60 Wyndham Street, Central, Hong Kong
Tel: (852) 3151 3777

Macau
1/F., Unit A1, Flower City, 199-207 Rua de Évora, Taipa, Macau
Tel: (853) 8296 1777