



BUILDING A NEW ERA OF ENTERTAINMENT

Melco International Development Limited

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

Annual Report 2015



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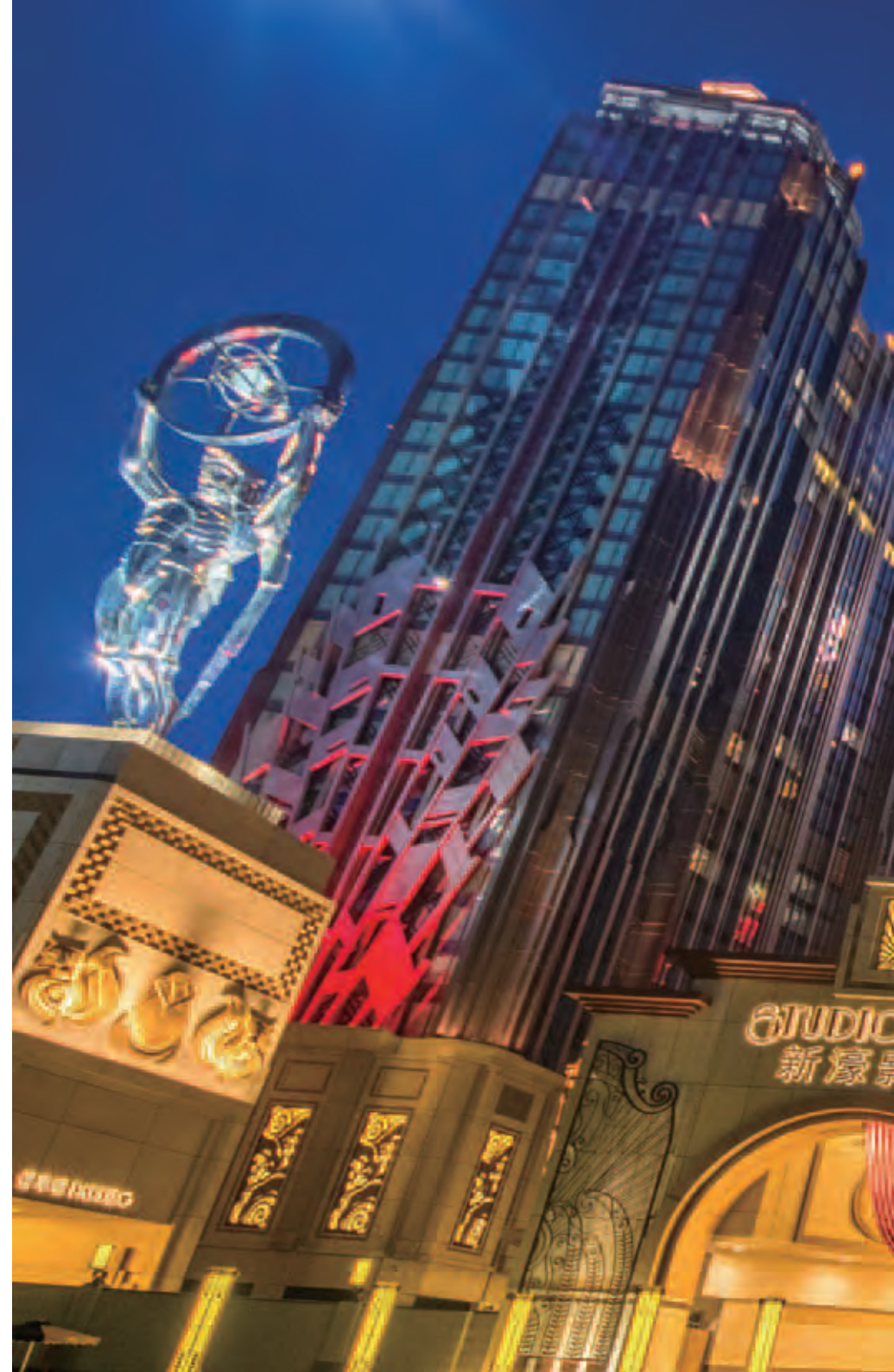
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Asia's Entertainment Capital

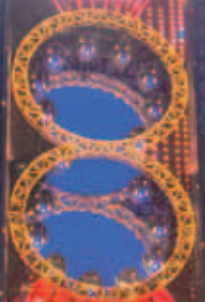
Studio City is a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, conveniently located at the Lotus Bridge immigration point connecting Hengqin Island in mainland China.

Opened in October 2015, Studio City delivers a unique, entertainment-driven experience for visitors to Macau through innovative attractions based on the Studio City concept. The property's project theme and demographic focus are designed to be clearly differentiated from our Company's existing portfolio of assets, as well as from its competitors' facilities in the market. Studio City is one of our Company's initiatives to support the Macau government's direction of diversifying the local economy, propelling Macau forward in its evolution of becoming the region's premier leisure travel destination.





STUDIO CITY



STUDIO CITY
影滙

STUDIO CITY
新濠影滙





THE FIFTH TOWER OF CITY OF DREAMS Realizing a Bigger Dream

Designed by the “Queen of the Curve” in architecture, the late legendary architect Dame Zaha Hadid, the new hotel tower of City of Dreams is expected to become a truly iconic landmark to the Cotai skyline. The new hotel tower will perfectly complement City of Dreams’ already world-class gaming and non-gaming attractions and further broaden the flagship property’s appeal to the increasingly sophisticated visitors to Macau.

The new tower’s inventive, expressive and powerful external structure envelops the building and reinforces the dynamism of the unique design. It further defines City of Dreams’ formal composition and establishes new relationships with its context within Macau.







Our Flagship Integrated Resort

For decades, Macau was known to be a localised, hardcore gaming centre. The opening of City of Dreams in June 2009 brought Macau a diverse array of entertainment offerings which helped Macau transform into Asia's premier travel destination. In September 2010, the world's largest water extravaganza, *The House of Dancing Water*, debuted in City of Dreams. Since then, the must-see spectacular has attracted over 3.5 million spectators and was recognised as the 'Most Valuable Brand' in the 2015 Business Awards of Macau.

As one of Asia's leading integrated resort, City of Dreams brings together a collection of world renowned hotel brands to create an eclectic variety of accommodation options to meet the diverse tastes of the wide spectrum of visitors from Asia and all over the world. City of Dreams encompasses an entertainment experience that would suit every visitor's preference, alongside its impeccable, personalised service.





CITY OF DREAMS
DUBAI

CITY OF DREAMS
DUBAI

Hard Rock
HOTEL

GRAND
HYATT



A New Standard for the Philippines

City of Dreams Manila is located at the gateway of Entertainment City in Manila, close to Metro Manila's international airport and central business districts. The resort complex includes mass market and VIP gaming facilities, unique food and beverage offerings, numerous innovative entertainment attractions together with high-end boutique, VIP and five-star luxury hotel rooms, suites and villas. City of Dreams Manila is also home to the very first DreamWorks-inspired, indoor interactive play and creativity centre that offers one-of-a-kind entertainment for whole family.

As Melco's first integrated casino resort outside of Macau, City of Dreams Manila diversifies the Company's exposure to the rapidly developing Asian gaming and entertainment industry.





DREAMWORKS

DREAMPLAY

PLAY • CREATE • LEARN

CITY OF DREAMS
MANILA



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

In 2015, the performance of Macau gaming industry, the Group's core business market, was affected by the challenging macroeconomic environment and various industry-specific issues. Below is a summary of our key financial performance indicators, reflecting the industry-wide declined but gradually stabilizing gaming revenue recorded in 2015 in Macau, partially offset by revenue generated from our new and existing projects in Macau and overseas:

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK\$100.9 million

Profit attributable to owners of the Company was HK\$100.9 million for the year ended 31 December 2015, as compared with HK\$1,487.2 million in the year of 2014.

BASIC EARNINGS PER SHARE

HK\$0.07

Basic earnings per share attributable to owners of the Company was HK\$0.07 for the year ended 31 December 2015, as compared with HK\$0.96 for the year ended 31 December 2014.

TOTAL DIVIDENDS FOR THE YEAR

HK3.5 cents per share

The total dividends for the year amounted to HK3.5 cents per share, including a proposed special final dividend of HK2.0 cents per share, in view of the strong cash position of the Company.

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 the 2015 Corporate Social Responsibility Report. Our non-financial key performance indicators for the year are highly satisfactory and continue to reflect our steadfast commitment and significant contribution to the betterment of the society.



Corporate Profile

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

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

Confidence leads to growth, growth leads to confidence

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

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

The accolades that Melco has received over the past several years assured us that we are moving in the right direction. The Group is the first-ever entertainment company to receive the “Hong Kong Corporate Governance Excellence Awards 2009” by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. In 2015, Melco has been honoured with the “Corporate Governance Asia Annual Recognition Awards” for the tenth consecutive year, and the “Best Investor Relations in Hong Kong” for five 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 fourth year in 2015 by Corporate Governance Asia magazine, and has also garnered the “Leadership Gold Award” in the Business Awards of Macau 2015.

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

Gaming, Leisure and Entertainment

Melco Crown Entertainment Limited

listed on the NASDAQ Global Select Market (NASDAQ: MPEL)

Focus on gaming markets in Asia

Macau

The Philippines



**City of Dreams,
Cotai**
Premium market



**Altira Macau,
Taipa**
VIP market



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



**Studio City,
Cotai**
Mass market

**City of Dreams Manila,
Entertainment City, Manila**
Mass market

Entertainment Gaming Asia Inc.

listed on the NASDAQ Capital Market (NASDAQ: EGT)



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

MelcoLot Limited

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



**Focus on
Asia's lottery
business**

Jumbo Kingdom



**Focus on
catering
business**

Other Businesses – Property and Other Investments



Chairman & CEO's Statement

Amidst a challenging market environment in Macau, Melco has stayed on course in 2015 to strengthen its market presence with exciting projects completed not only in Macau but elsewhere in Asia and overseas. Embarking on a forward-thinking strategy several years ago to expand our exposure to the mass market segment, we are thrilled by the successful opening of the long-anticipated Hollywood-inspired integrated resort, Studio City, which provides the perfect complement to our flagship integrated resort, City of Dreams in Macau. Moreover, the successful launch of City of Dreams Manila in the Philippines and Tigre de Cristal in Russia have significantly validated Melco's full commitment in optimising our robust portfolio of assets to drive revenues while further enhancing our industry presence to become a global market-leading operator.



Supported by the Central Government's long term infrastructure blueprint, Macau is undergoing a transition towards a more mass market-focused business model. Being at the forefront of innovation and diversification, the Group's member companies have pioneered projects that have further expanded our market share in Macau and increased our exposure to the more resilient and profitable mass market segments. The US\$3.2 billion Studio City is the first Hollywood-themed integrated resort in Macau operated by our core associate, Melco Crown Entertainment. Offering unique world-class non-gaming attractions, it is an ideal addition to our current portfolio of assets, enabling us to cater to a broader customer base and strengthen our leadership in developing Macau's mass market, while highlighting our commitment to the ongoing evolution of Macau into a "World Centre of Tourism and Leisure". Since its opening, not only has Studio City boosted the Group's market share, but we are also pleased to announce that this new integrated resort was recently honoured as "Casino/Integrated Resort of the Year" at the International Gaming Awards 2016 and "Best New Venue Opening" in the 2016 CEI Readers' Choice Awards. These accolades and achievements represent the culmination of our efforts in delivering high quality non-gaming and gaming facilities, and we are confident that further synergies between Studio City and City of Dreams will be realised.

Enhancement works at City of Dreams including our fifth hotel tower, designed by the late legendary architect Dame Zaha Hadid, together with the addition of the first street-front retail area in Cotai, are further evidence of our dedication in bringing a multi-dimensional leisure and tourism experience into the region, ultimately enabling us to compete at the highest levels by leveraging our world-class products and services.

In the Philippines, our expansion is highlighted by the successful grand opening of City of Dreams Manila. Marking another major milestone for the company, the property continues to grow a more diversified revenue stream, with expansion in our rolling chip business complementing its mass market gaming and non-gaming segments. Driven by our business approach, City of Dreams Manila was also awarded as "Casino/Integrated Resort of the Year" at the International Gaming Awards 2015 shortly after its opening. Despite infrastructure challenges in the Philippines such as the delay of the expressway that leads directly from the airport to the Manila Bay Entertainment City, the extension of the City of Dreams brand is expected to drive local tourism and eventually reinforce our presence in the region. Meanwhile, we anticipate the country itself will undergo further improvements and economic growth that will enable City of Dreams Manila to expand profitability and realize its full potential in the foreseeable future.

Elsewhere in Asia, our subsidiary Entertainment Gaming Asia Inc. continues to improve its slot operation business in the Philippines and Cambodia and its gaming product business, which has posted a record performance due to increased orders to supply new casino openings. In addition, the successful launch of Tigre de Cristal, a gaming and resort development project located in the integrated entertainment zone near Vladivostok, Russia, in which Melco has interest, mainly targets inbound tourists from Korea, Japan and Northern China as well as the domestic tourists from Russia itself, demonstrating our ambition to extend our global footprint and to contribute to the tourism and economic growth in the region. To capture new market opportunities, MelcoLot continues to pursue the opportunity to develop a premium integrated resort next to Barcelona in Spain. Also, as announced previously, the consortium formed between Melco, Seminole HR Holdings, LLC (“Hard Rock”) and Cyprus Phasouri (Zakaki) Limited has been shortlisted to be one of the three bidders who may participate in the final phase of the tender process to develop and operate an integrated casino resort in Cyprus. All in all, these efforts have clearly demonstrated our efforts to maintain our leading position in the gaming and entertainment industry on a world-wide scale.

Looking ahead, although Macau is encountering a very tough operating environment, with a combination of the slowdown of economic growth in China and government policies that may adversely affect the gaming market, we believe our business approaches are in line with the government's new direction from a macroeconomic and social perspective. We continue to see the city as an exciting and important global gaming destination and remain confident that our integrated resorts and the unrivaled non-gaming entertainment-centric amenities that we deliver are a leading force in diversifying Macau's dynamic economy and tourism sector. For the Philippines, along with the government's support, we remain confident in the long-term success of its gaming market given the country's anticipated economic growth and supportive demographics.

While bolstering our presence in Macau, Melco will continue to expand and explore opportunities in other countries, including the Philippines, Cambodia, Russia, Spain and Cyprus. At the same time, we will also continue to seek potential developments

globally that would further build on our position as a leading international gaming, leisure and entertainment operator.

Over the years, Melco has remained constantly committed to uphold the highest standards of corporate governance and corporate social responsibility (“CSR”). We aim to deliver greater sustainability in our business operations for future generations as well as the community. Melco has been acknowledged by a number of authoritative organisations during the past year for excellence in corporate governance and CSR initiatives. In recognition of our solid contributions as a responsible corporate citizen, we have been included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index since 2013. This year, supported by the three core pillars of our CSR strategy including Youth Development, the Environment, and Education, we are pleased to have achieved our CSR goals set for 2015. In addition, we have undertaken other CSR initiatives on Stakeholder and Staff Engagement that enable us to meet our long-term objectives and create a greater, more sustainable impact benefitting our stakeholders, including staff, customers, suppliers and members of the communities where we operate.

Finally, I would like to express my sincere gratitude to our Board of Directors, shareholders, employees and business partners for their continuous support which was an important driver of our significant achievements during the past year despite the challenging operating environment. We look forward to further strengthening our industry presence and realising sustained growth internationally in order to generate long-term value for our shareholders.

Ho, Lawrence Yau Lung

Chairman and Chief Executive Officer



Management Discussion and Analysis

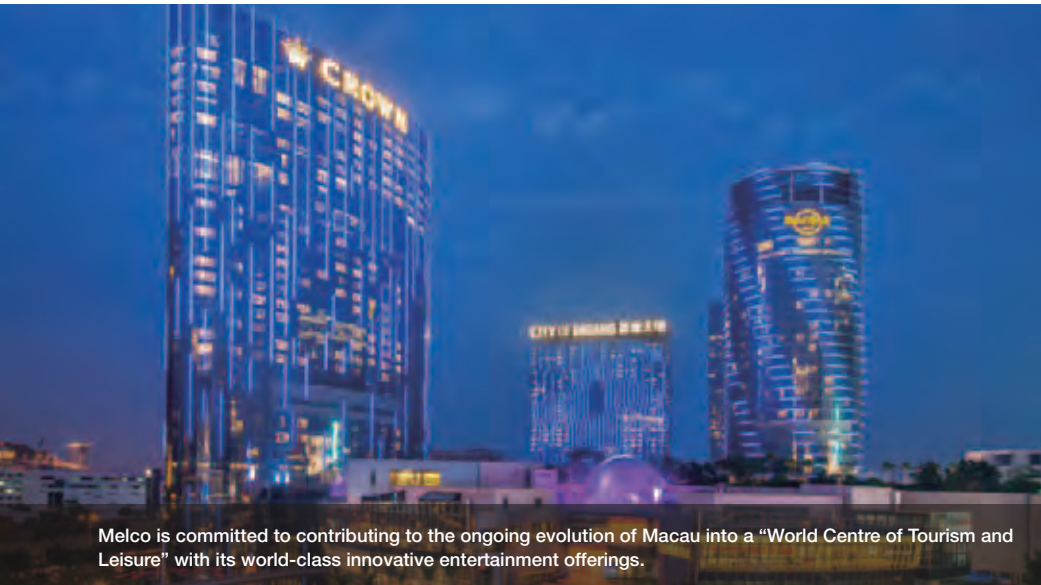
SIGNIFICANT EVENTS AND DEVELOPMENTS

In 2015, Melco has had an eventful year and achieved several important milestones in Macau and overseas.

In Macau, Studio City, the eagerly-anticipated US\$3.2 billion Hollywood-inspired integrated resort, majority owned and operated by the Group's core gaming arm Melco Crown Entertainment Limited ("Melco Crown Entertainment"), was officially opened in Cotai on 27 October 2015. The sensational grand opening of Studio City, together with the world premiere of the Studio City-inspired short film "The Audition", was graced by a stunning line-up of A-list celebrities. Hollywood legends Robert De Niro, Leonardo DiCaprio, Academy award-winning director Martin Scorsese, acclaimed director and producer Brett Ratner and the legendary diva Mariah Carey attracted the global spotlight to the resort. As Asia's Entertainment Capital, Studio City houses some of

the world's-first attractions of their kind, including the world's highest figure-8 Ferris wheel, the "Golden Reel", the world's first Batman-themed 4D flight simulation ride "Batman Dark Flight", and the first and only permanent magic extravaganza in Macau "The House of Magic", effectively redefining the entertainment landscape in the city. Studio City has recorded a high level of occupancy since its opening and is expected to complement and create synergies with the Group's existing portfolio of assets, further strengthening our leading position in Asia.

In parallel, our flagship property City of Dreams has continued to enhance the visitor experience through the debut of new and innovative initiatives. The latest attractions include a groundbreaking Discovery Tour for tourists to enjoy and explore beneath the surface of "The House of Dancing Water", as part of the fifth anniversary celebration for this largest water extravaganza in the world. Furthermore, the retail expansion and construction of the fifth hotel tower at City of Dreams, designed by



Melco is committed to contributing to the ongoing evolution of Macau into a "World Centre of Tourism and Leisure" with its world-class innovative entertainment offerings.



Housing a diverse collection of contemporary leisure and lifestyle brands including Crown, Nobu, Hyatt, DreamWorks, Pangaea and Chaos, City of Dreams Manila is well positioned for long-term success as Manila transforms into an exciting and diverse tourism destination for the region.

the internationally-renowned “Queen of the Curve” in architecture, the late legendary Dame Zaha Hadid, are well underway. Upon completion, the new hotel tower will add a truly iconic landmark to Macau, further broadening City of Dreams’ appeal to the increasingly sophisticated destination travelers from Asia and beyond.

Outside Macau, the grand opening of the Group’s first overseas integrated resort, City of Dreams Manila, was held in the Philippines in February 2015, followed by the official opening of Asia’s first Nobu Hotel in the new property in May, adding to its selection of world-class hotel brands. Featuring a wide range of distinctive entertainment attractions suitable for all ages, such as the world’s first DreamWorks-themed, indoor interactive play and creativity centre “DreamPlay by DreamWorks”, and world-renowned nightclubs “Pangaea” and “Chaos”, City of Dreams Manila is set to attract visitors from around the world. Its opening has also meaningfully contributed to the diversification of the Group’s income streams.

Beyond Southeast Asia, the Group holds an interest in Tigre de Cristal, a gaming and resort development project located in the Primorye Integrated Entertainment Zone (“IEZ”) near Vladivostok, Russia which was successfully opened on 11 November 2015. Its opening extends the Group’s global footprint and is expected to significantly contribute to the tourism and economic growth in the Russian Far East.

CORE BUSINESS

Gaming Business in Asia

The Group operates its gaming business through its associate, Melco Crown Entertainment (owning as to 34.29% as at 31 December 2015), which is listed on the NASDAQ Global Select Market in the US. Melco Crown Entertainment achieved a strong set of operating and financial metrics in 2015, in such a still challenging environment in Macau. Net revenue and adjusted property EBITDA were US\$4.0 billion and US\$932.0 million respectively for the full year, both declining year-over-year primarily due to lower rolling chip revenues and mass market table games revenues in City of Dreams and



The US\$3.2 billion Studio City is the first Hollywood-themed integrated resort in Macau, offering the very best in global entertainment that cannot be found anywhere else in Macau.

Management Discussion and Analysis

Altira Macau, partially offset by the net revenue generated by the newly opened resorts at Studio City and City of Dreams Manila. An encouraging increase in Macau-wide mass market table games revenues, on both a sequential and year-over-year basis, was recorded in the fourth quarter of 2015, signaling a welcome stabilization of the gaming business.

The flagship integrated resort in Macau, City of Dreams continues to provide a diverse array of hospitality, dining, leisure and entertainment offerings to satisfy its premium mass-market visitors. During the year, Macau's must-see spectacular, The House of Dancing Water, has celebrated its fifth anniversary. The internationally-acclaimed water-based extravaganza has been named as the "Most Valuable Brand" at the 2015 Business Awards of Macau. City of Dreams has also presented a variety of events such as the Malaysian Gourmet Tour in collaboration with the Malaysian External Trade Development Corporation and the popular SPLASH poolside party series. To enrich the mix and variety of the current entertainment menu, SOHO, the ultra-chic dining and entertainment district in Macau, continues to provide a wide selection of dining and

entertainment options to the city. City of Dreams is expected to be further upgraded with the completion of expansion works in the retail area and the opening of its fifth hotel tower, solidifying the property's position as the leading premium mass market leisure destination for local as well as global visitors.

In the past year, the openings of new integrated resort and casino projects, both within and outside of Macau, have significantly enriched the Group's portfolio of gaming, leisure and entertainment assets.

The grand opening of Studio City in the fourth quarter has successfully contributed to the expansion of the Group's market share in Macau to a new historic high and extended its exposure to the more resilient and profitable mass-market and non-gaming segments. Just days after the opening on 27 October 2015, Studio City's hotel occupancy rate for its 1,600 rooms, which is more than doubling the room inventory in the Group's portfolio, had already reached over 90%. This mass-market focused gaming and entertainment complex brings the very best in global entertainment that cannot be



Mariah Carey, the global superstar and best-selling female artist of all-time, made a gorgeous appearance at Studio City's grand opening event and brought extra heat to the gala concert as one of the headliner performers.



Hollywood legends Robert De Niro, Leonardo DiCaprio, Martin Scorsese and Brett Ratner made an unprecedented appearance in Macau to reveal *The Audition* – their historic collaboration and the first Hollywood production tailor-made for Studio City and Macau.

Management Discussion and Analysis

found anywhere else in Macau. Its world-class facilities attract not only visitors seeking high-quality hospitality services and thrilling entertainment, but also draws top regional and international star performers to its state-of-the-art multi-purpose entertainment centre, Studio City Event Center, which most recently hosted the enthusiastically-received Madonna's Rebel Heart Tour in February 2016. This iconic new landmark of Macau is truly Asia's Entertainment Capital. It genuinely creates synergies with the Group's existing assets and has further strengthened our leading position in Macau.

Beyond Macau, the Group continues to strengthen its presence in the Philippines. City of Dreams Manila is progressing well since its spectacular debut on 2 February 2015. It continues to develop a more diversified revenue stream, with the continuing ramp-up of the rolling chip business, improvements across the VIP, slots and mass table segments alike, and enhancement of non-gaming amenities. By introducing the Group's expertise and excellence in operating integrated casino resorts and many world-class entertainment brands to Manila's Entertainment City, City of Dreams Manila is certainly a game changer in that country's market.

Elsewhere in Asia, Tigre de Cristal, the casino project in Russia's IEZ near Vladivostok, which the Group has an interest, has officially opened on 11 November 2015 with an encouraging start. As the first integrated casino resort to open in this unique entertainment zone in the Russian Far East, and the largest resort in the Russian Federation, the Group has a first-mover advantage to attract the estimated 400 million people who live within a three-hour flight radius from neighboring Northeast Asian markets, as well as domestic customers from within Russia. The Russian Government fully supports the development of the IEZ, through favourable immigration and other economic policies, underscoring the region's potential to become a northern gaming hub.



City of Dreams Manila is progressing well since its spectacular debut in 2015. It was awarded as "Casino/Integrated Resort of the Year" at the International Gaming Awards 2015 shortly after its opening.



Tigre de Cristal, a gaming and resort development project located in the IEZ near Vladivostok in Russia, which the Group has an interest, successfully opened in 2015, extending the Group's global footprint.

Management Discussion and Analysis

Gaming Machine Revenue Participation 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% as at 31 December 2015, recorded consolidated revenue of US\$31.5 million for the year 2015, up approximately 40.6% year-on-year due to an increase in both its gaming product sales and gaming operations revenue. EGT posted a consolidated net income and Adjusted EBITDA of US\$0.8 million and US\$11.2 million, respectively, for the year 2015. The Company recorded a cash balance of US\$30.7 million and zero debt as of 31 December 2015.

EGT has an established presence in the gaming markets of Cambodia and the Philippines through its slot operations business, which generated US\$18.1 million in revenue in 2015. As of 31 December 2015, EGT had approximately 1,550 electronic gaming machine seats in operation. This included 670 seats placed under the joint management of EGT and NagaWorld Limited, a wholly owned subsidiary of NagaCorp

Ltd., in NagaWorld Resort and Casino located at Phnom Penh, Cambodia. EGT’s slot operations achieved an average daily net win of US\$122 per machine seat for the year 2015, while its operations in NagaWorld achieved an average daily net win of US\$225 per machine seat for the same period.

During the year 2015, EGT’s gaming products business, which primarily includes the manufacture, sale and distribution of gaming chips and plaques by Dolphin Products Ltd., posted a record performance of approximately US\$13.4 million in revenue in the year 2015. The performance was driven by increased orders created by new casino openings. Due to the higher production volumes and efforts to improve efficiencies for its manufacturing facilities in Hong Kong, EGT has significantly improved its gross profit margin for the business during the 2015 fiscal year.

With stable financial growth, increasing gaming market demand and improved operational efficiency, EGT is expected to become an important and reliable revenue stream of the Group.



The 5,000-seat Studio City Event Center is the region’s premier live entertainment venue, well-equipped to host top-tier concerts, sporting events, award ceremonies and more. It is the only entertainment venue in Macau that boasts VIP suites for private parties.



The “Queen of Pop” Madonna made her debut in Macau with her “Rebel Heart Tour” at Studio City Event Center, raising the bar for spectacular musical experiences and solidifying Studio City’s position as Asia’s Entertainment Capital.

Lottery Management Business in Asia

MelcoLot Limited (“MelcoLot”), in which the Group holds a 40.65% equity interest as at 31 December 2015, 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\$57.2 million, representing a year-on-year growth of 26.3%. The distribution business continues to be MelcoLot’s principal revenue generator and contributed approximately 90.2% of the Company’s revenue in 2015, compared to 90.1% in 2014.

According to the figures published by the Ministry of Finance, China’s lottery market registered total lottery sales of RMB367.9 billion in 2015, representing a year-on-year decrease of 3.8%. During 2015, the month-on-month growth rate of total lottery sales fell from an average of 34.2% for the first two months to an average of negative 8.9% for the remaining 10 months. The decline in sales is widely believed to be mainly attributable to the severe action taken by the government to prohibit all internet lottery ticket sales activities since March 2015. It is believed that the regulatory requirement will further improve the transparency on the control and management of lottery funds and ensure a healthier and more reliable market in the long run. MelcoLot believes that it will benefit from the positive long-term effects of the more robust regulatory regime and will be well positioned in the new environment.

In line with the leisure and entertainment corporate philosophy of Melco, MelcoLot continues to pursue investment opportunities outside of lottery and the PRC market, including the opportunity to develop a premium integrated resort next to Barcelona in Spain. MelcoLot will also continue to explore other potential investment opportunities located in emerging or frontier gaming market.

With a steady business development and global expansion plan, it is believed that MelcoLot will support the creation and optimization of long-term value for the Group’s shareholders.

NON-CORE BUSINESSES

Ski Resort Business in China

As at 31 December 2015, the Group holds a 16.69% stake in Mountain China Resorts (Holding) Limited (“MCR”), which owns and operates the Sun Mountain Yabuli Resort (“Yabuli Resort”), one of the most renowned ski resorts in China, located in Heilongjiang Province.



Global comedy star Russell Peters made his first appearance in Macau with his new “Almost Famous World Tour”. The show was the first comedic performance at Studio City Event Center.

Management Discussion and Analysis

The Club Med Yabuli business, established through a strategic partnership with Club Med Asie S.A. to operate and manage two of the hotels at Yabuli Resort, has been growing progressively during the winter season of 2015. A steady year-on-year rise in revenue was recorded in the year of 2015, resulting from the successful shift in the company's sales strategy to focus on China's domestic market for the 2014-2015 winter season and the overall improvements in service quality.

China's ski market is growing rapidly as this winter sport gains increasingly widespread popularity with the number of skiers substantially increasing. Winter sports in general and skiing in particular are expected to receive an added publicity boost attracting more participants as Beijing has been awarded the 2022 Winter Olympic Games. As China's first ski town and now one of the largest and most well-known winter sports destinations in the country, Yabuli is home to a number of destination resorts and within close proximity to Harbin and additional attractions such as the annual Ice and Snow Festivals. It is well-positioned to grow given the increasing demand from winter sports enthusiasts and travellers, and MCR is capitalizing on the potentially immense market opportunities.

MCR is also an official partner and playing field provider of the 2016 World Championships of Snowboarding, globally the most important snowboarding competition organized every four years by the World Snowboard Federation and TTR Pro Snowboarding for elite professionals, and which is to be held in Yabuli in March. The Yabuli Resort has been upgraded in recent years with a 30,000-square-meter snowboarding park and improved heating system for its cable cars and a new mogul ski track, all in preparation for the World Championships. The resort will be a preferred hub for all riders and international visitors ensuring international hospitality standards. MCR is also taking this opportunity to promote skiing to millions of sports fans in China, strengthening Yabuli's profile as an emerging winter sports powerhouse, and our reputation as a world-class ski resort operator.

The tourism industry is one of the core pillars of the strategic economic development for Heilongjiang Province. Besides supporting enhancement and innovation in tourism offerings to help attract more visitors to Yabuli, the local government has also been improving the infrastructure in the province in recent years through the construction of provincial highways, new airports and the Harbin-Dalian-Qiqihar high-speed railway, to facilitate the development of the local tourism industry.

OUTLOOK

In the past year, the challenging macroeconomic environment and industry-specific issues have dragged down gaming revenue in Macau, our core market. Looking ahead, some of these issues shall remain, including global market volatility, China's slowdown in economic growth and crackdown on corruption, the aftermath of the bursting of the junket credit bubble, Union Pay restrictions and legislation implementing a full smoking ban, and may continue to affect the VIP market and also dent mass market arrivals. However, 2016 is expected to be a year of stabilization for the gaming business in Macau, with a clear transition of market focus to the more stable mass market segment and non-gaming activities, which will improve penetration of our core feeder markets, particularly China, and create a more profitable and sustainable industry for all in the long term. Melco continues to be at the vanguard driving this dynamic industry change.

Overall, with the roadmap of building Macau into a "World Centre of Tourism and Leisure", both the PRC Central and Macau local governments remain supportive to the long-term development of the industry, with a strong emphasis on diversification. In executing the Group's ongoing strategy to increase our exposure to the more resilient and profitable mass market segments in Macau, Melco is continuing to support the economic diversification and orderly development of the gaming, leisure and entertainment industry by creating world-class innovative entertainment offerings and enriching its portfolio of assets in Macau through our core gaming arm Melco Crown Entertainment in order to further broaden our income streams and cater to the rise of the increasingly affluent Asian middle class consumers.

Management Discussion and Analysis

In Macau, Studio City, our newest Hollywood-inspired US\$3.2 billion integrated resort, is specifically designed to target the mass market and it has successfully differentiated itself from other players and attracted international attention. Studio City is positioned at the forefront of Asia's "next generation" of immersive and world-class entertainment offerings under one roof in the city through its incomparable first-of-its-kind attractions not found in other Macau resorts. Since its opening, Studio City has recorded very encouraging visitation rates. The mass-market focused new property is expected to complement and create synergies with its premium mass-market focused sister property, City of Dreams, and continues to stimulate revenue and market share growth for the Group, further strengthening our position in Cotai.

In view of the escalating competition from new properties of other operators scheduled to open in Cotai in the coming years, besides Studio City, the Group is also upgrading its existing portfolio of assets in order to broaden our market exposure and client base to the mass market segments. These enhancements include the retail expansion integrating into the core of the Group's flagship property, City of Dreams, set to open in

the summer of 2016. At the same time, the construction of the fifth hotel tower at City of Dreams, designed by the legendary pioneering architect, the late Dame Zaha Hadid, is well underway. The new tower is set to be an architectural wonder and an iconic landmark in Cotai and Macau, embodying an unprecedented combination of form and structural challenges. With City of Dreams, we are leading the premium mass market segment in Macau. On the VIP front, we continue to right-size the cost structure of Altira Macau and focus more on the big junket operator which has proven lucrative in the past years. As some of the VIP areas in the market stabilize, particularly the bigger junket operators, we expect Altira to achieve a more steady performance.

While some issues continue to loom large over Macau's gaming industry in 2016, there are some positive signs that the market is stabilizing. Most notable here is the better-than-expected gross gaming revenue recorded in the first two months of 2016, and new government policies such as the relaxation of immigration processes for the PRC residents travelling to Macau using transit visas which will support Macau's tourism through more diversified economic development in the long run. In addition,



Warner Bros. Fun Zone at Studio City is a fun-filled family entertainment centre packed with rides and interactive fun zones themed around the world-renowned characters from Warner Bros.' DC Comics, Hanna-Barbera Productions and Looney Tunes entertainment franchises.



The world's first Batman-themed 4D flight simulation ride "Batman Dark Flight" at Studio City provides thrill-seekers with a dynamic flying experience based on an action-packed and digitally animated Batman storyline.

Management Discussion and Analysis

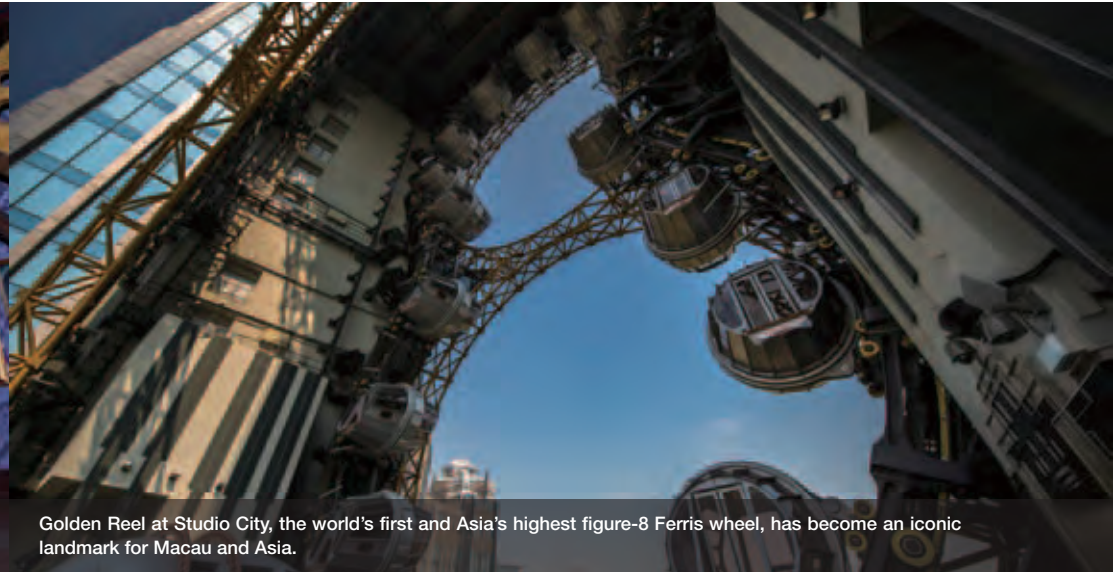
the upcoming infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge and the Macao Light Rapid Transit System would certainly help Macau to maintain competitiveness and enhance its economic and sustainable development.

Apart from Macau, through leveraging our solid experience and success in developing and operating integrated resorts and creating innovative entertainment, Melco will continue to bolster its market share in other markets worldwide. In the Philippines, City of Dreams Manila targets the burgeoning and increasingly important Asian middle class with rapidly rising disposable incomes. We have seen improvement on the VIP, slot and mass table business segments in the past year, and the rolling chip business has continued to expand, delivering a more diversified earnings stream. Despite infrastructure challenges in the Philippines such as the delay of expressway that leads directly from the airport to the Manila Bay Entertainment City, we believe that the increasing visitation from Southeast Asia and China, further improvements in infrastructure and the ongoing economic development in the Philippines will further strengthen our presence in the region.

Elsewhere in Asia, Melco continues to seek potential opportunities to enrich our business portfolio and reinforce our leading position on the global stage in the gaming and entertainment industry. Tigre de Cristal, the gaming and resort development project near Vladivostok, Russia, in which the Group has an interest, was officially opened on 11 November 2015 and has been well-received by the market. As the largest legal casino in the country and first-mover in tapping the Northern Chinese, Japan, Korea and Russian markets in this new integrated entertainment zone, Tigre de Cristal is in a favorable location to attract visitors from across Asia as well as Russia. Our subsidiary, EGT has also strengthened its established presence in the gaming markets of Cambodia and the Philippines through its slot operations business. Increased orders generated by new casino openings and efforts to improve manufacturing efficiencies will continue to support EGT's gaming product business.



With acclaimed pioneer of illusion Mr. Franz Harary as the master conjuror, and a stellar cast of rotating world-class magicians, The House of Magic at Studio City represents the ultimate showcase of top-notch magic, a magical journey never experienced before in the region.



Golden Reel at Studio City, the world's first and Asia's highest figure-8 Ferris wheel, has become an iconic landmark for Macau and Asia.

Beyond Asia, the consortium formed between Melco, Hard Rock and Cyprus Phasouri (Zakaki) Limited has been shortlisted to be one of the three bidders who may participate in the final phase of the tender process to develop and operate an integrated casino resort in Cyprus. In addition, the Group's subsidiary MelcoLot has also been diligently pursuing investment opportunities outside of lottery and the PRC market. MelcoLot is continuing to pursue the opportunity to develop a premium integrated resort adjacent to Barcelona in Spain.

As an international and innovative integrated resorts leader with strong financial fundamentals, Melco will continue to expand its existing global footprint beyond Macau, mainland China, the Philippines, Cambodia and Russia as we strive for diversification through our subsidiaries. We are confident we can capitalise on the opportunities arising in the market to offer a wide spectrum of both gaming and non-gaming businesses to other parts of the world so as to realise the Group's vision to become the leading global player in the gaming, leisure and entertainment sectors.

ACHIEVEMENTS AND AWARDS

Melco has been committed to attaining high standards in corporate governance and corporate social responsibility, as well as leading the industry in business excellence and innovation. As a result, the Group has always been at the forefront in driving economic and community development wherever it operates. Melco was acknowledged by a number of authoritative organisations during the past year for its remarkable performance and influential contributions across all quarters of society.

Corporate Governance

Melco has continuously been recognised for upholding the highest standard of corporate governance with numerous prestigious accolades. In 2015, Corporate Governance Asia Magazine has awarded the "Corporate Governance Asia Annual Recognition Award" to the Group for ten consecutive years at the Asian Excellence Awards. The magazine has also honored Melco for the "Best Investor Relations" for the fifth consecutive year.

The Group's outstanding management team has been widely acclaimed within the business community for its excellent leadership. Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, has garnered the "Leadership Gold Award" at the Business Awards of Macau 2015. He has also been named "Asia's Best CEO" for the fourth time by Corporate Governance Asia Magazine.

Corporate Social Responsibility

Recognised as a responsible corporate citizen, Melco has been included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for its noteworthy efforts in corporate sustainability since 2013. In 2015, the Group has also earned the "10 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service for its continuous efforts in corporate social responsibility and has been presented the "Award Label of the Hong Kong Corporate Citizenship Awards" by the Hong Kong Productivity Council. In addition, Melco has again received the "Asia's Best CSR" award for the third consecutive year from Corporate Governance Asia Magazine.

Preservation of the environment is one of the most important focuses in Melco's CSR agenda, as it represents the Group's goal in supporting sustainable development for the community and our future generations. As a result of the Group's environmental protection efforts, WWF Hong Kong has conferred on Melco the Gold Label for Low-Carbon Office Operation Programme for five consecutive years since 2011.

The Group's thoughtfully designed Corporate Social Responsibility Report received the Gold Award in the Specialized Annual Report and Interior Design category, and the Honor Award in the Interactive Annual Report category at the International ARC Awards for corporate reports.

Management Discussion and Analysis

Business Operations

In 2015, the Group has once again strived for excellence in providing top-tier hospitality, leisure, entertainment and culinary experience to customers.

For seven consecutive years, both Altira Macau and its Altira Spa have received the prestigious Forbes Five-Star Hotel and Spa Awards in the 2016 Forbes Travel Guide. Crown Towers at City of Dreams has also achieved the Forbes Five-Star Awards for its hotel and spa. Furthermore, the one-of-a-kind water-based extravaganza The House of Dancing Water at City of Dreams has captured the “Most Valuable Brand Outstanding Award” at the Business Awards of Macau. These accolades signify the Group’s excellence in hospitality, leisure and entertainment services.

In terms of fine-dining service, the Group continues to set the standard by earning Michelin two-star ratings for Jade Dragon and The Tasting Room, and a Michelin one-star rating for Shinji by Kanesaka, all located in City of Dreams, from the Michelin Guide Hong Kong and Macau 2016. Jade Dragon, The Tasting Room, together with Aurora and Tenmasa at Altira Macau, have all received the Forbes Five-Star Restaurants awards from the Star Awards in the 2016 Forbes Travel Guide, while Ying at Altira Macau has received a Forbes Four-Star Restaurants award.

City of Dreams Manila and Studio City, both newly opened in 2015, have already generated global recognition, garnering the “Casino/Integrated Resort of the Year” award in 2015 and 2016 respectively from the International Gaming Awards. In the short period since its grand opening, Studio City has also been named “Best New Venue Opening” in the 2016 CEI Readers’ Choice Awards by CEI Asia Magazine, “Most Anticipated Hotel in Macau” 2015 by influential Chinese travel site Ctrip.com, and one of the “Hottest New Travel Experiences for 2016” by Lonely Planet.

FINANCIAL REVIEW

	2015 HK\$'000	2014 HK\$'000
Segment Results:		
Gaming, Leisure and Entertainment	(23,968)	(82,819)
Property and Other Investments	40,220	46,436
	16,252	(36,383)
Share of profits of associates	307,333	1,693,612
Share of losses of joint ventures	(5,695)	(139)
Loss on deemed disposal of partial interest in an associate	(1,394)	(14,923)
Gain on disposal of a subsidiary	3,731	–
Gain on deemed disposal of previously held interest in an associate	–	44,845
Gain on bargain purchase from acquisition of a subsidiary	–	34,310
Central administrative costs and other unallocated corporate expenses	(182,371)	(242,296)
Finance costs	(45,779)	(43,918)
Profit before tax	92,077	1,435,108
Income tax (expense) credit	(1,200)	19
Profit for the year	90,877	1,435,127
Non-controlling interests	10,047	52,045
	100,924	1,487,172

Management Discussion and Analysis

For the year ended 31 December 2015, the Group reported profit attributable to owners of the Company of HK\$100.9 million compared to HK\$1,487.2 million for the same period in 2014.

SEGMENT RESULTS

Gaming, Leisure and Entertainment

The gaming, leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via Melco Crown Entertainment), in which the brief descriptions for the performance of the core Macau gaming business for the year ended 31 December 2015 are included under the heading “SHARE OF PROFITS OF ASSOCIATES” below, (ii) electronic gaming machine participation and design, manufacture and distribution of gaming chips and plaques business (conducted through EGT), and (iii) lottery business (conducted through MelcoLot), together with other non-core businesses.

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

	2015 HK\$'000	2014 HK\$'000
EGT (1)	28,078	(10,700)
MelcoLot (2)	(41,762)	(66,692)
Jumbo Kingdom (3)	(9,829)	(5,032)
Others (4)	(455)	(395)
	(23,968)	(82,819)



Pacha Macau at Studio City brings Ibiza-style nightlife to Macau and Greater China for the very first time to electrify Macau's burgeoning club scene.



Thousands of revelers celebrated the arrival of 2016 at the glitteringly glamorous New Year's Eve countdown party at Studio City's Times Square Macau to take in a never-seen-before party atmosphere in Macau.

Management Discussion and Analysis

(1) EGT

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

Immediately prior to the EGT Rights Issue, the Company indirectly owned 11,450,000 shares of EGT, representing 38.04% of the outstanding shares of EGT. Upon completion of the EGT Rights Issue, the Company indirectly owned 37,512,294 shares of EGT, representing approximately 64.81% of the outstanding shares of EGT. Accordingly, EGT became a subsidiary of the Group from 26 November 2014 onwards. As at 31 December 2015, the Group owns approximately 64.84% of EGT.

EGT is engaged in slot operations, development and operation of regional casinos and gaming clubs in the Indo-China region and design, manufacture and distribution of gaming chips and plaques. For the year under review, the Group's attributable segment profit arising from EGT amounted to HK\$28.1 million (2014: loss of HK\$10.7 million) after taking into account the adjustments in accordance with Hong Kong Financial Reporting Standards.

According to the unaudited financial results (prepared in accordance with the United States Generally Accepted Accounting Principles ("U.S. GAAP")) of EGT announced on 10 March 2016, the performance of EGT during the year under review is described below:

EGT's revenue was US\$31.5 million for the 2015 fiscal year, an increase of 40.6% compared to US\$22.4 million for the 2014 fiscal year due to increases in both the gaming operations and gaming products business divisions.

Gaming operations revenue was US\$18.1 million for the 2015 fiscal year, an increase of 10.4% compared to US\$16.4 million in the 2014 fiscal year due to improvement in the Cambodia operations partially offset by a decline in the Philippines operations.

Revenue from gaming products was US\$13.4 million for the 2015 fiscal year, an increase of 123.3% compared to US\$6.0 million for the 2014 fiscal year primarily as a result of higher gaming chip and plaque sales related to both new casino openings and existing customer reorders in the 2015 fiscal year compared to the prior year.

EGT reported a net income of US\$0.8 million for the 2015 fiscal year. This compared to a net loss of US\$2.8 million for the 2014 fiscal year. The increase in net income was primarily a result of the significant improvement in gaming products sales and gross margin, an increase in gaming operations revenue and a reduction in selling, general and administrative expenses. The increase was partially offset by the US\$2.6 million non-cash impairment charge and the loss on the disposition of obsolete gaming equipment for the gaming products division in the fourth quarter of 2015, tax expenses compared to benefits in the prior year period and higher foreign currency losses due to the settlement of U.S. dollar denominated payables for the Philippines operations with an appreciated U.S. dollar in the 2015 fiscal year.

(2) MelcoLot

MelcoLot continues to be engaged in a single operating segment which is the lottery business. For the year under review, the Group's attributable segment loss arising from MelcoLot amounted to HK\$41.8 million (2014: HK\$66.7 million).

Management Discussion and Analysis

According to the audited results (prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”)) of MelcoLot announced on 11 March 2016, it reported loss attributable to owners of the MelcoLot of approximately HK\$35.9 million (2014: HK\$65.4 million). It was mainly attributable to the combined effect of:

- (i) the decrease in employee benefits costs from HK\$56.7 million in 2014 to HK\$32.1 million in 2015. The decrease was primary due to share-based payments of HK\$32.1 million recorded in the profit or loss in 2014 in connection with certain 2014 share options of MelcoLot that vested in 2014 and no further share-based payments in relation to these share options were recorded in 2015;
- (ii) the gain of approximately HK\$3.7 million arising from the disposal of 山東省開創紀元電子商務信息有限公司 (the “Shandong KCJY”), an indirect non-wholly owned subsidiary of MelcoLot, in December 2015; and

- (iii) the decrease in finance costs from HK\$3.1 million in 2014 to nil in 2015 due to the full settlement of an amount due to its immediate holding company in June 2014.

(3) Jumbo Kingdom

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

The catering business segment recorded a loss of HK\$9.8 million for the year ended 31 December 2015 compared to a loss of HK\$5.0 million for the same period in 2014. The increase in loss was mainly due to drop in revenue by 8.2% coupled with an increase in staff costs by 6.2% during the year under review.



Spanning over 21,800 square metres, the Studio City water and recreation facilities include an outdoor pool and Jacuzzis; a white sand beach; contemporary sun lounges; private cabanas; a pool bar; and an adventurous RiverScape Ride of over 260 metres long.



The mass-market focused Studio City has enjoyed a high level of occupancy since its opening. It is expected to create synergies with the Group's existing portfolio of assets, further strengthening its leading position in Asia.

Management Discussion and Analysis

(4) Others

Other items mainly consist of professional fees incurred for the administration of intermediate holding companies as well as exchange differences arising from the settlement of expenses.

Property and Other Investments

This segment handles property and other treasury investments for the Group. For the year ended 31 December 2015, it recorded a profit of HK\$40.2 million (2014: HK\$46.4 million). The decrease was primarily due to the decrease in revaluation gain on investment properties to HK\$8.0 million in 2015 (2014: HK\$10.4 million), and no dividend received from available-for-sale investments in 2015 (2014: HK\$3.6 million).

SHARE OF PROFITS OF ASSOCIATES

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

	2015	2014
	HK\$'000	HK\$'000
Share of profit of Melco Crown Entertainment	307,333	1,693,612
Others	-	-
	307,333	1,693,612

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

Share of profit of Melco Crown Entertainment

For the year under review, the Group's attributable profit arising from Melco Crown Entertainment amounted to HK\$307.3 million (2014: HK\$1,693.6 million) after taking into account the adjustments in accordance with HKFRS.

According to the unaudited financial results (prepared in accordance with the U.S. GAAP) of Melco Crown Entertainment announced on 18 February 2016, it reported net revenue of US\$4.0 billion for the year ended 31 December 2015, versus US\$4.8 billion for the year ended 31 December 2014. The decline in net revenue was primarily attributable to lower rolling chip revenues and mass market table games revenues in City of Dreams and Altira Macau, partially offset by the net revenue generated by Studio City and City of Dreams Manila, which started operations in October 2015 and December 2014, respectively.

The Adjusted property EBITDA was US\$932.0 million, as compared with an Adjusted property EBITDA of US\$1,285.5 million in 2014. The year-over-year decline in Adjusted property EBITDA was primarily attributable to lower group-wide rolling chip revenues and mass market table games revenues.

Melco Crown Entertainment reported a net income of US\$105.7 million for the year ended 31 December 2015, compared to a net income of US\$608.3 million in the corresponding period of 2014.

City of Dreams

For the year ended 31 December 2015, net revenue at City of Dreams was US\$2,794.7 million versus US\$3,848.6 million in the year ended 31 December 2014. City of Dreams generated Adjusted EBITDA of US\$798.5 million in 2015, representing a decrease of 31.5% compared to US\$1,165.6 million in 2014. The decline in Adjusted EBITDA was primarily a result of lower rolling chip revenues and mass market table games revenues.

Rolling chip volume totaled US\$44.1 billion for 2015, a drop from US\$82.1 billion in 2014. In the fourth quarter of 2015, the rolling chip win rate (calculated before discounts and commissions) was 2.8%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, drop for the year totaled US\$4,713.0 million, a decrease from US\$5,285.7 million in 2014. In the fourth quarter of 2015, the mass market table games hold percentage was 37.1% compared to 36.4% in the fourth quarter of 2014.

Gaming machine handle for the year ended 31 December 2015 was US\$4,641.1 million, compared with US\$5,903.9 million for the year ended 31 December 2014.

Total non-gaming revenue at City of Dreams for the year ended 31 December 2015 was US\$264.9 million, down from US\$283.5 million for the year ended 31 December 2014.



Macau's must-see spectacular water-based extravaganza, *The House of Dancing Water*, celebrated its fifth anniversary in 2015. The show has attracted more than 3.5 million visitors since its launch.

Altira Macau

For the year ended 31 December 2015, net revenue at Altira Macau was US\$574.9 million versus US\$744.9 million in the year ended 31 December 2014. Altira Macau generated Adjusted EBITDA of US\$36.3 million in 2015 compared with US\$84.8 million in 2014. The year-over-year decrease in Adjusted EBITDA was primarily a result of lower rolling chip revenues and mass market table games revenues.

Rolling chip volume totaled US\$23.9 billion for 2015, drop from US\$33.6 billion in 2014. In the fourth quarter of 2015, the rolling chip win rate (calculated before discounts and commissions) was 3.3%, while the expected rolling chip win rate range is 2.7% – 3.0%. In the mass market table games segment, a drop for the year totaled US\$616.1 million, decrease from US\$756.7 million generated in the previous year. In the fourth quarter of 2015, the mass market table games hold percentage was 19.4% compared with 18.4% in the fourth quarter of 2014.

Gaming machine handle for the year ended 31 December 2015 was US\$33.8 million. Total non-gaming revenue at Altira Macau for the year ended 31 December 2015 was US\$32.4 million compared with US\$36.8 million for the year ended 31 December 2014.

Mocha Clubs

Net revenue from Mocha Clubs totaled US\$136.2 million in the year ended 31 December 2015, a drop from US\$147.4 million in the year ended 31 December 2014. Mocha Clubs generated US\$30.3 million of Adjusted EBITDA in 2015, as compared to US\$36.3 million in the previous year. The number of gaming machines in operation at Mocha Clubs averaged approximately 1,200 in the fourth quarter of 2015, compared to approximately 1,300 in the comparable period in 2014. The reduction in gaming machines reported by Mocha Clubs was primarily due to the transfer of the reporting of one club to Altira Macau in 2015. The net win per gaming machine per day was US\$281 in the fourth quarter of 2015, as compared with US\$261 in the comparable period in 2014.

Management Discussion and Analysis

Studio City

Studio City started operations on 27 October 2015. For the year ended 31 December 2015, net revenue at Studio City was US\$123.2 million. Studio City generated Adjusted EBITDA of US\$12.6 million in the year ended 31 December 2015.

Mass market table games drop was US\$365.3 million and the mass market table games hold percentage was 22.4% in the fourth quarter of 2015.

Gaming machine handle for the year ended 31 December 2015 was US\$264.9 million.

Total non-gaming revenue at Studio City for the year ended 31 December 2015 was US\$37.8 million.

City of Dreams Manila

For the year ended 31 December 2015, net revenue at City of Dreams Manila was US\$300.3 million compared to US\$7.6 million for the year ended 31 December 2014. City of Dreams Manila generated Adjusted EBITDA of US\$55.4 million in 2015 compared with US\$0.1 million in 2014. The year-over-year improvement in Adjusted EBITDA was primarily a result of full operation in the year of 2015, since City of Dreams Manila started operations on 14 December 2014.

Rolling chip volume totaled US\$3,181.3 million for the year ended 31 December 2015. The rolling chip win rate was 2.1% in the fourth quarter of 2015. The expected rolling chip win rate range is 2.7%–3.0%.

Mass market table games drop was US\$441.4 million for the year ended 31 December 2015 and the mass market table games hold percentage was 27.5% in the fourth quarter of 2015. Gaming machine handle in 2015 was US\$1,780.1 million. The number of gaming machines in operation at City of Dreams Manila averaged approximately 1,700 in the fourth quarter of 2015.

Total non-gaming revenue at City of Dreams Manila for the year ended 31 December 2015 was US\$100.2 million, compared with US\$1.7 million for the year ended 31 December 2014.

SHARE OF LOSSES OF JOINT VENTURES

During the year ended 31 December 2015, the Group recognized a share of losses of joint ventures of HK\$5.7 million (2014: HK\$0.1 million) resulting from share of losses of Oriental Regent Limited and BCN Integrated Resorts 2, S.A.U. during the year.

LOSS ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

During the year ended 31 December 2015, the Group recognized a loss on deemed disposal of partial interest in an associate of HK\$1.4 million (2014: HK\$14.9 million) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment.

GAIN ON DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2015, the Group recognized a gain on disposal of a subsidiary of HK\$3.7 million (2014: nil) arising from the disposal of Shandong KCJY, an indirect non-wholly owned subsidiary of the Company, in December 2015.

GAIN ON DEEMED DISPOSAL OF PREVIOUSLY HELD INTEREST IN AN ASSOCIATE

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

GAIN ON BARGAIN PURCHASE FROM ACQUISITION OF A SUBSIDIARY

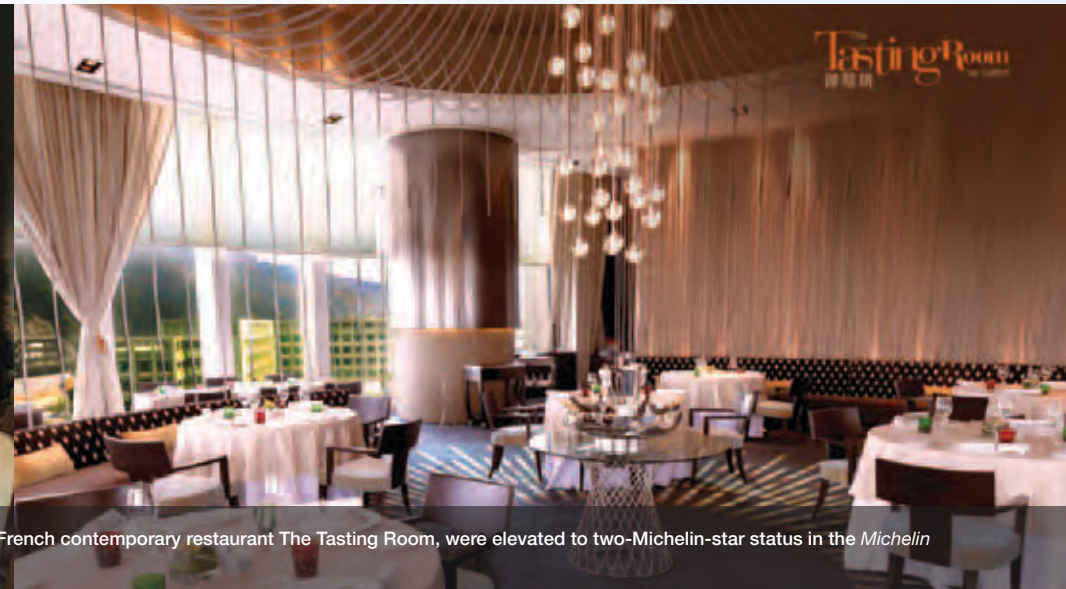
In the previous year, the Group also recognized a gain of HK\$34.3 million on bargain purchase from acquisition of EGT which represented the excess of fair value of identifiable assets and liabilities of EGT acquired over the consideration paid. The gain was resulting from the depressed market value of the acquired business, contributed by its years of losses and the volatility of the share price of EGT between the dates of pricing and completion of EGT Rights Issue in late November 2014.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses decreased by 24.7% from HK\$242.3 million in 2014 to HK\$182.4 million in 2015. The decrease was primarily due to decline in the amortization expenses arising from share options and share award granted in the year under review, together with the absence of an one-off open offer expense for a subsidiary of the Group, MelcoLot, which was recorded in 2014.

FINANCE COSTS

Finance costs increased by 4.3% from HK\$43.9 million in 2014 to HK\$45.8 million in 2015. The increase in interest expenses was primarily due to increase of bank loans from HK\$429.3 million in 2014 to HK\$580.3 million in 2015.



The Forbes 5-Star restaurants at City of Dreams – the Cantonese culinary masterpiece Jade Dragon and the French contemporary restaurant The Tasting Room, were elevated to two-Michelin-star status in the *Michelin Guide to Hong Kong and Macau 2016*.

Management Discussion and Analysis

INCOME TAX (EXPENSE) CREDIT

For the year ended 31 December 2015, income tax expense represented the PRC enterprise income tax expense and tax provision arising from several foreign jurisdictions in the current year.

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

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE/ CHARGE ON GROUP ASSETS

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

As of 31 December 2015, total assets of the Group were HK\$14,316.9 million (2014: HK\$14,097.1 million) which were financed by shareholders' funds of HK\$12,385.8 million (2014: HK\$12,331.6 million), non-controlling interests of HK\$392.6 million (2014: HK\$387.9 million), current liabilities of HK\$192.0 million (2014: HK\$570.8 million), and non-current liabilities of HK\$1,346.5 million (2014: HK\$806.8 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 12.1 (2014: 3.9).

During the year ended 31 December 2015, the Group recorded a net cash outflow of HK\$82.3 million (2014: net cash inflow of HK\$344.0 million). As of 31 December 2015, cash and cash equivalents of the Group totaled HK\$467.3 million (2014: HK\$549.5 million). The decrease was mainly due to the purchase of 24-month puttable step-up coupon notes issued by BOCI Financial Products Limited in the principal amount of HK\$50.0 million on 25 June 2015. The gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was at a satisfactory level of 11% as of 31 December 2015 (2014: 10%).

In illustrating the Group's adoption of a prudent treasury policy, 80% of bank balances and cash are put in short-term fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars, U.S. dollars and Renminbi to maintain stable exposure to foreign exchange risks. Also, as at 31 December 2015, the Group's bank deposits of HK\$0.9 million (2014: HK\$0.9 million) were pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 31 December 2015, the guaranteed bonds issued by the Group amounted to HK\$760.0 million, which are interest bearing of 4.15% per annum and mature on 5 March 2018. The bonds are guaranteed by the Company. As at 31 December 2015, the Group's total available bank loan facilities from various banks amounted to HK\$580.3 million (2014: HK\$429.3 million), of which HK\$34.3 million (2014: HK\$39.3 million) was secured by pledging HK\$178.0 million (2014: HK\$170.0 million) of the Group's investment properties. As at 31 December 2015, the Group utilized HK\$546.0 million and HK\$34.3 million of unsecured and secured bank loan facilities respectively (2014: unsecured HK\$390.0 million; secured HK\$39.3 million). Details of bank and other borrowings are given in Note 31 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Other than those disclosed in this report, there were no material acquisitions, disposals and significant investments by the Company for the year ended 31 December 2015.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's and associates' employees was 22,791 as of 31 December 2015. Excluding the employees from associates such as Melco Crown Entertainment, MCR and ChariLot, the total number of the Group's employees became 744 as of 31 December 2015 (2014: 829). Among the 744 employees, 331 are located in Hong Kong, 413 are located in Philippines, US, Cambodia, Macau and the PRC. The related staff costs for the year ended 31 December 2015, including directors'

emoluments, share options expenses and share award expenses, amounted to HK\$284.1 million (2014: HK\$303.7 million).

HUMAN RESOURCES

Melco believes that the key to success lies in its people. The Group strives to create an environment that makes employees proud to be part of it. All employees are given equal opportunities for advancement and personal growth. The Group believes through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco builds employees' loyalty through recognition, involvement and participation.

Melco's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success. It is based on three key areas:

1. Recruitment

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

2. Performance and Rewards

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

3. Learning & Development

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

CONTINGENT LIABILITIES

No contingent liability was noted for the Group as at 31 December 2015.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy that its operating entities operate in their corresponding local currencies to minimize currency risks. The Group's principal businesses are conducted and recorded in Hong Kong dollar, Macau Patacas, United States dollar, Renminbi and Philippine Peso. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Material capital expenditure will be incurred when the Company begins to pursue different projects in the coming years. The Company expects the respective project companies to secure required funding themselves by using different available financing options. The Company will also provide the required equity capital to new projects coming ahead should it be deemed appropriate.

Management Discussion and Analysis

INVESTOR RELATIONSHIP

Melco adheres to a policy of maintaining open and transparent communications with its investors with an aim to ensure they are provided with equal and timely access to important information. Information, such as Melco's business performance, latest developments, future plans and the overall outlook of the gaming industry in Macau and overseas, are communicated to investors through regular investor conferences and meetings convened with management and public announcements when appropriate.

Melco has won several prestigious awards in the past year recognising the Group's excellence in investor relations, including the "Best Investor Relations" (for the fifth consecutive year) and "Best CFO (Investor Relations)" (for the second consecutive year) presented by Corporate Governance Asia Magazine. The Group's Chairman and CEO, Mr. Lawrence Ho, has also once again been honoured the "Asia's Best CEO" by Corporate Governance Asia Magazine. Immensely honoured by the numerous accolades and highly encouraged by the support received from the investment community over the years, the Group will continue its efforts in enhancing its communications to foster even stronger relations with its investors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Corporate Social Responsibility

Melco is committed to giving back and creating value for the communities we have deep roots in. We believe that we have the responsibility and capability to build a better future for all and the next generations to come. With the long-term well-being of our society in mind, we have formulated our CSR strategy resting on three pillars: Youth Development, Environment and Education.

In 2015, we have continued to participate in a great variety of activities that support the community. During the year, close to 182,000 children, youth, their families and the physically challenged have benefited from our programmes.

Over the years, our CSR initiatives have been widely appreciated and recognised by the society. During 2015, the Group and its associates have garnered 20 CSR awards and recognitions. Since 2013, Melco has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index which selects Hong Kong-listed companies that demonstrate a high level of corporate sustainability. In 2015, Melco received the "Corporate Governance Asia Annual Recognition Award" for the tenth consecutive year and "Asia's Best CSR" in the Asian Excellence Awards from Corporate Governance Asia Magazine. Melco Crown Entertainment, our major associate, was also named the 'Best Environmental Responsibility' in the "Asian Excellence Awards".

Recognising the importance of communicating with our stakeholders, Melco was one of the first leisure and entertainment companies in Hong Kong to disclose details of its sustainability performance, with the publication of its inaugural CSR report in 2007. For the report covering 2015, apart from disclosing our continual achievements on the social fronts, we also continued to uphold a comprehensive level of disclosure to comply with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In addition, we have continued our effort to present our CSR report for 2015 in accordance with the "core" option of the internationally-recognised Global Reporting Initiative (GRI) G4 reporting guidelines and with reference to the core subject areas of the ISO 26000 Guidance on Social Responsibility. These efforts reflect our commitment to provide an even more comprehensive and transparent account of our CSR activities during the year.

Environment

Melco is a signatory to the Carbon Reduction Charter and a Green Partner of the Environmental Protection Department's "Carbon Audit • Green Partner" campaign, as well as a signatory member of the Copenhagen Communiqué. As a consumer of substantial natural resources, we are committed to mitigating the impact of our operations on the environment. Accordingly, we closely monitor our use of resources and carbon emissions, while taking steps to minimise or recycle the waste we generate.

To a large extent, we have adopted the best industry practices in our office and business operations. Melco Crown Entertainment has been awarded the ISO14001:2004 certification. On top of that, City of Dreams in Macau has attained an additional certification of ISO14064 Greenhouse Gas (GHG) Emissions Inventories and Verification.

Operating resort hotels requires substantial energy consumption. To manage our costs and minimise carbon emissions, we have undertaken a number of measures

to increase energy consumption efficiency. At City of Dreams and our new Studio City property, we possess one of the largest centralised cooling systems in Southern China hospitality industry, with energy savings of around 20-35% over traditional air-conditioning systems. Further energy savings of more than 20% have also been made possible at Studio City with the installation of a chilled ceiling air-conditioning system and a DC motor FCU that reduces carbon emissions.

The advanced indoor air purification system at City of Dreams and Studio City conserves energy by reducing the fresh air drawn from outside. This, together with our highly advanced Building Management System, enables us to transfer heat generated from the air-conditioning system to warm the water used for taps and showers.

As LED lighting offers significant energy savings, we have installed LED lights at City of Dreams, both on the façade and for interior illumination. Specifically, we have selected T5 tubes, the most energy-efficient option in the market, for the Heart of the House to control the outdoor light fixtures through the use of photo sensors.



Youth Development, Education and Environment are the three core CSR pillars of Melco. We are dedicated to plant seeds in young people's minds about the importance of conserving resources through education and raise awareness of environmental responsibility through various activities.



Melco believes that each child should be given the same opportunity to reach his or her full potential in life. We help make it happen by instilling positive value for challenged youths through training and group activities.

Management Discussion and Analysis

Apart from our integrated resorts, our head office in Hong Kong has been participating in WWF's Low-carbon Office Operation Program (LOOP) since 2011 as part of our efforts to reduce our carbon footprint. With overall score of 80%, which was higher than 84.1% of the participating companies, the group successfully achieved the "Gold Label" recognition.

Moreover, for the eighth consecutive year, we have achieved the "Class of Excellence" in the Wastewi\$e Label scheme of The Hong Kong Awards for Environmental Excellence with waste reduction and more extensive use of recycled content. We have achieved the recycling goal for exhausted toner and ink cartridges and obsolete IT equipment accessories. During the year, our corporate collaterals, including newsletters, financial reports and CSR report, were printed with FSC paper.

Melco remains in compliance with all relevant laws and regulations on the provision of our products and services. Our environmental policies are constantly updated to meet the new policies and requirements. We also uphold stakeholder communications, which includes our own staff, customers, suppliers and members of the community.

We continue to engage them through comprehensive stakeholder communication exercises, optimising our policies and implementation in accordance with their feedback.

Social Responsibility

Youth Development

Melco believes that every individual, regardless of his or her socioeconomic background, life circumstances or personal challenges, should be given equal opportunities to fulfil his or her full potential and realise their own dreams. Ultimately, the future of our society depends on the youth. Hence, we make youth development one of the main pillars of our CSR programmes.

In 2015, Melco continued to organise programmes to support young people pursuing further education through the provision of scholarships and other aids, provide trainings to drug-addicted youth to help them reintegrate into the society, and create opportunities for families with gambling problems to rebuild child-parent relationships.



Melco is committed to giving back and creating value for the communities we have deep roots in. We believe that we have the responsibility and capability to build a better future for all and the next generations to come.



Melco supports green programmes that help reconnect children with the environment and promote nature appreciation through free play opportunity in the Forest School.

2015 Event Highlights – Youth Development

- Contributed to the Playright Hospital Play Program and helped a total of 2,587 children and their parents to deal with the stress and anxiety of staying in a hospital.
- Supported the Pediatric Eye Care project in Linyi, Shandong province, operated by the ORBIS International, for the past four years. Orbis organised training for medical staff and rural health workers, provided eye care treatments and spectacles for children and held professional conferences and a media campaign for blindness prevention. We are glad to see that the programme is now operating on a self-sustaining basis. We will continue our support of Orbis in Mainland China with a new pediatric eye care project in Linyi and Jinan starting July 2016.
- Sponsored two programmes of the Society for the Aid and Rehabilitation of Drug Abusers (SARDA), which helped 431 former young drug abusers to handle their emotions and pick up new vocational skills, among which 12 of them have embarked on a coffee-making career.
- Donated to the Operation Santa Claus (OSC) annual charity campaign co-organised by South China Morning Post and Radio Television Hong Kong. The funding benefited children, youths, the elderly, individuals with medical, physical and mental disabilities, as well as environmental and social enterprises.
- Funded programs of Hong Kong Physically Handicapped and Able-Bodies (PHAB), which promoted social integration of people with and without disabilities and benefited a total of 11,167 youths.

- Sponsored Child Development Centre's annual Daddy Daughter Ball. With the support of over 460 dads and daughters, we raised over HK\$1.8 million to help children with special educational needs.
- Contributed to the extension of Hong Kong Lutheran Centre's Caring for Our Kids Program, which provided child-centred counselling, parent-child activities and supported an educational campaign in partnership with schools to educate the next generation on the prevention of gambling programmes. During the year, a total of 68 parents and children benefited from the programme, which is the only available programme of this kind in Hong Kong at the moment.

Education

Melco is committed to the idea that each child should be given every opportunity to reach his or her full potential in life. We help to make it happen by offering them scholarships, grants and youth enrichment programmes. With these, the underprivileged children would be able to improve their life chances by being better educated and having enriched life experiences outside of school.

2015 Event Highlights – Education

- Established in 2009, The Lawrence Ho Scholarship Fund provides scholarships and work placements, internships and travel bursaries, student prizes and course development and research funding for students from mainland China, Macau and Hong Kong studying overseas. Some of the past recipients of the scholarship have joined Melco and Melco Crown Entertainment and started contributing to the success of our Group and its associated companies.
- Supported an education grant programme for orphans from Huangnan Children's Home (HUNCH) in Qinghai province run by Christian Action. During the 2015-2016 school year, 122 education grants were given out, of which 34 were tertiary education grants and 24 were high school education grants.

Management Discussion and Analysis

- Championed the cause of Responsible Gaming in Macau by launching a series of measures, which includes providing internal training for incoming and current staff, producing a video promoting Responsible Gaming that is aired on our internal TV channel and the employee intranet, displaying posters and brochures on Responsible Gaming in our properties and supporting the Self-Exclusion and Third-party Exclusion Applications initiative launched by Macau's Gaming Inspection and Coordination Bureau.

Apart from the environmental initiatives we undertook in our own operations, we are planting seeds in young people's minds about the importance of conserving resources through education. Through the Hong Kong Green Day – Captain Green Program, partnered with Green Council in 2015, we helped to raise awareness of environmental responsibility with activities attended by 60,000 students and fostered 400 Captain Green graduates. In 2015, we also kicked off a two-year programme to support Playright Children's Play Association – Forest School and Environmental Play – designed to encourage spontaneity, independence and reconnecting children with the nature.

Stakeholders Engagement

Understanding the views of stakeholders is critical to aligning our ESG and sustainability agenda with the issues they have identified as being in material interest. Hence we undertake an annual stakeholder engagement exercise, in addition to the day-to-day communications via dedicated staff members and communication channels, in order to understand and respond to the views of our stakeholders before creating our CSR programmes.

At Melco, we insist on high standards of corporate citizenship and our social responsibilities encompass ethical practices and governance of the Group's relationships with its key stakeholders, including employees, customers and suppliers that have a significant impact on the Group and on which Melco's success depends.

Employees

Melco believes that the key to success lies in our people. To reward our employees for their effort, contributions and loyalty, we have created an environment where all employees are given equal opportunities in recruitment, advancement and personal growth.

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

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

To ensure the continual growth of our business, we invest in our own employees by providing them with trainings relevant to their roles and business needs. By training employees systematically, they are able to develop relevant skills and knowledge, which in turn would have a positive impact on the business results.

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

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

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

Shareholders

Melco is committed to building strong ties with its stakeholders. Their continuous support is highly valued and integral to the Group's development and sustainability. A Shareholder Communication Policy is in place to ensure the investment community is provided with ready, equal and timely access to information about the Group. The policy also covers data privacy protection policies and measures for shareholders, so that no shareholders' information would be disclosed without their consent, unless such disclosure is required by law.

Suppliers

Melco recognises the importance of ethical supply chain management. At the moment, Melco is developing a Supplier Code of Conduct in the Melco Operational Policy Guidebook which would serve as an internal corporate policy guideline to our staff. Melco's suppliers are expected to uphold the same high standards of accountability as we do in operations. The policies are reviewed on an annual basis.

Customers

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

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

Corporate Governance

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. Policies addressing corporate governance and code of conduct are in place, facilitating effective management of the business and affairs of the Group under the Board's direction with a high standard of corporate governance. For details, please refer to the Corporate Governance Report on pages 48 to 60 of this annual report.

For more information about Melco's CSR initiatives and performances, please refer to Melco CSR Report 2015 or visit the website www.melco-group.com.



anagement Profile

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 39)

Executive Director (Chairman and Chief Executive Officer)

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

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

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

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

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

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. TSUI Che Yin, Frank (aged 58)

Executive Director

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

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

Mr. CHUNG Yuk Man, Clarence (aged 53)

Executive Director

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

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

Management Profile

Mr. NG Ching Wo (aged 65)

Non-executive Director

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

Mr. CHOW Kwong Fai, Edward, J.P. (aged 63)

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 and an independent non-executive director and chairman of the audit committee of Redco Properties Group Limited, a company 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 council member of The Institute of Chartered Accountants in England and Wales and 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, the Chairman of China Infrastructure Group, 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 member of the Election Committee of the Hong Kong Special Administrative Region, a non-executive director of the Urban Renewal Authority and a court member and a council member of the University of Hong Kong. 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 60)

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 60)

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. He is currently 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 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 38 years' experience in auditing, accounting, management and company secretarial practice.

Management Profile

SENIOR MANAGEMENT

Mr. TAM Chi Wai, Dennis, PhD, CPA (Aust), CMA (aged 46)

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

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

Mr. Tam obtained his Master Degree in Accounting from Monash University, completed his PhD program at Washington Intercontinental University and was trained at Harvard Business School in Cambridge, Massachusetts. He is the chairman of the board for Greater China for the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of the Institute of Public Accountants, a member of CPA Australia, a member of the Institute of Administrative Management in United Kingdom. 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. CHOY, Andy (aged 40)

Chief Gaming Officer

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

Mr. LEUNG Hoi Wai, Vincent (aged 42)

Group General Counsel

Mr. Leung is our 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 us, 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 17 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 54)

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 56)

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 with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company Code not only formalizes the Group's existing corporate governance principles and practices, it also serves to assimilate practices with benchmarks prescribed by the 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, in a fair and proper manner.

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 2015.

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 and management.

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

Composition of the Board

The Board comprises a total of seven Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely, Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, 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.

Corporate Governance Report

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

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

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

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. Chung Yuk Man, Clarence and Mr. Sham Sui Leung, Daniel will retire at the forthcoming annual general meeting. Mr. Chow Kwong Fai, Edward, who was appointed during the year to fill the vacancy occasioned by the passing away of Sir Roger Lobo, 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. Chung, Mr. Sham and Mr. Chow have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

Pursuant to Paragraph A.4.3 of the CG Code, re-election of independent non-executive director who has served the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. Mr. Sham Sui Leung, Daniel, Independent Non-executive Director, has served the Board for more than 9 years. The Board has received written confirmation from Mr. Sham regarding his independence in accordance with the Listing Rules. In view of this and in view of the fact that Mr. Sham is a very seasoned and experienced director, the board considers Mr. Sham has the necessary character, integrity and experience to remain independent notwithstanding his long length of service and will continue to bring invaluable independent advice and perspectives to the Company and its business. The Board therefore recommends Mr. Sham be re-elected as Independent Non-executive Director of the Company at the annual general meeting.

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

Directors' Training

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

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company has invited Deloitte Touche Tohmatsu to provide a seminar to our Directors on the topic of "Crisis Management". The Company has also sent information on external training courses and articles to Directors. A summary of training received by Directors during 2015 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 <i>(Chairman and Chief Executive Officer)</i>	✓	✓
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	✓	✓

Corporate Governance Report

Board Meetings

The Board met four times during 2015. 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 2015 are as follows:

Name of Directors	No. of meetings attended/held						
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Corporate		Annual general meeting
					Governance Committee meeting	Responsibility Committee meeting	
Executive Directors							
Mr. Ho, Lawrence Yau Lung	4/4	-	-	-	-	1/1	1/1
Mr. Tsui Che Yin, Frank	4/4	-	-	-	-	1/1	1/1
Mr. Chung Yuk Man, Clarence	4/4	-	-	-	-	1/1	1/1
Non-executive Director							
Mr. Ng Ching Wo	4/4	2/2	1/1	1/1	1/1	-	1/1
Independent Non-executive Directors							
Mr. Chow Kwong Fai, Edward <i>(appointed on 12 June 2015)</i>	2/2	-	-	-	-	-	-
Mr. Sham Sui Leung, Daniel	4/4	2/2	1/1	-	1/1	-	0/1
Dr. Tyen Kan Hee, Anthony	4/4	2/2	-	1/1	1/1	-	1/1
Sir Roger Lobo <i>(passed away on 18 April 2015)</i>	0/1	0/1	0/1	0/1	-	0/1	-
Average Attendance Rate	96.3%	85.7%	66.7%	66.7%	100%	75%	83.3%

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 2015.

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 2015.

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.

DELEGATION BY THE BOARD

Management functions

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

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

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

Corporate Governance Report

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out in the “Corporate Information” on page 212 of this annual report.

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

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

(1) *Executive Committee*

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

(2) *Audit Committee*

The Audit Committee is made up of 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 internal control procedures of the Group.

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

It met twice during the year and:-

- (a) reviewed the final financial results of 2014 and interim financial results of 2015;
- (b) reviewed and approved the 2014 annual report and 2015 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 2015; and
- (f) reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the Company’s auditor and their remuneration.

(3) *Nomination Committee*

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

- (a) reviewed the structure, size, composition and diversity of the Board;
- (b) reviewed the board diversity policy;
- (c) assessed the independence of Independent Non-executive Directors; and
- (d) recommended to the Board on 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 2015, Mr. Chow Kwong Fai, Edward was appointed to fill the vacancy occasioned by the passing away of Sir Roger Lobo. When considering the new appointment, the Nomination Committee assessed the candidates 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.

It met one during the year and:-

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

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

Corporate Governance Report

(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, the Executive Directors and Head of Corporate Communications (in a non-voting capacity). It steers the Group's CSR strategies and oversees implementation of the Group's CSR policies. Details of the Group's CSR activities are given in a separate CSR report. The CSR Committee met 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 Corporate Governance Committee met once during the year to review the Company's compliance with the CG Code and training and continuous professional development of Directors and senior management.

COMPANY SECRETARY

The Company Secretary supports the Board and Board Committees and facilitates good information flow between them and the Company's management. During the year, Mr. Tsang Yuen Wai, Samuel resigned and Mr. Leung Hoi Wai, Vincent was appointed as the Company Secretary of the Company with effect from 11 December 2015. Mr. Leung 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, both Mr. Tsang and Mr. Leung have 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 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 87 to 88 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, 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\$1.3 million respectively. The non-audit services mainly included interim review, taxation and advisory services.

INTERNAL CONTROLS

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

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

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

Management Supervision

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

Corporate Governance Report

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

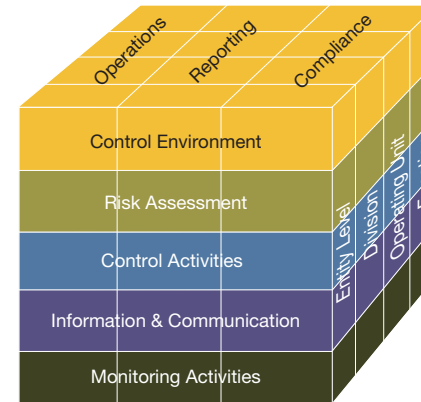
The Executive Committee conducts regular meetings with the management teams of business units to review business plans and strategies, and business performance against budgets and key operations statistics.

Group Internal Audit Function

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

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

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



Extracted from the COSO Internal Controls Integrated Framework - 2013

(1) *Control Environment*

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

(2) *Risk Assessment*

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

(3) *Control Activities*

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

(4) *Information and Communication*

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

(5) *Monitoring Activities*

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

Audit Committee Supervision

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for 2015 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, qualifications, experience, training programmes and budget of the Group's Finance Department and considers that they are adequate.

CONSTITUTIONAL DOCUMENTS

During the year, the shareholders of the Company approved the adoption of a new Articles of Association for the purpose of bringing it into line with the Companies Ordinance which came into force on 3 March 2014. The new Articles of Association is available on both the Company's and the Hong Kong Stock Exchange's websites.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

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

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

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 at www.melco-group.com.

Enquiries to the Board

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

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 2015 AGM and were on hand to answer questions.

The Group's Company Secretarial Department and Corporate Communications Department respond to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors may contact the Company by email via info@melco-group.com 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 have pleasure in submitting to shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 8 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 14 to 15 and 16 to 41 respectively of this annual report. No important event affecting the Group that has occurred since the end of the financial year ended 31 December 2015. An analysis of the Group's performance during the year using financial key performance indicators is set out on page 11 and in the Group's Five-year Financial Summary on page 211 of this annual report.

In addition, discussions on the Group's environmental policies and relationships with its employees, shareholders, suppliers and customers are contained in the "Environmental, Social and Governance" section on pages 36 to 41 of this annual report and in the Corporate Social Responsibility Report sent out together with this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. The Board considers that there is no compliance issue that has a significant impact of the Group.

Our audit committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 89 to 90 of this annual report.

Pursuant to the dividend policy announced by the Company on 28 March 2014, 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.

The Company paid an interim dividend of HK1.5 cents per share in September 2015, totaling HK\$23.2 million, which has already exceeded the prescribed annual dividend level under the Company's dividend policy. Hence, no final dividend has been recommended by the Board for the year ended 31 December 2015 but in view of the strong cash position of the Company, 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 2015 to the shareholders whose names appear on the register of members of the Company on 21 June 2016. 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 6 July 2016.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Monday, 13 June 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 8 June 2016 to Monday, 13 June 2016 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 June 2016.

The proposed special final dividend for the year ended 31 December 2015 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed special final dividend, the register of members of the Company will be closed from Friday, 17 June 2016 to Tuesday, 21 June 2016 (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 Tuesday, 14 June 2016. 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 Thursday, 16 June 2016.

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 33 and 35, respectively, to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, 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 211 of this annual report. This summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2015, the Company's reserves available for distribution consisted of capital reserve and retained profits of approximately HK\$7,053,000 and HK\$421,376,000 respectively (2014: HK\$30,253,000 and HK\$589,218,000 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 53% of the Group's total turnover for the year (2014: 26%) and the largest customer accounted for approximately 25% of the Group's turnover for the year (2014: 20%). The five largest suppliers accounted for approximately 55% of the Group's total purchases for the year (2014: 65%) and the largest supplier accounted for approximately 37% of the Group's purchases for the year (2014: 49%).

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

DIRECTORS

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

Executive Directors

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

Mr. Tsui Che Yin, Frank

Mr. Chung Yuk Man, Clarence

Non-executive Director

Mr. Ng Ching Wo

Independent Non-executive Directors

Mr. Chow Kwong Fai, Edward (appointed on 12 June 2015)

Mr. Sham Sui Leung, Daniel

Dr. Tyen Kan Hee, Anthony

Sir Roger Lobo (passed away on 18 April 2015)

In accordance with Article 89 of the Company's Articles of Association, Mr. Chow Kwong Fai, Edward, who was appointed during the year to fill the vacancy occasioned by the passing away of Sir Roger Lobo, 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. Chung Yuk Man, Clarence and Mr. Sham Sui Leung, Daniel, 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 42 to 45 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 under the "Corporate Governance" section.

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

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 of the Company 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

Save for the Share Option Scheme of the Company and the Share Subscription Scheme as disclosed in note 35 to the consolidated financial statements, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of each director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

(a) Ordinary shares of the Company

Name of Director	Number of ordinary shares held			Approximate	
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)	Total	% of total issued shares (Note 1)
Mr. Ho, Lawrence Yau Lung	27,699,132	457,752,077 (Note 5)	306,382,187 (Note 6)	791,833,396	51.20%
Mr. Tsui Che Yin, Frank	4,579,660	-	-	4,579,660	0.30%
Mr. Chung Yuk Man, Clarence	3,189,440	-	-	3,189,440	0.21%
Mr. Ng Ching Wo	76,000	-	-	76,000	0.00%
Mr. Sham Sui Leung, Daniel	76,000	-	-	76,000	0.00%
Dr. Tyen Kan Hee, Anthony	4,000	-	-	4,000	0.00%

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

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 7)	Number of awarded shares held (Notes 2 & 8)	Total	Approximate % of total issued shares (Note 1)
Mr. Ho, Lawrence Yau Lung	3,000,000	1,100,000	4,100,000	0.27%
Mr. Tsui Che Yin, Frank	3,326,000	96,000	3,422,000	0.22%
Mr. Chung Yuk Man, Clarence	2,770,000	98,000	2,868,000	0.19%
Mr. Ng Ching Wo	1,442,000	11,000	1,453,000	0.09%
Mr. Sham Sui Leung, Daniel	1,139,000	9,000	1,148,000	0.07%
Dr. Tyen Kan Hee, Anthony	937,000	9,000	946,000	0.06%

Notes:

- As at 31 December 2015, the total number of issued shares of the Company was 1,546,663,555.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- This represents interests held by the relevant director through a discretionary trust of which the relevant director is one of the beneficiaries.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

Notes: (continued)

5. The 457,752,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 36,627,447 shares and 7,294,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust respectively, representing approximately 19.04%, 7.71%, 2.37% and 0.47% of the issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung 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 19.81% of the issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.
7. Details of share options granted to the directors pursuant to the share option schemes of the Company are set out in the "Share Option Schemes" section of this report and note 35 to the consolidated financial statements.
8. Details of awarded shares granted to the directors pursuant to The Melco Share Purchase Scheme are set out in note 35 to the consolidated financial statements.

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

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

(a) Ordinary shares of MelcoLot

Name of Director	Number of ordinary shares held			Total	Approximate % of total issued shares of MelcoLot (Note 1)
	Personal interests	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	-	1,278,714,329 ^(Note 4)	-	1,278,714,329	40.65%

(b) Share options granted by MelcoLot

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

Notes:

- As at 31 December 2015, the total number of issued shares of MelcoLot was 3,145,656,900.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in 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 51.20% of the issued shares of the Company, which, in turn, holds approximately 40.65% of the issued shares of MelcoLot.
- Details of share options granted to the directors pursuant to the share option schemes of MelcoLot are set out in the section headed "Share Option Schemes" of this report and note 35 to the consolidated financial statements.

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

(a) Shares of EGT

Name of Director	Number of shares held (Note 1)			Total	Approximate % of total issued shares of EGT (Note 1)
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	-	9,378,074 (Note 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 (Notes 1, 2 & 5)	Approximate % of total issued shares of EGT (Note 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%

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

Notes:

- EGT has effected a 1-for-4 reverse stock split (the "Share Consolidation") of its shares with effect from 26 February 2015. As a result of the Share Consolidation, every four shares have been combined into one share. The number of shares, underlying shares in respect of stock options and the exercise prices of the stock options of EGT have been adjusted for the effect of the Share Consolidation. As at 31 December 2015, the total number of issued shares of EGT was 14,464,220.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to 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 51.20% of the issued shares of the Company, which, in turn, holds approximately 64.84% of the issued shares of EGT.
- Details of share options granted to the directors pursuant to the EGT 1999 Stock Option Plans and the EGT 2008 Stock Incentive Plan are set out in the section headed "Share Option Schemes" of this report and note 35 to the consolidated financial statements.

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

(a) Ordinary shares of Melco Crown Entertainment

Name of Director	Number of ordinary shares held			Total	Approximate % of total issued shares of Melco Crown Entertainment (Note 1)
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 5)		
Mr. Ho, Lawrence Yau Lung	4,062,509	559,229,043 ^(Note 4)	559,229,043 ^(Note 5)	1,122,520,595	68.83%
Mr. Tsui Che Yin, Frank	11,850	-	-	11,850	0.00%
Mr. Chung Yuk Man, Clarence	33,034	-	-	33,034	0.002%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

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

Name of Director	Number of underlying shares held pursuant to stock options (Notes 2 & 6)	Number of restricted shares held (Notes 2 & 7)	Approximate % of total issued shares of Melco Crown Entertainment	
			Total	(Note 1)
Mr. Ho, Lawrence Yau Lung	6,947,973	565,750	7,513,723	0.46%
Mr. Chung Yuk Man, Clarence	194,664	27,810	222,474	0.01%

Notes:

- As at 31 December 2015, the total number of issued shares of Melco Crown Entertainment was 1,630,924,523.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.

- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 559,229,043 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly owned subsidiary of the Company, as a result of his interest in approximately 51.20% of the issued shares of the Company.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is also taken to be interested in 559,229,043 shares of Melco Crown Entertainment which are being held by Crown Asia Investments Pty. Ltd. ("Crown Asia") because of the rights of first refusal over such shares granted by Crown Asia to Melco Leisure under the amended and restated shareholders' deed entered into among Melco Crown Entertainment, Melco Leisure, the Company, Crown Asia and Crown Resorts Limited (formerly known as Crown Limited) dated 12 December 2007, as a result of his interest in approximately 51.20% of the issued shares of the Company.
- Details of the 6,947,973 stock options held by Mr. Ho, Lawrence Yau Lung are as follows:
 - 2,898,774 stock options granted on 17 March 2009 at exercise price of US\$1.09 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019
 - 755,058 stock options granted on 25 November 2009 at exercise price of US\$1.43 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 17 March 2018
 - 1,446,498 stock options granted on 23 March 2011 at exercise price of US\$2.52 are divided into 3 tranches exercisable from 23 March 2012, 23 March 2013 and 23 March 2014 respectively to 22 March 2021
 - 474,399 stock options granted on 29 March 2012 at exercise price of US\$4.70 are divided into 3 tranches exercisable from 29 March 2013, 29 March 2014 and 29 March 2015 respectively to 28 March 2022
 - 362,610 stock options granted on 10 May 2013 at exercise price of US\$8.42 are divided into 3 tranches exercisable from 10 May 2014, 10 May 2015 and 10 May 2016 respectively to 9 May 2023

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

Notes: (continued)

- 320,343 stock options granted on 28 March 2014 at exercise price of US\$12.98 are exercisable from 28 March 2017 to 27 March 2024
- 690,291 stock options granted on 30 March 2015 at exercise price of US\$7.48 are exercisable from 30 March 2018 to 29 March 2025

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

- 56,628 stock options granted on 18 March 2008 at exercise price of US\$4.01 are divided into 4 tranches exercisable from 18 March 2009, 18 March 2010, 18 March 2011 and 18 March 2012 respectively to 17 March 2018
- 138,036 stock options granted on 17 March 2009 at exercise price of US\$1.09 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019

7. Details of the 565,750 restricted shares held by Mr. Ho, Lawrence Yau Lung are as follows:

- 60,435 restricted shares granted on 10 May 2013 will vest on 10 May 2016
- 160,171 restricted shares granted on 28 March 2014 will vest on 28 March 2017
- 345,144 restricted shares granted on 30 March 2015 will vest on 30 March 2018

Details of the 27,810 restricted shares held by Mr. Chung Yuk Man, Clarence are as follows:

- 4,833 restricted shares granted on 10 May 2013 will vest on 10 May 2016
- One half of the 6,408 restricted shares granted on 28 March 2014 will vest on each of the following dates: 28 March 2016 and 28 March 2017
- One third of the 16,569 restricted shares granted on 30 March 2015 will vest on each of the following dates: 30 March 2016, 30 March 2017 and 30 March 2018

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

(a) Common shares of Melco Crown Philippines

Name of Director	Number of common shares held (Note 2)	Approximate % of total issued shares of Melco Crown Philippines (Note 1)
Mr. Ho, Lawrence Yau Lung	5,202,426	0.09%
Mr. Chung Yuk Man, Clarence	3,692,924	0.07%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

(b) Share options and restricted shares granted by Melco Crown Philippines

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 3)	Number of restricted shares held (Notes 2 & 4)	Total	Approximate % of issued shares of Melco Crown Philippines (Note 1)
Mr. Ho, Lawrence Yau Lung	15,607,276	2,601,212	18,208,488	0.32%
Mr. Chung Yuk Man, Clarence	10,404,851	4,530,190	14,935,041	0.26%

Notes:

- As at 31 December 2015, the total number of issued shares of Melco Crown Philippines (a listed subsidiary of Melco Crown Entertainment) was 5,643,355,478.
- This represents interests held by the relevant director as beneficial owner.
- The share options granted on 28 June 2013 at exercise price of PHP8.30 are divided into 3 tranches exercisable from 4 March 2015, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.

- Details of the 2,601,212 restricted shares held by Mr. Ho, Lawrence Yau Lung are as follows:

- 2,601,212 restricted shares granted on 28 June 2013 will vest on 29 April 2016

Details of the 4,530,190 restricted shares held by Mr. Chung Yuk Man, Clarence are as follows:

- 1,734,141 restricted shares granted on 28 June 2013 will vest on 29 April 2016
- One half of the 449,282 restricted shares granted on 30 May 2014 will vest on each of the following dates: 30 May 2016 and 30 May 2017
- Among the 2,346,767 restricted shares granted on 29 September 2015, 586,691 restricted shares will vest on 29 September 2016, 586,691 restricted shares will vest on 29 September 2017 and 1,173,385 restricted shares will vest on 29 September 2018

Save as disclosed above, as at 31 December 2015, 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 Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTION SCHEMES

(I) The Company

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

At the annual general meeting of the Company held on 30 May 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “2012 Share Option Scheme”), under which the directors of the Company may, at their discretion, grant to participants of the 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.

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

Under the 2002 Share Option Scheme

Category of participants	Number of share options						Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2015			
Directors									
Mr. Ho, Lawrence Yau Lung	200,000	-	(200,000)	-	-	-	07.04.2010	3.76	6
	200,000	-	(200,000)	-	-	-			
Mr. Tsui Che Yin, Frank	170,000	-	-	-	-	170,000	07.04.2010	3.76	6
	1,200,000	-	-	-	-	1,200,000	27.01.2012	7.1	8
	1,370,000	-	-	-	-	1,370,000			
Mr. Chung Yuk Man, Clarence	307,000	-	-	-	-	307,000	13.02.2006	11.8	9
	170,000	-	-	-	-	170,000	07.04.2010	3.76	6
	330,000	-	-	-	-	330,000	27.01.2012	7.1	8
	807,000	-	-	-	-	807,000			
Mr. Ng Ching Wo	300,000	-	-	-	-	300,000	03.04.2006	15.87	10
	51,000	-	-	-	-	51,000	28.02.2008	11.5	11
	91,000	-	-	-	-	91,000	03.04.2009	2.99	5
	60,000	-	-	-	-	60,000	07.04.2010	3.76	12
	350,000	-	-	-	-	350,000	08.04.2011	5.75	7
	210,000	-	-	-	-	210,000	27.01.2012	7.1	8
	1,062,000	-	-	-	-	1,062,000			

SHARE OPTION SCHEMES (continued)

(I) The Company (continued)

Under the 2002 Share Option Scheme (continued)

Category of participants	Number of share options					As at 31 December 2015	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year				
Directors									
Sir Roger Lobo ^(Note 2)	300,000	-	-	-	(300,000)	-	03.04.2006	15.87	10
	51,000	-	-	-	(51,000)	-	28.02.2008	11.5	11
	91,000	-	-	-	(91,000)	-	03.04.2009	2.99	5
	60,000	-	-	-	(60,000)	-	07.04.2010	3.76	12
	350,000	-	-	-	(350,000)	-	08.04.2011	5.75	7
	210,000	-	-	-	(210,000)	-	27.01.2012	7.1	8
	1,062,000	-	-	-	(1,062,000)	-			
Mr. Sham Sui Leung, Daniel	51,000	-	-	-	-	51,000	28.02.2008	11.5	11
	91,000	-	-	-	-	91,000	03.04.2009	2.99	5
	60,000	-	-	-	-	60,000	07.04.2010	3.76	12
	350,000	-	-	-	-	350,000	08.04.2011	5.75	7
	210,000	-	-	-	-	210,000	27.01.2012	7.1	8
	762,000	-	-	-	-	762,000			
Dr. Tyen Kan Hee, Anthony	350,000	-	-	-	-	350,000	08.04.2011	5.75	7
	210,000	-	-	-	-	210,000	27.01.2012	7.1	8
	560,000	-	-	-	-	560,000			
Sub-total	5,823,000	-	(200,000)	-	(1,062,000)	4,561,000			

Category of participants	Number of share options					As at 31 December 2015	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year				
Employees	380,000	-	-	-	-	380,000	13.02.2006	11.8	13
	91,300	-	-	-	-	91,300	01.04.2008	10.804	4
	111,000	-	-	-	-	111,000	03.04.2009	2.99	5
	645,000	-	-	-	(125,000)	520,000	07.04.2010	3.76	6
	1,032,000	-	-	-	-	1,032,000	08.04.2011	5.75	7
	2,463,400	-	-	-	(330,000)	2,133,400	27.01.2012	7.1	8
Sub-total	4,722,700	-	-	-	(455,000)	4,267,700			
Others ^(Note 2)	2,912,000	-	-	-	-	2,912,000	13.02.2006	11.8	13
	300,000	-	-	-	300,000	600,000	03.04.2006	15.87	10
	51,000	-	-	-	51,000	102,000	28.02.2008	11.5	11
	110,200	-	-	-	-	110,200	01.04.2008	10.804	4
	120,000	-	-	-	91,000	211,000	03.04.2009	2.99	5
	260,000	-	-	-	185,000	445,000	07.04.2010	3.76	6
	186,000	-	-	-	350,000	536,000	08.04.2011	5.75	7
	411,000	-	-	-	540,000	951,000	27.01.2012	7.1	8
Sub-total	4,350,200	-	-	-	1,517,000	5,867,200			
Total	14,895,900	-	(200,000)	-	-	14,695,900			

Report of the Directors

SHARE OPTION SCHEMES (continued)

(I) The Company (continued)

Under the 2012 Share Option Scheme

Category of participants	Number of share options						Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2015			
Directors									
Mr. Ho, Lawrence Yau Lung	1,500,000	-	-	-	-	1,500,000	03.04.2014	26.65	15
	-	1,500,000	-	-	-	1,500,000	08.04.2015	14.24	18
	1,500,000	1,500,000	-	-	-	3,000,000			
Mr. Tsui Che Yin, Frank	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	14
	700,000	-	-	-	-	700,000	03.04.2014	26.65	16
	-	256,000	-	-	-	256,000	08.04.2015	14.24	19
	1,700,000	256,000	-	-	-	1,956,000			
Mr. Chung Yuk Man, Clarence	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	14
	700,000	-	-	-	-	700,000	03.04.2014	26.65	16
	-	263,000	-	-	-	263,000	08.04.2015	14.24	19
	1,700,000	263,000	-	-	-	1,963,000			
Mr. Ng Ching Wo	200,000	-	-	-	-	200,000	02.04.2013	13.4	14
	150,000	-	-	-	-	150,000	03.04.2014	26.65	16
	-	30,000	-	-	-	30,000	08.04.2015	14.24	19
	350,000	30,000	-	-	-	380,000			

Category of participants	Number of share options						Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2015			
Sir Roger Lobo ^(Note 2)	200,000	-	-	-	(200,000)	-	02.04.2013	13.4	14
	150,000	-	-	-	(150,000)	-	03.04.2014	26.65	16
	-	30,000	-	(30,000)	-	-	08.04.2015	14.24	19
	350,000	30,000	-	(30,000)	(350,000)	-			
Mr. Sham Sui Leung, Daniel	200,000	-	-	-	-	200,000	02.04.2013	13.4	14
	150,000	-	-	-	-	150,000	03.04.2014	26.65	16
	-	27,000	-	-	-	27,000	08.04.2015	14.24	19
	350,000	27,000	-	-	-	377,000			
Dr. Tyen Kan Hee, Anthony	200,000	-	-	-	-	200,000	02.04.2013	13.4	14
	150,000	-	-	-	-	150,000	03.04.2014	26.65	16
	-	27,000	-	-	-	27,000	08.04.2015	14.24	19
	350,000	27,000	-	-	-	377,000			
Sub-total	6,300,000	2,133,000	-	(30,000)	(350,000)	8,053,000			

SHARE OPTION SCHEMES (continued)

(I) The Company (continued)

Under the 2012 Share Option Scheme (continued)

Category of participants	Number of share options					As at 31 December 2015	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year				
Employees	2,564,000	-	-	-	(500,000)	2,064,000	02.04.2013	13.4	14
	2,831,000	-	-	-	(700,000)	2,131,000	03.04.2014	26.65	16
	200,000	-	-	-	-	200,000	29.08.2014	20.83	17
	-	937,000	-	-	(223,000)	714,000	08.04.2015	14.24	19
Sub-total	5,595,000	937,000	-	-	(1,423,000)	5,109,000			
Others ^(Note 20)	499,000	-	-	-	700,000	1,199,000	02.04.2013	13.4	14
	245,000	-	-	-	850,000	1,095,000	03.04.2014	26.65	16
	-	43,000	-	-	223,000	266,000	08.04.2015	14.24	19
Sub-total	744,000	43,000	-	-	1,773,000	2,560,000			
Total	12,639,000	3,113,000	-	(30,000)	-	15,722,000			

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- Sir Roger Lobo, an independent non-executive director of the Company, passed away on 18 April 2015.

- During the year ended 31 December 2015, no share options were cancelled under the 2002 Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the share options were exercised were HK\$13.32 and HK\$13.62 respectively.
- 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.
- 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.
- 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.
- 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.
- 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.
- The share options granted on 13 February 2006 are divided into 3 tranches exercisable from 1 April 2008, 1 April 2010 and 1 April 2012 respectively to 31 January 2016.
- The share options granted on 3 April 2006 are divided into 3 tranches exercisable from 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 2 April 2016.
- 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.

Report of the Directors

SHARE OPTION SCHEMES (continued)

(I) The Company (continued)

Under the 2012 Share Option Scheme (continued)

Notes: (continued)

12. 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.
13. The share options granted on 13 February 2006 are divided into 6 tranches exercisable from 1 April 2008, 1 April 2010, 1 April 2012, 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 31 January 2016.
14. 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.
15. 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.
16. 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.
17. 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.
18. The share options granted on 8 April 2015 are divided into 2 tranches exercisable from 8 April 2015 and 8 April 2016 to 7 April 2025.
19. 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 to 7 April 2025.
20. The category “Others” represents the former directors/employees or consultants of the Group.

(II) MelcoLot

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

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

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

SHARE OPTION SCHEMES (continued)

(II) MelcoLot (continued)

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

Name of Director	Number of share options						As at 31 December 2015	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Modified during the year	Cancelled during the year				
Under MelcoLot 2012 Share Option Scheme										
Mr. Ho,	7,385,871	-	-	-	-	-	7,385,871	02.07.2013	0.511	9
Lawrence	4,384,000	-	-	-	(4,384,000)	-	-	11.08.2014	1.140	10
Yau Lung	-	6,368,000	-	-	4,384,000	-	10,752,000	09.10.2015	0.465	10
Mr. Tsui	6,386,400	-	-	-	-	-	6,386,400	02.07.2013	0.511	9
Che Yin,	16,000,000	-	-	-	(16,000,000)	-	-	11.08.2014	1.140	10
Frank	-	-	-	-	14,495,000	-	14,495,000	09.10.2015	0.465	10
Total	34,156,271	6,368,000	-	-	(1,505,000)	-	39,019,271			

(ii) Share options granted to other eligible participants

	Number of share options						As at 31 December 2015	Date of grant	Exercise price HK\$	Exercise period (Note)
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Modified during the year	Cancelled during the year				
Under MelcoLot 2002 Share Option Scheme										
Other eligible participants	52,300	-	-	-	-	-	52,300	12.01.2007	0.063	4
(Note 11)	3,143,610	-	-	-	-	-	3,143,610	31.03.2008	0.638	5
	2,956,728	-	-	-	-	-	2,956,728	16.02.2009	0.215	6
	502,084	-	(111,574)	-	-	-	390,510	10.07.2009	0.263	7
	446,297	-	-	-	-	-	446,297	18.11.2010	0.109	8
Total	7,101,019	-	(111,574)	-	-	-	6,989,445			
Under MelcoLot 2012 Share Option Scheme										
Other eligible participants	17,562,600	-	-	-	-	-	17,562,600	02.07.2013	0.511	9
(Note 11)	61,324,000	-	-	-	(60,976,000)	(348,000)	-	11.08.2014	1.140	10
	-	-	-	-	56,461,000	-	56,461,000	09.10.2015	0.465	10
Total	78,886,600	-	-	-	(4,515,000)	(348,000)	74,023,600			

Report of the Directors

SHARE OPTION SCHEMES (continued)

(II) MelcoLot (continued)

Notes:

1. In respect of the share options exercised during the year, the weighted average closing price of the shares of MelcoLot immediately before and on the date of which the share options were exercised were HK\$0.49 and HK\$0.485 respectively.
2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
3. The exercise price and the number of share options granted from 2007 to 2013 have been adjusted for the effect of the open offer which took place in May 2014 pursuant to the terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme. For details, please refer to the announcement of MelcoLot dated 28 May 2014.
4. 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.
5. 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.
6. 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.
7. 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.

8. 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.
9. 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.
10. On 9 October 2015, (1) a total of 81,708,000 share options (the “2014 Share Options”) previously granted by MelcoLot 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; 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. All the Grantees had given their written consent to cancel their respective 2014 Share Options. The grant of Replacement Share Options comprised the modification of 75,340,000 share options and the grant of 6,368,000 new share options.

The directors of MelcoLot considered that the exercise price of the 2014 Share Options, being HK\$1.14 per MelcoLot’s share, was significantly higher than the current market price of MelcoLot’s shares, the 2014 Share Options could no longer serve the purpose of providing incentives or rewards to the Grantees. The replacement by the Replacement Share Options, by bringing the exercise price, being HK\$0.465 per MelcoLot’s share, to the current trading price level of MelcoLot’s shares would better serve the purpose of the MelcoLot 2012 Share Option Scheme in providing incentives or rewards to the Grantees for their contributions to MelcoLot and its subsidiaries.

SHARE OPTION SCHEMES (continued)

(II) MelcoLot (continued)

Notes: (continued)

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 MelcoLot to the Company or its nominee(s) pursuant to the share purchase agreement dated 9 October 2015 entered into between the Company and MelcoLot (the “Share Purchase Agreement”); or (b) the termination of the Share Purchase Agreement.

11. “Other eligible participants” represents the directors (other than the directors of the Company), employees or consultants of MelcoLot.
12. Summaries of the principal terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme and the share options granted under the schemes are also set out in note 35 to the consolidated financial statements.

(III) EGT

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

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

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

Movements of the stock options, which were granted under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan, during the year ended 31 December 2015, are set out below:

Report of the Directors

SHARE OPTION SCHEMES (continued)

(III) EGT (continued)

(i) Stock options granted to the Directors of the Company

Name of Director	Number of stock options										
	Before the Share Consolidation			After the Share Consolidation			As at 31 December 2015	Date of grant	Exercise price US\$ (Before)	Exercise price US\$ (After)	Exercise Period (Note)
	As at 1 January 2015	Exercised	Lapsed	Adjustment for the Share Consolidation (Note 1)	Granted and Exercised	Lapsed					
Under EGT 1999 Stock Option Plans											
Mr. Chung Yuk	7,500	-	-	(5,625)	-	-	1,875	22.01.2008	14.48	57.92	3
Man, Clarence	25,000	-	-	(18,750)	-	-	6,250	12.02.2008	18.36	73.44	4
	500,000	-	-	(375,000)	-	-	125,000	29.12.2008	0.68	2.72	5
Mr. Sham Sui Leung, Daniel	25,000	-	-	(18,750)	-	-	6,250	11.12.2008	0.32	1.28	15
Dr. Tyen Kan Hee, Anthony	25,000	-	-	(18,750)	-	-	6,250	11.12.2008	0.32	1.28	15
Total	582,500	-	-	(436,875)	-	-	145,625				
Under EGT 2008 Stock Incentive Plan											
Mr. Chung Yuk	12,500	-	-	(9,375)	-	-	3,125	12.02.2009	0.52	2.08	6
Man, Clarence	12,500	-	-	(9,375)	-	-	3,125	07.01.2010	1.16	4.64	7
	125,000	-	-	(93,750)	-	-	31,250	22.01.2010	1.1	4.4	8
	137,500	-	-	(103,125)	-	-	34,375	03.02.2011	1.44	5.76	9
	175,000	-	-	(131,250)	-	-	43,750	03.01.2012	0.924	3.696	10
	25,000	-	-	(18,750)	-	-	6,250	02.01.2013	1.965	7.86	11
	65,000	-	-	(48,750)	-	-	16,250	02.01.2013	1.965	7.86	12
	25,000	-	-	(18,750)	-	-	6,250	02.01.2014	1.211	4.844	13
	100,000	-	-	(75,000)	-	(13,750)	11,250	02.01.2014	1.211	4.844	14
Mr. Sham Sui Leung, Daniel	12,500	-	-	(9,375)	-	-	3,125	12.02.2009	0.52	2.08	6
Dr. Tyen Kan Hee, Anthony	12,500	-	-	(9,375)	-	-	3,125	12.02.2009	0.52	2.08	6
	12,500	-	-	(9,375)	-	-	3,125	07.01.2010	1.16	4.64	7
	12,500	-	-	(9,375)	-	-	3,125	03.02.2011	1.44	5.76	16
	25,000	-	-	(18,750)	-	-	6,250	03.01.2012	0.924	3.696	17
	25,000	-	-	(18,750)	-	-	6,250	02.01.2013	1.965	7.86	11
	25,000	-	-	(18,750)	-	-	6,250	02.01.2014	1.211	4.844	18
Total	802,500	-	-	(601,875)	-	(13,750)	186,875				

(ii) Stock options granted to other eligible participants

	Number of stock options										
	Before the Share Consolidation			After the Share Consolidation			As at 31 December 2015	Date of grant	Exercise price US\$ (Before)	Exercise price US\$ (After)	Exercise Period (Note)
	As at 1 January 2015	Exercised	Lapsed	Adjustment for the Share Consolidation (Note 1)	Granted and Exercised	Lapsed					
Under EGT 1999 Stock Option Plans											
Other eligible participants	221	-	-	(165)	-	(56)	-	05.01.2005	6.80	26.836	23
	2,500	-	-	(1,875)	-	(625)	-	16.02.2005	7.32	29.28	19
	12,500	-	-	(9,375)	-	(3,125)	-	07.11.2005	12.00	48.00	24
	2,500	-	-	(1,875)	-	-	625	30.01.2006	12.12	48.48	20
	7,500	-	-	(5,625)	-	-	1,875	06.03.2007	9.72	38.88	21
	1,250	-	-	(937)	-	-	313	07.03.2007	9.60	38.339	22
	1,250	-	-	(937)	-	-	313	07.03.2007	9.60	38.339	25
	4,000	-	-	(3,000)	-	-	1,000	10.09.2007	12.44	49.76	26
	30,000	-	-	(22,500)	-	-	7,500	22.01.2008	14.48	57.92	3
	31,250	-	-	(23,437)	-	-	7,813	12.02.2008	16.88	67.516	27
	49,750	-	-	(37,312)	-	-	12,438	12.02.2008	18.36	73.44	28
	50,000	-	-	(37,500)	-	-	12,500	21.05.2008	4.88	19.52	29
	50,000	-	-	(37,500)	-	-	12,500	11.12.2008	0.32	1.28	15
	112,500	-	-	(84,374)	-	-	28,126	11.12.2008	0.32	1.28	30
Total	355,221	-	-	(266,412)	-	(3,806)	85,003				

SHARE OPTION SCHEMES (continued)

(III) EGT (continued)

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

	Number of stock options						As at 31 December 2015	Date of grant	Exercise price US\$ (Before)	Exercise price US\$ (After)	Exercise Period (Note)
	Before the Share Consolidation			After the Share Consolidation							
	As at 1 January 2015	Exercised	Lapsed	Adjustment for the Share Consolidation (Note 1)	Granted and Exercised	Lapsed					
Under EGT 2008 Stock Incentive Plan											
Other eligible participants (Note 30)	75,000	-	-	(56,250)	-	-	18,750	12.02.2009	0.52	2.08	6
	37,500	-	-	(28,125)	-	-	9,375	07.01.2010	1.16	4.64	7
	150,001	-	-	(112,500)	-	-	37,501	12.03.2010	1.04	4.16	31
	137,502	-	-	(103,125)	-	-	34,377	13.05.2010	1.06	4.24	32
	18,750	-	-	(14,062)	-	-	4,688	17.08.2010	0.96	3.84	33
	603,619	-	-	(452,712)	-	-	150,907	03.02.2011	1.44	5.76	34
	37,500	-	-	(28,125)	-	-	9,375	03.02.2011	1.44	5.76	16
	75,000	-	-	(56,250)	-	-	18,750	03.01.2012	0.924	3.696	17
	25,000	-	-	(18,750)	-	-	6,250	20.07.2012	2.17	8.676	37
	15,000	-	-	(11,250)	-	-	3,750	07.09.2012	2.14	8.564	35
	75,000	-	-	(56,250)	-	-	18,750	02.01.2013	1.965	7.86	11
	75,000	-	-	(56,250)	-	-	18,750	11.03.2013	1.874	7.496	36
	75,000	-	-	(56,250)	-	-	18,750	02.01.2014	1.211	4.844	18
Total	1,399,872	-	-	(1,049,899)	-	-	349,973				

Notes:

- EGT has effected the Reverse Stock Split (the "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.
- The vesting period of the stock options is from the date of grant until the commencement of the exercise period.

- The stock options granted on 22 January 2008 may be exercised from 23 July 2008 to 22 January 2018.
- The stock options granted on 12 February 2008 may be exercised from 15 May 2008 to 14 November 2017.
- The stock options granted on 29 December 2008 may be exercised from 29 December 2009 to 29 December 2018.
- The stock options granted on 12 February 2009 may be exercised from 13 August 2009 to 12 February 2019.
- The stock options granted on 7 January 2010 may be exercised from 8 July 2010 to 7 January 2020.
- The stock options granted on 22 January 2010 may be exercised from 1 January 2011 to 22 January 2020.
- 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.
- 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.
- The stock options granted on 2 January 2013 may be exercised from 3 July 2013 to 2 January 2023.
- The stock options granted on 2 January 2013 may be exercised from 2 January 2016 to 2 January 2023.
- The stock options granted on 2 January 2014 may be exercised from 3 July 2014 to 2 January 2024.
- The stock options granted on 2 January 2014 may be exercised from 2 January 2017 to 2 January 2024.

Report of the Directors

SHARE OPTION SCHEMES (continued)

(III) EGT (continued)

Notes: (continued)

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 16 February 2005 may be exercised from 17 August 2005 to 16 February 2015.
20. The stock options granted on 30 January 2006 may be exercised from 31 July 2006 to 30 January 2016.
21. The stock options granted on 6 March 2007 may be exercised from 7 September 2007 to 6 March 2017.
22. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.
23. The stock options granted on 5 January 2005 may be exercised from 5 January 2005 to 5 January 2015.
24. The stock options granted on 7 November 2005 are divided into 2 tranches exercisable from 7 November 2007 and 7 November 2008 respectively to 7 November 2015.
25. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.
26. The stock options granted on 10 September 2007 may be exercised from 18 November 2007 to 10 September 2017.
27. 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.
28. The stock options granted on 12 February 2008 may be exercised from 13 August 2008 to 14 November 2017.
29. 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.
30. 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.
31. The stock options granted on 12 March 2010 may be exercised from 12 March 2011 to 12 March 2020.
32. 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.
33. 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.
34. 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.

SHARE OPTION SCHEMES (continued)

(III) EGT (continued)

Notes: (continued)

35. 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.
36. 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.
37. 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.
38. No stock options were exercised and cancelled under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan during year ended 31 December 2015.
39. “Other eligible participants” represents the directors (other than the directors of the Company), employees or consultants of EGT.
40. Summaries of the principal terms of the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan and the stock options granted under the plans are also set out in note 35 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ho, Lawrence Yau Lung has effective beneficial interests in Shun Tak Holdings Limited (“STHL”), Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”) and SJM Holdings Limited (“SJM”) of not more than 2%. These effective beneficial interests are held through a number of intermediary companies in which Mr. Ho has interest. STHL, STDM and SJM are involved in hotel and casino business, which competes with the business of the Company’s associate, Melco Crown Entertainment Limited, in Macau. Mr. Ho is not a director of STHL, 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

During the year ended 31 December 2015, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2015, which do not constitute connected transactions under the Listing Rules, are disclosed in note 39 to the consolidated financial statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, 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	-	19.04%	2
Lasting Legend Ltd.	Beneficial owner	119,303,024	-	7.71%	2
Great Respect Limited	Beneficial owner	306,382,187	-	19.81%	4
SG Trust (Asia) Ltd.	Trustee	306,382,187	-	19.81%	4
	Trustee	413,830,630	-	26.76%	5
	Beneficial owner	27,699,132	4,100,000	2.06%	7
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporations	457,752,077	-	29.60%	3
	Beneficiary of a trust	306,382,187	-	19.81%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	791,833,396	4,100,000	51.46%	6, 7
Southeastern Asset Management, Inc.	Investment manager	287,256,788	-	18.57%	-

Notes:

- As at 31 December 2015, the total number of issued shares of the Company was 1,546,663,555.

- 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.
- The 457,752,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 36,627,447 shares and 7,294,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust respectively, representing approximately 19.04%, 7.71%, 2.37% and 0.47% of the issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.
- Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members (including his father, Dr. Ho Hung Sun, Stanley). SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. Mr. Ho, Lawrence Yau Lung is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.
- The 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.
- 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.
- Regarding the interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 31 December 2015, 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 2012 Share Option Scheme as disclosed in note 35 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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 its directors, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 48 to 60 of this annual report.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme and two share incentive award schemes, as an incentive to directors and employees. Details of the schemes are set out in note 35 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has an audit committee, which was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee, made up of a non-executive director and 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, internal control and financial reporting matters with management.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$3,124,000 (2014: HK\$3,030,000).

Report of the Directors

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 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 2016

Independent Auditor's Report



TO THE MEMBERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED

新濠國際發展有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Melco International Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 89 to 210, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	7	427,389	201,735
Other income, other gains or losses	9	14,564	94,730
Investment (loss) income	10	(143)	3,554
Purchases and changes in inventories of finished goods and work in progress		(81,409)	(76,445)
Raw materials and consumables used		(49,771)	(1,421)
Employee benefits expense	11	(284,085)	(303,674)
Depreciation of property, plant and equipment		(38,594)	(8,751)
Increase in fair value of investment properties	19	8,000	10,370
Loss on deemed disposal of partial interest in an associate	23	(1,394)	(14,923)
Other expenses		(158,339)	(119,622)
Finance costs	12	(45,779)	(43,918)
Share of losses of joint ventures		(5,695)	(139)
Share of profits of associates		307,333	1,693,612
Profit before tax	13	92,077	1,435,108
Income tax (expense) credit	14	(1,200)	19
Profit for the year		90,877	1,435,127
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(702)	6,545
Fair value loss on available-for-sale investments		-	(1,867)
Share of exchange differences of an associate		(12,835)	(2,431)
Share of exchange differences of joint ventures		(13,136)	(15,422)
Other comprehensive expense for the year, net of income tax		(26,673)	(13,175)
Total comprehensive income for the year		64,204	1,421,952

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		100,924	1,487,172
Non-controlling interests		(10,047)	(52,045)
		90,877	1,435,127
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		74,126	1,470,519
Non-controlling interests		(9,922)	(48,567)
		64,204	1,421,952
Earnings per share			
Basic (HK\$)	18	0.07	0.96
Diluted (HK\$)		0.06	0.94

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investment properties	19	178,000	170,000
Property, plant and equipment	20	82,852	123,693
Other intangible assets	21	5,700	5,700
Interests in joint ventures	22	20,387	39,218
Interests in associates	23	11,607,027	11,465,997
Amount due from a joint venture	28	53,562	53,562
Deposits and other tax receivables		3,305	11,215
Deferred tax assets		2,133	1,101
Structured notes	24	50,025	–
		12,002,991	11,870,486

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Current assets			
Inventories	25	20,232	22,276
Trade receivables	26	33,399	20,930
Prepayments, deposits and other receivables	26	62,899	66,724
Held-for-trading investments	27	30	173
Amounts due from associates	28	–	7,788
Amount due from a related company	28	141	160
Pledged bank deposits		947	947
Bank deposits with original maturity over three months	29	1,729,049	1,558,002
Bank balances and cash	29	467,250	549,578
		2,313,947	2,226,578
Current liabilities			
Trade payables	30	29,341	17,959
Other payables	30	121,429	123,219
Dividend payable		967	1,451
Amounts due to associates	28	2,167	–
Taxation payable		33,100	33,160
Borrowings – due within one year	31	4,980	394,980
		191,984	570,769
Net current assets		2,121,963	1,655,809
Total assets less current liabilities		14,124,954	13,526,295

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current liabilities			
Deferred tax liabilities	32	4,368	5,912
Other payables		6,844	6,575
Borrowings – due after one year	31	1,335,290	794,270
		1,346,502	806,757
		12,778,452	12,719,538
Capital and reserves			
Share capital	33	5,436,556	5,435,321
Reserves		6,949,281	6,896,335
Equity attributable to owners of the Company		12,385,837	12,331,656
Non-controlling interests		392,615	387,882
		12,778,452	12,719,538

The consolidated financial statements on pages 89 to 210 were approved and authorized for issue by the Board of Directors on 31 March 2016 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 2015

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000 (Note c)	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 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
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
Dividends paid (Note 17)	-	-	(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 23)	-	-	-	25,907	-	-	-	-	-	-	-	25,907	-	25,907
Share of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	1,183	-	44	-	-	-	-	(44)	1,183	-	1,183
Capital contribution from non-controlling shareholders in 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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000 (Note c)	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	768,190	4,418,042	211,475	698,278	5,796	202,575	(40,369)	168,030	(100,075)	12,574	5,344,432	11,688,948	(73,601)	11,615,347
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	3,067	-	-	-	-	3,067	3,478	6,545
Share of exchange differences of an associate	-	-	-	-	-	-	(2,431)	-	-	-	-	(2,431)	-	(2,431)
Share of exchange differences of joint ventures	-	-	-	-	-	-	(15,422)	-	-	-	-	(15,422)	-	(15,422)
Fair value loss on available-for-sale investments	-	-	-	-	-	(1,867)	-	-	-	-	-	(1,867)	-	(1,867)
Other comprehensive expense (income) for the year	-	-	-	-	-	(1,867)	(14,786)	-	-	-	-	(16,653)	3,478	(13,175)
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	1,487,172	1,487,172	(52,045)	1,435,127
Total comprehensive (expense) income for the year	-	-	-	-	-	(1,867)	(14,786)	-	-	-	1,487,172	1,470,519	(48,567)	1,421,952
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note d)	4,418,042	(4,418,042)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of share options	249,089	-	-	-	-	-	-	(86,431)	-	-	-	162,658	-	162,658
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	(72)	-	-	72	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	108,822	-	55,417	-	164,239	26,879	191,118
Shares vested under the share award schemes	-	-	-	-	-	-	-	-	62,691	(46,065)	(16,626)	-	-	-
Purchase of shares for unvested shares under share award schemes	-	-	-	-	-	-	-	-	(99,805)	-	-	(99,805)	-	(99,805)
Deemed disposal of partial interest in a subsidiary	-	-	-	1,637	-	-	-	-	-	-	-	1,637	(1,637)	-
Disposal of partial interest in a subsidiary	-	-	-	116,977	-	-	-	-	-	-	-	116,977	(6,774)	110,203
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(3,320)	(3,320)
Dividends paid (Note 17)	-	-	(181,222)	-	-	-	-	-	-	-	(324,909)	(506,131)	-	(506,131)
Share of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	13,819	-	521	-	-	-	-	(521)	13,819	-	13,819
Realization of exchange reserve upon deemed disposal of interest in an associate	-	-	-	-	-	-	3,259	-	-	-	-	3,259	-	3,259
Realization of exchange reserve upon deregistration of subsidiaries	-	-	-	-	-	-	129	-	-	-	-	129	-	129
Share of net assets changes of an associate	-	-	-	149,080	-	-	-	-	-	-	-	149,080	-	149,080
Decrease in an associate's equity attributable to the Group's interest arising on equity transactions of the associate	-	-	-	(561,037)	-	-	-	-	-	-	-	(561,037)	-	(561,037)
Share of net assets changes of a joint venture	-	-	-	26,434	-	-	-	-	-	-	-	26,434	-	26,434
Shares repurchased	-	-	-	-	-	-	-	-	-	-	(299,070)	(299,070)	-	(299,070)
Capital contribution from non-controlling shareholders in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	390,703	390,703
Acquisition of a subsidiary (Note 36)	-	-	-	-	-	-	-	-	-	-	-	-	104,199	104,199
	4,667,131	(4,418,042)	(181,222)	(253,090)	-	521	3,388	22,319	(37,114)	9,352	(641,054)	(827,811)	510,050	(317,761)
At 31 December 2014	5,435,321	-	30,253	445,188	5,796	201,229	(51,767)	190,349	(137,189)	21,926	6,190,550	12,331,656	387,882	12,719,538

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

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 has received 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) Special reserve brought forward from previous year represented (1) the difference between the consideration paid and the aggregate of goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in a former subsidiary, which subsequently became an associate of the Group acquired in previous years; (2) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire an 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 an 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 an associate resulting from the share repurchase and cancellation by an 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\$175,050,000 on the holding of those equity investments as available-for-sale investments by the joint venture was therefore shared by the Group and included in other revaluation reserve.
- (d) The Company's shares have no par value from the commencement date of the Hong Kong Companies Ordinance (Chapter 622) (i.e. 3 March 2014).

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES			
Profit before tax		92,077	1,435,108
Adjustments for:			
Share of profits of associates		(307,333)	(1,693,612)
Increase in fair value of investment properties		(8,000)	(10,370)
Share-based payment expense		115,479	191,118
Loss on deemed disposal of partial interest in an associate		1,394	14,923
Finance costs		45,779	43,918
Depreciation of property, plant and equipment		38,594	8,751
Loss on disposal of property, plant and equipment		2,993	1,182
Impairment loss on property, plant and equipment		17,342	1,347
Interest income		(32,307)	(33,576)
Dividend income		–	(3,556)
Allowance for doubtful debts		2,937	6,378
Share of losses of joint ventures		5,695	139
Loss from fair value change of held-for-trading investments		143	2
Loss from fair value change of available-for-sale investments		–	2,478
Gain on disposal of a subsidiary		(3,731)	–
Gain on bargain purchase from acquisition of a subsidiary	36	–	(34,310)
Gain on deemed disposal of previously held interest in an associate	36		
– Gain on remeasurement of previously held equity interest		–	(48,104)
– Reclassification of foreign exchange translation loss of EGT (as defined in note 36) previously accumulated in exchange reserve		–	3,259
Operating cash flows before movements in working capital		(28,938)	(114,925)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES (continued)		
Decrease in inventories	2,044	4,683
(Increase) decrease in trade receivables	(12,469)	28,006
Decrease (increase) in prepayments, deposits and other receivables	8,537	(14,836)
Decrease in amounts due from associates	7,788	11,270
Decrease in amount due from a related company	19	281
Increase in amounts due to associates	2,167	–
Increase (decrease) in trade payables	11,651	(5,715)
Increase in other payables	1,739	6,111
Cash used in operating activities	(7,462)	(85,125)
Income tax paid	(2,804)	(462)
Interest received	32,069	30,700
NET CASH FROM (USED IN) OPERATING ACTIVITIES	21,803	(54,887)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
INVESTING ACTIVITIES			
Funds placed on bank deposits with original maturity over three months		(1,729,049)	(1,558,002)
Purchase of structured notes		(50,000)	–
Purchase of property, plant and equipment		(19,632)	(7,778)
Advance to a joint venture		–	(53,562)
Addition to investment properties		–	(630)
Redemption of bank deposits with original maturity over three months upon maturity		1,558,002	1,339,590
Dividend received from an associate		168,668	900,303
Proceeds from disposal of property, plant and equipment		1,000	155
Net proceeds from disposal of a subsidiary		542	–
Acquisition of a subsidiary, net of cash acquired	36	–	39,129
Dividend received from unlisted investment		–	3,556
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(70,469)	662,761

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES		
Bank borrowings raised	546,000	–
Proceeds from exercise of share options	752	162,658
Capital contribution from non-controlling shareholder	29	3,580
Proceeds from an open offer of a subsidiary	–	387,123
Proceeds from disposal of partial interests in subsidiaries	–	110,203
Receipts of earnest money from a project partner	–	58,350
Repayments of bank borrowings	(394,980)	(27,980)
Dividends paid	(139,684)	(514,979)
Interest paid	(45,779)	(43,918)
Payment for repurchase of ordinary shares	–	(299,070)
Purchase of shares for unvested shares under the share award schemes	–	(99,805)
NET CASH USED IN FINANCING ACTIVITIES	(33,662)	(263,838)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(82,328)	344,036
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	549,578	205,542
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	467,250	549,578

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The address of the registered office and principal place of business of the Company is disclosed in the “Corporate Information” section of the annual report.

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

The principal activities of the Company and its subsidiaries (the “Group”) are divided into two segments, namely (i) Gaming, Leisure and Entertainment segment; and (ii) Property and Other Investments segment.

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

Application of new and revised HKFRSs

The Group has applied 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²

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

² Effective for annual periods beginning on or after 1 January 2016

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may affect the classification, measurement and impairment assessment of the Group's financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED 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.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group’s consolidated financial statements in future periods should such transactions arise.

Other than the disclosed above, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 Hong Kong Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 is presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules is not disclosed in these consolidated financial statements.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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 venue owner and are based on the Group's share of net winnings, net of customer incentives and commitment fees.

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

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

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes 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 less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment 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 or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the 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

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

The Group as lessee

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Retirement benefits costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

Inventories

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

Share-based payment arrangements

Equity settled share-based payment transactions

Share options/share awards granted to employees

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements (continued)

Equity settled share-based payment transactions (continued)

Share options/share awards granted to employees (continued)

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

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

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

Share options granted to consultants

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

Intangible assets

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

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

Financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

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

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 excludes any dividend or interest earned on the financial assets and is included in the investment (losses) income line item. Fair value is determined in the manner described in Note 6(c).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 structured notes, trade receivables, deposits and other receivables, long-term deposits and receivables, amounts due from a joint venture, associates and a related company, bank deposits with original maturity over three months, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

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.

Objective evidence of impairment could include:

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

The Group derecognizes a financial liability when, and only when, the Group's obligations are discharged, cancelled or 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.

Impairment losses on tangible and intangible assets

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

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

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

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

Borrowing costs

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

Notes to the Consolidated Financial Statements

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Control over MelcoLot Limited ("MelcoLot")

Note 40 describes that MelcoLot is a subsidiary of the Group although the Group has only a 40.65% ownership interest and voting rights in MelcoLot as of 31 December 2015. MelcoLot has been listed on the Growth Enterprise Market of the Hong Kong Stock Exchange since 17 May 2002. The Group's ownership interest in MelcoLot has decreased from 43.93% as at 1 January 2014 to 40.65% as of 31 December 2014 and 2015 and the remaining 59.35% of shareholdings are owned by a large number of shareholders who are 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 its 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 the executive directors and the chief executive officer and senior management personnel in MelcoLot, were appointed by the Company. After this assessment, the directors concluded that the Group has a sufficient dominant voting interest to direct the relevant activities of MelcoLot and therefore the Group has control over MelcoLot.

Classification of Oriental Regent Limited as a joint venture

Note 22 describes that Oriental Regent Limited ("Oriental Regent") is a joint venture of the Group. The directors assessed whether or not Oriental Regent is under the joint control of the Group based on their analysis of how the relevant activities of Oriental Regent are directed. Summit Ascent Russia Limited ("SARL") is a wholly owned subsidiary of Summit Ascent Holdings Limited of which Mr. Ho, Lawrence Yau Lung is a shareholder with significant influence by holding over a 20% shareholding. Also Mr. Ho, Lawrence Yau Lung is a director of both the Company and Summit Ascent Holdings Limited. SARL and the Group have 60% and 5% equity interests respectively in Oriental Regent and accordingly the Group and SARL have in aggregate 65% equity interest in Oriental Regent. The Group has the contractual right to appoint one director of Oriental Regent. The directors of the Company consider that Oriental Regent is under the joint control of the Group and the other parties to the agreement as 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Critical judgements in applying accounting policies (continued)

Classification of Oriental Regent Limited as a joint venture (continued)

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

Key sources of estimation uncertainty

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

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

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

As at 31 December 2015, the carrying amount of trade receivables, prepayments, deposits and other receivables, and amounts due from associates, a joint venture and a related company are approximately HK\$33,399,000 (2014: HK\$20,930,000), HK\$62,899,000 (2014: HK\$66,724,000), nil (2014: HK\$7,788,000), HK\$53,562,000 (2014: HK\$53,562,000) and HK\$141,000 (2014: HK\$160,000), respectively. Allowances for doubtful debts of HK\$2,937,000 (2014: HK\$6,378,000) have been provided in respect of other receivables in the current financial period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. 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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings disclosed in Note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group 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.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2015	2014
	HK\$'000	HK\$'000
Financial assets		
Fair value through profit or loss		
– Held-for-trading investments	30	173
Loans and receivables (including cash and cash equivalents)	2,369,134	2,232,810
Financial liabilities		
Amortized cost	1,445,022	1,284,954

6b. Financial risk management objectives and policies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

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, amounts due from/to associates, amount due from a joint venture, trade and other receivables and trade and other payables denominated in currencies other than the functional currency of the relevant group entities.

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

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollar ("USD")	733,847	489,166	(56,677)	(61,123)
Renminbi ("RMB")	41,847	103,034	(40,663)	(15,690)

Sensitivity analysis

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

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

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

	USD Impact (a) HK\$'000	RMB Impact (b) HK\$'000
2015: Post-tax profit for the year	(5,654)	(49)
2014: Post-tax profit for the year	(3,574)	(3,646)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and bank deposits with an original maturity over three months and guaranteed bonds which carried interest at a fixed rate (see Notes 29 and 31 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 and bank borrowings (see Notes 29 and 31 for details). It is the Group's policy to keep its receivables and borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's exposure 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 Hong Kong Inter-Bank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated 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 bank 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.

The negative/positive number below indicates a decrease/increase in the Group's post-tax profit if interest rates had been 10 basis points or 50 basis points higher and all other variables were held constant. For interest rates had been 10 basis points or 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

	Bank balances	Bank borrowings
	HK\$'000	HK\$'000
2015: Post-tax profit for the year	359	(2,423)
2014: Post-tax profit for the year	321	(1,792)

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position provided by the Group.

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. In addition, the Group review the recoverable amount of each individual trade debt and advances to joint venture, related company and associates at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

As at 31 December 2015, the Group has concentration of credit risk as 62% (2014: 63%) of the Group's bank balances are placed in one bank. Given the counterparty is bank with a good reputation, the Group considers that the credit risk associated with the bank balances is low.

As at 31 December 2015, the Group has concentration of credit risk as 80% (2014: 64%) of the Group's trade receivables are due from the Group's five largest customers within Gaming, Leisure and Entertainment 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.

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 31. As at 31 December 2015 and 2014, the Group had no available unused banking facilities.

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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 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 31.12.2015 HK\$'000
2015									
Non-derivative financial liabilities									
Trade and other payables	-	100,133	279	1,206	-	-	-	101,618	101,618
Amounts due to associates	-	2,167	-	-	-	-	-	2,167	2,167
Dividend payable	-	967	-	-	-	-	-	967	967
Borrowings	3.62%	3,127	6,096	27,850	36,987	1,327,266	9,527	1,410,853	1,340,270
		106,394	6,375	29,056	36,987	1,327,266	9,527	1,515,605	1,445,022

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value measurements of financial instruments

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

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value at		Fair value hierarchy
	31 December 2015	31 December 2014	
	HK\$'000	HK\$'000	
1) Listed equity securities classified as held-for-trading investments on the consolidated statement of financial position	30	173	Level 1
2) Private equity investments classified as AFS on the consolidated statement of financial position (Note)	-	-	Level 3

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

Note: The private equity investments were disposed by the Group during 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value measurements of financial instruments (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK\$'000
At 1 January 2014	5,825
Fair value change recognized in other comprehensive expense	(1,867)
Fair value change recognized in profit or loss	(2,478)
Disposal	(1,480)
<hr/>	
At 31 December 2014, 1 January 2015 and 31 December 2015	–

For the year ended 31 December 2014, the fair value loss of approximately HK\$2,478,000 on available-for-sale investments are included in "Other expenses".

Also included in other comprehensive expense is a loss of approximately HK\$1,867,000 related to available-for-sale investments before disposal during the year ended 31 December 2014 which is reported as changes of "Other Revaluation Reserve".

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

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. REVENUE

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

	2015	2014
	HK\$'000	HK\$'000
Catering service income	88,595	96,503
Lottery business:		
Provision of services and solutions for distribution of lottery products	5,591	4,470
Trading of lottery terminals and parts	51,572	40,814
Interest income from authorized institutions	32,307	33,576
Property rental income	4,189	3,887
Electronic gaming machines participation	141,026	10,811
Manufacture and distribution of gaming chips and plaques	104,109	11,674
	427,389	201,735

8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. The CEO has chosen to organize the Group's results according to the category of the business segments and differences in nature of the goods and services that each segment delivers. Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Gaming, Leisure and Entertainment segment: It mainly comprises provision of catering, entertainment and related services, lottery business, including the provision of services and solutions for distribution of lottery products and trading of lottery terminals and parts, electronic gaming machines participation and design, manufacture and distribution of gaming chips and plaques.
- (b) Property and Other Investments segment: It mainly comprises investment properties, available-for-sale investments and related segment bank balances, which receive dividend income, interest income and property rental income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Segment revenue and results

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

2015

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	390,893	36,496	427,389	–	427,389
Inter-segment sales	1,038	816	1,854	(1,854)	–
Total revenue	391,931	37,312	429,243	(1,854)	427,389
Segment results	(23,968)	40,220	16,252	–	16,252
Loss on deemed disposal of partial interest in an associate					(1,394)
Gain on disposal of a subsidiary					3,731
Finance costs					(45,779)
Share of losses of joint ventures					(5,695)
Share of profits of associates					307,333
Central administrative costs and other unallocated corporate expenses					(182,371)
Profit before tax					92,077

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2014

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	164,272	37,463	201,735	–	201,735
Inter-segment sales	793	1,331	2,124	(2,124)	–
Total revenue	165,065	38,794	203,859	(2,124)	201,735
Segment results	(82,819)	46,436	(36,383)	–	(36,383)
Loss on deemed disposal of partial interest in an associate					(14,923)
Gain on deemed disposal of previously held interest in an associate					44,845
Gain on bargain purchase from acquisition of a subsidiary					34,310
Finance costs					(43,918)
Share of losses of joint ventures					(139)
Share of profits of associates					1,693,612
Central administrative costs and other unallocated corporate expenses					(242,296)
Profit before tax					1,435,108

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit (loss) earned by each segment without allocation of central administrative costs and other unallocated corporate expenses, unallocated corporate income and other items as disclosed in the above table. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

Segment assets

	2015 HK\$'000	2014 HK\$'000
Gaming, Leisure and Entertainment	182,024	237,526
Property and Other Investments	2,424,324	2,277,580
Total segment assets	2,606,348	2,515,106
Interests in associates	11,607,027	11,465,997
Interests in joint ventures	20,387	39,218
Unallocated assets	83,176	76,743
Consolidated assets	14,316,938	14,097,064

Segment liabilities

	2015 HK\$'000	2014 HK\$'000
Gaming, Leisure and Entertainment	134,822	127,354
Total segment liabilities	134,822	127,354
Unallocated liabilities	1,403,664	1,250,172
Consolidated liabilities	1,538,486	1,377,526

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

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, deferred tax assets pledged bank deposits and other assets not attributable to respective segment.
- all liabilities are allocated to operating segments other than borrowings, dividend payable, deferred tax liabilities and other liabilities not attributable to respective segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Other segment information

2015

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Allowance for doubtful debts	2,937	-	2,937	-	2,937
Capital additions	12,600	-	12,600	7,032	19,632
Depreciation	36,503	-	36,503	2,091	38,594
Employee benefits expense	135,638	-	135,638	148,447	284,085
Impairment loss on property, plant and equipment	17,342	-	17,342	-	17,342
Increase in fair value of investment properties	-	8,000	8,000	-	8,000
Interest income	-	32,307	32,307	-	32,307
Loss on disposal of property, plant and equipment	2,993	-	2,993	-	2,993

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

	HK\$'000
Interests in associates	11,607,027
Interests in joint ventures	20,387
Share of profits of associates	307,333
Share of losses of joint ventures	(5,695)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

2014

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Allowance for doubtful debts	6,378	–	6,378	–	6,378
Capital additions	6,418	–	6,418	1,360	7,778
Depreciation	8,025	–	8,025	726	8,751
Employee benefits expense	114,458	–	114,458	189,216	303,674
Impairment loss on property, plant and equipment	1,347	–	1,347	–	1,347
Increase in fair value of investment properties	–	10,370	10,370	–	10,370
Interest income	–	33,576	33,576	–	33,576
Loss on disposal of property, plant and equipment	1,182	–	1,182	–	1,182

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China (the "PRC"), Cambodia and the Philippines. Non-current assets of approximately HK\$11,858,075,000, HK\$443,000, HK\$24,690,000 and HK\$10,758,000 (2014: HK\$11,734,520,000, HK\$841,000, HK\$60,902,000 and HK\$8,345,000) of the Group are located in Hong Kong, the PRC, Cambodia and the Philippines respectively by reference to the location of the assets or, for interests in associates and joint ventures, by location of their head office.

All of the Group's revenue from external customers based on the location of the operations of the relevant group entities is generated from Hong Kong, the PRC, Cambodia and the Philippines and is approximately HK\$229,200,000, HK\$57,163,000, HK\$120,918,000 and HK\$20,108,000 (2014: HK\$145,640,000, HK\$45,284,000, HK\$9,206,000 and HK\$1,605,000), respectively.

Revenue analyzed by products and services

The Group's revenue from major products and services are disclosed in Note 7.

Information about major customers

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

	2015	2014
	HK\$'000	HK\$'000
Customer A ¹	105,485	N/A
Customer B ²	51,572	40,240

¹ Revenue from electronic gaming machines participation under Gaming, Leisure and Entertainment segment. The customer did not contribute over 10% of the total sales of the Group for the year ended 31 December 2014.

² Revenue from trading of lottery terminals and parts under Gaming, Leisure and Entertainment segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. OTHER INCOME, OTHER GAINS OR LOSSES

	2015 HK\$'000	2014 HK\$'000
Service fees from associates	9,145	10,114
Service fees from a related company	240	240
Gain on disposal of a subsidiary	3,731	–
Gain on bargain purchase from acquisition of a subsidiary	–	34,310
Gain on deemed disposal of previously held interest in EGT (Note 36)		
– Gain on remeasurement of previously held equity interest	–	48,104
– Reclassification of foreign exchange translation loss of EGT previously accumulated in exchange reserve	–	(3,259)
	–	44,845
Others	1,448	5,221
	14,564	94,730

10. INVESTMENT (LOSS) INCOME

	2015 HK\$'000	2014 HK\$'000
Dividend income from unlisted investments	–	3,556
Loss from fair value change of held-for-trading investments	(143)	(2)
	(143)	3,554

11. EMPLOYEE BENEFITS EXPENSE

	2015 HK\$'000	2014 HK\$'000
Wages, salaries and staff welfare	150,221	97,675
Discretionary bonus	14,309	11,744
Provision (reversal of provision) for annual leave	198	(6)
Provision for long service payment	63	77
Retirement benefit scheme contributions	2,868	2,721
Share-based payment expense	115,479	191,118
Others	947	345
Total employee benefits expense including directors' emoluments	284,085	303,674

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. FINANCE COSTS

	2015	2014
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	13,513	11,675
Guaranteed bonds	32,239	32,239
Interest expenses to suppliers and others	27	4
	45,779	43,918

13. PROFIT BEFORE TAX

	2015	2014
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Allowance for doubtful debts	2,937	6,378
Auditor's remuneration	5,892	3,086
Cost of inventories recognized as an expense	131,180	77,866
Impairment loss on property, plant and equipment	17,342	1,347
Legal and professional fee	24,323	16,544
Loss from fair value change of available-for-sale investments	–	2,478
Loss on disposal of property, plant and equipment	2,993	1,182
Rental and utilities	27,288	19,713
and after crediting:		
Gross rental income from properties	4,189	3,887
Less: direct operating expenses from investment properties that generated rental income during the year	(246)	(258)
Net rental income	3,943	3,629

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. INCOME TAX EXPENSE (CREDIT)

	2015 HK\$'000	2014 HK\$'000
PRC Enterprise Income Tax – current year	449	349
Macau Complementary Tax – current year	–	446
Other jurisdictions – current year	2,295	49
Deferred taxation – current year (Note 32)	(1,544)	(863)
	1,200	(19)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 2014 was made as there was no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Provision for Macau Complementary Tax for the years ended 31 December 2015 and 2014 was calculated at the 12% Macau Complementary Tax rate.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax	92,077	1,435,108
Tax at Hong Kong Profits Tax rate of 16.5%	15,193	236,793
Tax effect of share of results of associates and joint ventures	(49,771)	(279,423)
Tax effect of expenses not deductible for tax purposes	25,050	46,115
Tax effect of income not taxable for tax purposes	(11,170)	(22,315)
Utilization of tax losses previously not recognized	(936)	(330)
Tax effect of tax losses not recognized	29,115	23,633
Others	(6,281)	(4,492)
Tax expense (credit) for the year	1,200	(19)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2014: seven) directors were as follows:

2015

	Mr. Ho, Lawrence Yau Lung HK\$'000 (Note c)	Mr. Tsui Che Yin, Frank HK\$'000 (Note c)	Mr. Chung Yuk Man, Clarence HK\$'000 (Note c)	Mr. Ng Ching Wo HK\$'000 (Note d)	Sir Roger Lobo HK\$'000 (Notes b and e)	Mr. Chow Kwong Fai, Edward HK\$'000 (Notes b and e)	Mr. Sham Sui Leung, Daniel HK\$'000 (Note e)	Dr. Tyen Kan Hee, Anthony HK\$'000 (Note e)	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 to the Consolidated Financial Statements

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

2014

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

Notes:

- The discretionary bonus is determined based on the Group's financial performance for the years ended 31 December 2015 and 2014.
- Mr. Chow Kwong Fai, Edward has been appointed on 12 June 2015 as an independent non-executive director to fill the vacancy occasioned by the passing away of Sir Roger Lobo.
- The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.
- The individual is a Non-executive Director of the Company. The Non-executive Director's emoluments shown above were mainly for his services as a Director of the Company.
- The individuals represent the Independent Non-executive Directors of the Company. The Independent Non-executive Directors' emoluments shown above were mainly for their services as Directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. 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 (2014: HK\$1,200,000), no other directors waived any emoluments in the year ended 31 December 2015 (2014: nil). No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2015, 2,133,000 share options under the share option scheme of the Company, 6,368,000 share options under the share option scheme of MelcoLot and 2,515,000 awarded shares under the share awards scheme of the Company (2014: 3,500,000, 20,384,000 and 2,200,000 respectively) were granted to the directors of the Company in respect of their services provided to the Group, further details are set out in Note 35.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2014: three) are directors and the Chief Executive of the Company whose emoluments are included in Note 15 above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	6,585	5,318
Discretionary bonus	1,523	2,079
Retirement benefit scheme contributions	34	35
Share-based compensation	19,212	37,182
	27,354	44,614

Their emoluments were within the following bands:

	Number of employees	
	2015	2014
HK\$13,000,001 to HK\$13,500,000	1	–
HK\$13,500,001 to HK\$14,000,000	1	–
HK\$22,000,001 to HK\$22,500,000	–	1
HK\$22,500,001 to HK\$23,000,000	–	1
	2	2

Notes to the Consolidated Financial Statements

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17. DIVIDEND

	2015 HK\$'000	2014 HK\$'000
Dividend recognized as a distribution during the year:		
2015 Interim – HK1.5 cents (2014: 2014 Interim of HK11.6 cents) per share	23,200	181,222
2014 Final – HK7.5 cents (2014: 2013 Final of HK20.8 cents) per share	116,000	324,909
	139,200	506,131

The Board does not recommend any final dividend for the year ended 31 December 2015 (2014: HK7.5 cents per share).

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

18. EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	100,924	1,487,172
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by an associate of the Group	(1,875)	(13,322)
Adjustment in relation to share options issued by a subsidiary of the Group	(32)	–
Earnings for the purpose of diluted earnings per share	99,017	1,473,850

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. EARNINGS PER SHARE (continued)

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,541,917	1,547,791
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	9,491	21,880
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,551,408	1,569,671

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 2015 and 2014, the computation of diluted earnings per share does not assume the exercise of the Company's certain share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes (see Note 35) because the adjusted exercise price of those options and unvested awarded shares are higher than average market price of the Company's shares.

19. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
At 1 January	170,000	159,000
Additions	–	630
Net increase in fair value recognized in profit or loss	8,000	10,370
<hr/>		
At 31 December	178,000	170,000
<hr/>		
Unrealized gain on property revaluation included in profit or loss	8,000	10,370

The carrying value of investment properties shown above comprises:

	2015 HK\$'000	2014 HK\$'000
Properties in Hong Kong	178,000	170,000

The Group's investment properties are situated in Hong Kong.

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. The investment properties amounting to HK\$178,000,000 (2014: HK\$170,000,000) are pledged to banks for obtaining the banking facilities for certain subsidiaries of the Group.

19. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuers 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 2015 and 2014 have been arrived at on the basis of a valuation carried out on that date 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 a similar location to arrive at the fair value as at the date of the 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 adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

Investment properties held by the Group in the consolidated statement of financial position

Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Level 3	Direct comparison method		
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking space between the comparable and the property, of sales amount ranging from HK\$440,000 to HK\$520,000 (2014: HK\$480,000 to HK\$500,000) for car parking spaces.	An increase in the unit sale rate used would result in an increase in fair value measurement of the investment properties by the same percentage increase, and vice versa
	(2) Bulk discount rate	Bulk discount rate, taking into account the restriction on the terms that the car parking spaces have to be disposed as a whole rather than on an individual basis. Bulk discount rate which approximates to 30% (2014: 30%) has been used for the valuation.	A slight increase in the discount rate used would result in a significant decrease in the fair value measurement to the investment properties, and vice versa.

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

	Level 3 HK\$'000	Fair value HK\$'000
Properties in Hong Kong At 31 December 2015	178,000	178,000
At 31 December 2014	170,000	170,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT

	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	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST								
At 1 January 2014	–	75,157	14,991	75,229	3,784	2,026	–	171,187
Exchange adjustments	310	–	(12)	(48)	(41)	(24)	–	185
Additions	37	1,583	2,399	2,680	1,052	–	27	7,778
Acquisition of a subsidiary (Note 36)	45,539	–	17,022	9,486	29,419	626	11,007	113,099
Disposals and written off	(131)	(357)	–	(1,391)	(937)	–	(126)	(2,942)
At 31 December 2014	45,755	76,383	34,400	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 construction in progress	–	–	–	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	47,406	76,327	35,862	93,023	33,711	2,407	10,363	299,099

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	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	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	–	68,435	14,835	71,212	1,148	1,276	–	156,906
Exchange adjustments	262	–	(6)	(21)	(11)	(9)	–	215
Provided for the year	1,739	2,932	774	1,550	1,505	251	–	8,751
Impairment losses recognized in profit or loss	–	–	–	–	1,347	–	–	1,347
Eliminated on disposals and written off	–	(264)	–	(1,280)	(61)	–	–	(1,605)
At 31 December 2014	2,001	71,103	15,603	71,461	3,928	1,518	–	165,614
Exchange adjustments	(2,180)	–	(11)	(39)	(17)	(34)	–	(2,281)
Provided for the year	18,816	1,607	6,196	5,438	6,030	507	–	38,594
Impairment losses recognized in profit or loss	5,547	–	5,611	1,950	–	71	4,163	17,342
Eliminated on disposals and written off	–	–	–	(1,392)	(1,558)	(72)	–	(3,022)
At 31 December 2015	24,184	72,710	27,399	77,418	8,383	1,990	4,163	216,247
CARRYING VALUES								
At 31 December 2015	23,222	3,617	8,463	15,605	25,328	417	6,200	82,852
At 31 December 2014	43,754	5,280	18,797	14,495	29,349	1,110	10,908	123,693

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. 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:

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

21. OTHER INTANGIBLE ASSETS

HK\$'000

COST

At 1 January 2014, 31 December 2014, and 31 December 2015	5,700
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Other intangible assets represent club memberships and debentures with indefinite useful lives which and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts.

22. INTERESTS IN JOINT VENTURES

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

	2015 HK\$'000	2014 HK\$'000
Cost of unlisted investments in joint ventures	28,686	28,686
Share of changes in net assets (Note)	26,434	26,434
Share of post-acquisition results and other comprehensive income, net of dividends received	(34,733)	(15,902)
	20,387	39,218

Note: As of 31 December 2015, the Group has recognized its share of the accumulated changes in net assets of approximately HK\$26,434,000 (2014: HK\$26,434,000) in relation to the deemed contribution from shareholders of Oriental Regent as a result of the provision of a non-interest bearing loan to Oriental Regent.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. INTERESTS IN JOINT VENTURES (continued)

As at 31 December 2015 and 2014, the Group had interests in the following joint ventures:

Name	Place of incorporation/ operation	Percentage of interest in ownership held by the Group		Principal activities
		2015	2014	
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 c)	Hong Kong	5.00%	5.00%	Investment holding
BCN Integrated Resorts 2, S.A.U. ("BCN") (Note d)	Spain	50.00%	50.00%	Installation and exploitation of casinos in Spain

Notes:

- (a) PALTECH is held by MelcoLot. The Group indirectly owns a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the relevant activities of PALTECH require approval from 75% of the equity holders. PALTECH is jointly controlled by the Group and another shareholder, 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) On 23 August 2013, a wholly owned subsidiary of the Company, New Crescent Investments Limited ("New Crescent") entered into an investment agreement with SARL, Firich Investment Limited, Elegant City Group Limited ("Elegant City") and Oriental Regent (the "Investment Agreement"). The Investment Agreement provides that New Crescent would make an investment in a gaming and resort development project in the Russian Federation (the "Russian Project"), by subscribing for 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 is classified as a joint venture of the Group as New Crescent has the right to appoint one director of Oriental Regent.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

- (d) 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.

Summarized financial information of material joint ventures

Summarized financial information in respect of the Group’s material joint venture, is set out below. The summarized financial information below represents amounts shown in the joint venture’s financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Oriental Regent

	2015 HK\$’000	2014 HK\$’000
Current assets	166,589	874,142
Non-current assets	961,666	491,145
Current liabilities	(79,856)	(6,563)
Non-current liabilities	(645,188)	(580,137)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	79,469	847,830
Current financial liabilities (excluding trade and other payables and provisions)	(3,632)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(645,188)	(571,502)

Notes to the Consolidated Financial Statements

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22. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures (continued)

Oriental Regent (continued)

	2015 HK\$'000	2014 HK\$'000
Revenue	71,979	–
Loss for the year (Note i)	(113,771)	(2,723)
Other comprehensive expense for the year (Note ii)	(262,163)	(307,865)
Total comprehensive expense for the year	(375,934)	(310,588)
The above loss for the year includes the following:		
Depreciation and amortization	(18,684)	(474)
Interest income	1,686	1,345
Interest expenses	(67,905)	(28,955)
Income tax credit	550	1,452

Notes:

- (i) Loss for the year is mainly due to the pre-opening expenses in preparation for the opening of the Russian Project incurred by a subsidiary of the joint venture.
- (ii) The amount represents the exchange difference arising on the translation of the net investment in its subsidiary which is established in the Russian Federation and whose functional currency is the Russian Ruble.

The reconciliation of the above summarized financial information to the carrying amount of the interest in Oriental Regent recognized in the consolidated financial statements using the equity method of accounting is as follows:

	2015 HK\$'000	2014 HK\$'000
Net assets of Oriental Regent	403,211	778,587
Non-controlling interests	(558)	–
	402,653	778,587
Proportion of the Group's ownership interest in Oriental Regent	5%	5%
Carrying amount of the Group's interest in Oriental Regent	20,133	38,929

Oriental Regent is engaged in a gaming and resort business in the Russian Federation through its wholly owned subsidiary, G1 Entertainment LLC (formerly known as First Gambling Company of the East LLC). Construction of the Russian Project has been completed and operations have been started since November 2015. The investment allows the Group to participate in a new casino business in another geographical location.

Notes to the Consolidated Financial Statements

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22. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material

	2015	2014
	HK\$'000	HK\$'000
The Group's share of losses for the year	(7)	(3)
The Group's share of other comprehensive expense	(28)	(28)
The Group's share of total comprehensive expense	(35)	(31)
Unrecognized share of losses of joint ventures for the year	(20)	(21)
Cumulative unrecognized share of losses of joint ventures	(43)	(23)

23. INTERESTS IN ASSOCIATES

	2015	2014
	HK\$'000	HK\$'000
Cost of investment in associates		
Listed in the United States of America ("The US")	6,902,134	6,902,134
Listed in Canada	339,601	339,601
Unlisted	417	417
Net changes in interests in associates	1,343,134	1,343,345
Impairment losses recognized	(320,695)	(320,695)
Share of changes in net assets and exchange reserves	150,785	148,209
Share of post-acquisition results, net of dividends received	3,191,651	3,052,986
	11,607,027	11,465,997
Fair value of listed investments (Note a)	24,367,745	36,840,683
Carrying amount of interests in associates with shares listed on respective stock exchanges	11,607,027	11,465,997

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23. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name	Place of incorporation/ operation	Percentage of interest in ownership held by the Group		Principal activities
		2015	2014	
Melco Crown Entertainment (Note b)	Cayman Islands/ Macau/ The Philippines	34.29%	34.23%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
Mountain China Resorts (Holding) Limited ("MCR") (Notes b and d)	Canada/ The PRC	16.69%	16.69%	Operating of ski resorts
Charilot Company Limited ("Charilot") (Note c)	Hong Kong	40.00%	40.00%	Provision of services for distribution of lottery products

Notes:

- (a) Fair values of listed investments are determined at the market price of listed shares as of the year end on the respective stock exchanges.
- (b) The American Depositary Shares ("ADS") and shares of Melco Crown Entertainment were dually listed on the National Association of Securities Dealers Automated Quotations ("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 Crown Entertainment on the Main Board of the Hong Kong Stock Exchange was withdrawn. The shares of Melco Crown Entertainment 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) 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 2015.

During the year ended 31 December 2015, the Group recognized a loss on deemed disposal of a partial interest in an associate of approximately HK\$1,394,000 (2014: HK\$14,923,000) resulting from the exercise of share options and the vesting of certain restricted shares issued by Melco Crown Entertainment. The amount represents the decrease in net assets attributable to the Group of HK\$211,000 (2014: HK\$1,104,000) and the share of special reserve to profit or loss of approximately HK\$1,183,000 (2014: HK\$13,819,000).

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For the year ended 31 December 2015

23. 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 (2014: HK\$149,080,000), in relation to the subscription of shares of one of the subsidiaries of Melco Crown Entertainment, Melco Crown (Philippines) Resorts Corporation, and transfer of property and equipment between subsidiaries of Melco Crown Entertainment. The Group also recognized an increase (2014: a decrease) in net assets attributable to the Group of approximately HK\$25,907,000 (2014: HK\$561,037,000) in special reserve in the consolidated statement of changes in equity, in relation to the share repurchases and cancellation by Melco Crown Entertainment during the year which increased the Group's effective ownership interest therein.

Summarized financial information of material associates

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

Melco Crown Entertainment

	2015	2014
	HK\$'000	HK\$'000
Current assets		
Cash and cash equivalents	12,533,782	12,429,756
Bank deposits with original maturity		
over three months	5,638,446	860,592
Restricted cash	2,467,178	11,257,925
Other current assets	2,857,298	2,704,764
Total current assets	23,496,704	27,253,037

	2015	2014
	HK\$'000	HK\$'000
Non-current assets		
Property and equipment and related		
land use rights	52,597,873	44,512,640
Gaming subconcession	2,882,933	3,328,237
Other non-current assets	1,814,444	7,056,227
Total non-current assets	57,295,250	54,897,104
Current liabilities		
Accrued expenses and other current liabilities	(8,275,446)	(7,880,401)
Current portion of long-term debt	(828,609)	(2,044,195)
Other current liabilities	(399,355)	(374,895)
Total current liabilities	(9,503,410)	(10,299,491)
Non-current liabilities		
Long-term debt	(28,659,855)	(28,319,441)
Capital lease obligations, due after one year	(2,104,311)	(2,163,050)
Other non-current liabilities	(657,628)	(781,851)
Total non-current liabilities	(31,421,794)	(31,264,342)
Non-controlling interests	(5,209,760)	(6,373,812)

Notes to the Consolidated Financial Statements

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23. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates (continued)

Melco Crown Entertainment (continued)

	2015 HK\$'000	2014 HK\$'000
Revenue	32,767,368	38,762,441
Profit for the year attributable to the owners of Melco Crown Entertainment	884,111	4,490,810
(Loss) profit for the year attributable to the non-controlling interests of Melco Crown Entertainment	(1,180,926)	480,687
(Loss) profit for the year	(296,815)	4,971,497
Other comprehensive expense for the year	(37,227)	(12,113)
Total comprehensive (expense) income for the year	(334,042)	4,959,384
Dividends received from the associate during the year	168,668	900,303

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

	2015 HK\$'000	2014 HK\$'000
Net assets of Melco Crown Entertainment attributable to its owners	34,656,990	34,212,496
Share options reserve not shared by the Group	(775,505)	(630,481)
	33,881,485	33,582,015
Proportion of the Group's ownership interest in Melco Crown Entertainment	34.29%	34.23%
	11,617,961	11,495,124
Goodwill	252,235	252,235
Adjustment in relation to the unrealized gains for the assets contributed by the Group upon the formation of Melco Crown Entertainment	(263,169)	(281,362)
Carrying amount of the Group's interest in Melco Crown Entertainment	11,607,027	11,465,997
Fair value of the shares of Melco Crown Entertainment held by the Group	24,364,491	36,836,790

Melco Crown Entertainment is engaged in a gaming and resort business in Asia which is mainly through its operations in Altira Macau, City of Dreams, 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 businesses in Asia.

Notes to the Consolidated Financial Statements

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23. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2015 HK\$'000	2014 HK\$'000
The Group's share of losses for the year	-	-
The Group's share of other comprehensive expense	-	-
The Group's share of total comprehensive expense	-	-
Aggregate carrying amount of the Group's interests in these associates	-	-
Unrecognized share of losses of associates for the year	(9,454)	(48,180)
Remove of unrecognized share of losses of EGT upon completion of EGT Rights Issue	N/A	58,402
Cumulative unrecognized share of losses of associates	(469,389)	(459,935)

24. STRUCTURED NOTES

On 25 June 2015, the Group subscribed, at par, for 24-month puttable step-up coupon notes of a principal amount of HK\$50,000,000 (the "Notes") from a financial institution (the "Issuer"). The Notes are interest-bearing at progressive rates ranging from 0.97% – 1.45% payable at the end of each quarter ("Interest Payment Date"), with maturity at 30 June 2017. The Group has the right to put the Notes, in whole but not in part, to the Issuer at par plus accrued interest on each coupon 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 Notes, the Issuer would have a corresponding obligation to redeem the Notes in respect of which the put right has been exercised. The management of the Company does not expect that the Notes will be redeemed early.

25. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	13,723	14,523
Work-in-process	470	4,667
Finished goods	4,308	1,174
Food and beverages	1,731	1,912
	20,232	22,276

As at 31 December 2015 and 2014, there was no inventory carried at net realizable value.

Notes to the Consolidated Financial Statements

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26. TRADE AND OTHER RECEIVABLES

The Group's trade receivables related to the catering service income from the Gaming, Leisure and Entertainment segment and the trade receivables from Property and Other Investments segment are largely operated on cash on delivery or due immediately from the date of billing, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.

The Group allows credit periods ranging from 30 to 180 days to its trade customers related to the lottery business from the Gaming, Leisure and Entertainment segment.

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

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

	2015	2014
	HK\$'000	HK\$'000
Within 30 days	26,362	18,731
31 – 90 days	6,993	1,762
91 – 180 days	–	393
Over 180 days	44	44
	33,399	20,930

Before accepting any new customer, the Group assesses the potential customer's credit quality through respective sales teams and defines credit limit by customer. Credit limits attributed to customers are reviewed once a year. The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimize any credit risk associated with these trade debtors. Included in the Group's trade receivable balance were debtors with an aggregate carrying amount of HK\$2,573,000 (2014: HK\$3,561,000) 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

	2015	2014
	HK\$'000	HK\$'000
Within 30 days	1,870	2,225
31 – 90 days	659	1,250
91 – 180 days	–	42
Over 180 days	44	44
	2,573	3,561

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

Included in the Group's other receivables are mainly (i) prepaid management fee; (ii) interest receivables from financial institutions; and (iii) rental and other deposits.

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27. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2015 represent equity securities listed in Hong Kong of approximately HK\$30,000 (2014: HK\$173,000).

28. AMOUNTS DUE FROM (TO) ASSOCIATES/A JOINT VENTURE/A RELATED COMPANY

Included in amounts due from associates are:

- a) Amount due from an associate of approximately HK\$2,389,000 (2014: HK\$2,378,000) which is unsecured, non-interest bearing and repayable on demand and approximately HK\$165,761,000 (2014: HK\$165,761,000) due from an associate 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 2015 and 2014.
- b) The remaining amounts due from associates of HK\$7,788,000 at 31 December 2014 were unsecured, non-interest bearing and repayable on demand. The amounts were fully settled during the year ended 31 December 2015.

Amounts due to associates are unsecured, non-interest bearing and repayable on demand.

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

The amount due from a related company is unsecured, non-interest bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a shareholder with significant influence of holding over a 20% shareholding in, and also a director of, the Company, has significant shareholding in that related company. The maximum amount outstanding during the year ended 31 December 2015 was approximately HK\$221,000 (2014: HK\$757,000).

The Group's concentration of credit risk by geographical location was mainly in Hong Kong, which accounted for the entire balance (2014: the entire balance) of amounts due from associates, a joint venture and a related company as at 31 December 2015.

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

Bank deposits with an original maturity over three months carry a fixed interest rate at about 1.8% (2014: 1.9%) per annum. 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 about 0.2% (2014: 0.3%) per annum.

30. TRADE AND OTHER PAYABLES

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

	2015 HK\$'000	2014 HK\$'000
Within 30 days	27,857	15,802
31 – 90 days	279	619
Over 90 days	1,205	1,538
	29,341	17,959

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30. TRADE AND OTHER PAYABLES (continued)

Included in the Group's other payables are mainly (i) the discretionary bonus accrual which is determined based on the Group's financial performance for the year; (ii) accrual for operating expenses; (iii) deposits received from tenants; and (iv) advance of earnest money of approximately HK\$56,496,000 (2014: HK\$58,350,000) from an investment project partner, Firich Enterprises Co., Ltd ("Firich") in relation to the subscription of new shares of Express Wealth Enterprise Limited ("Express Wealth"), a wholly owned subsidiary of the Group (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 Dhabhi Group Georgia, LCC located in Tbilisi, Georgia (the "Georgian Casino Project").

As announced by the Company on 10 February 2016, the conditions precedent to the completion of the Subscription Agreement, including those related to the Subscription and the Georgian Casino Project, cannot be satisfied and hence the transaction will not proceed 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, will be returned to Firich.

31. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans (Note a)	580,270	429,250
Other borrowings (Note b)	760,000	760,000
	1,340,270	1,189,250
Secured	34,270	39,250
Unsecured	1,306,000	1,150,000
	1,340,270	1,189,250
Carrying amount repayable:		
Within one year	4,980	394,980
More than one year, but not exceeding two years	4,980	4,980
More than two years, but not exceeding five years	1,320,940	774,940
Exceeding five years	9,370	14,350
	1,340,270	1,189,250
Less: Amounts due within one year shown under current liabilities	(4,980)	(394,980)
	1,335,290	794,270

Notes to the Consolidated Financial Statements

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31. BORROWINGS (continued)

Notes:

- (a) All the bank borrowings are denominated in HK\$, the functional currency of the relevant group entities, with interest rates of HIBOR plus 1.5% to 2.5% (2014: HIBOR plus 1.5% to 2.5%) per annum.
- (b) In February 2013, Melco Finance Limited, a wholly owned subsidiary of the Company, issued guaranteed bonds with a principal amount of HK\$760,000,000 (“Bonds”) to independent investors. The interest on the Bonds is accrued at a fixed rate of 4.15% per annum, payable quarterly in arrears, with a maturity date of 5 March 2018. The Bonds are guaranteed by the Company. The proceeds have been used by the Company for general working capital and future investment purposes.
- (c) For the year ended 31 December 2015, the effective interest rate on the Group’s borrowings was 3.62% (2014: 3.63%) per annum.

32. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	(12,209)	6,980	(5,229)
Credit to profit or loss for the year	754	109	863
Acquisition of a subsidiary (Note 36)	(1,546)	–	(1,546)
As at 31 December 2014 and 1 January 2015	(13,001)	7,089	(5,912)
Credit to profit or loss for the year	484	1,060	1,544
At 31 December 2015	(12,517)	8,149	(4,368)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK\$987,970,000 (2014: HK\$810,764,000). A deferred tax asset has been recognized in respect of HK\$49,378,000 (2014: HK\$42,954,000) 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\$938,592,000 (2014: HK\$767,810,000) due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. DEFERRED TAX LIABILITIES (continued)

Included in unrecognized tax losses are losses of HK\$50,280,000 (2014: HK\$53,908,000) that are allowed to be carried forward and utilized against income which shall not exceed 5 years which is up to 2020. Other losses may be carried forward indefinitely. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$3,575,000 (2014: HK\$9,250,000) 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 difference can be utilized.

33. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2015	2014	2015 HK\$'000	2014 HK\$'000
Authorized:				
At the beginning and end of the year, ordinary shares with no par value/ HK\$0.5 each (Note a)	2,000,000,000	2,000,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the year, ordinary shares with no par value/ HK\$0.5 each	1,546,463,555	1,536,380,567	5,435,321	768,190
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance effective on 3 March 2014 (Note b)	-	-	-	4,418,042
Share cancelled during the year	-	(15,800,000)	-	-
Exercise of share options	200,000	25,882,988	1,235	249,089
At the end of the year, ordinary shares with no par value	1,546,663,555	1,546,463,555	5,436,556	5,435,321

The shares issued during the year rank pari passu in all respects with the then existing shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. SHARE CAPITAL (continued)

Notes:

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

As at 31 December 2015, 3,879,785 (2014: 6,290,385) and 75,000 (2014: 75,000) of the Company’s issued shares with an aggregate nominal value of approximately HK\$1,940,000 (2014: HK\$3,145,000) and HK\$38,000 (2014: HK\$38,000) were held by the Company’s share purchase scheme and share subscription scheme, respectively.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	1,667,338	1,544,833
Other intangible assets	5,700	5,700
Amounts due from subsidiaries	4,540,048	4,704,608
	6,213,086	6,255,141
Current assets		
Prepayments, deposits and other receivables	23,726	16,061
Amounts due from subsidiaries	51,025	130,033
Bank deposits with original maturity over three months	1,346,131	1,236,137
Bank balances and cash	84,439	47,011
	1,505,321	1,429,242

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34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	2015 HK\$'000	2014 HK\$'000
Current liabilities		
Other payables	5,365	6,060
Amounts due to subsidiaries	1,123,099	1,145,233
Dividend payable	967	1,451
Borrowings – due within one year	–	390,000
	1,129,431	1,542,744
Net current assets (liabilities)	375,890	(113,502)
Total assets less current liabilities	6,588,976	6,141,639

	2015 HK\$'000	2014 HK\$'000
Non-current liabilities		
Amount due to a subsidiary	28,995	33,975
Borrowings – due after one year	546,000	–
	574,995	33,975
	6,013,981	6,107,664
Capital and reserves		
Share capital (see Note 33)	5,436,556	5,435,321
Reserves	577,425	672,343
	6,013,981	6,107,664

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 31 March 2016 and is signed on its behalf by:

Ho, Lawrence Yau Lung
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves

	Share premium HK\$'000	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 2014	4,418,042	211,475	165,164	(100,075)	12,574	409,661	5,116,841
Profit for the year	–	–	–	–	–	820,090	820,090
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	(4,418,042)	–	–	–	–	–	(4,418,042)
Exercise of share options	–	–	(86,431)	–	–	–	(86,431)
Recognition of equity-settled share based payments	–	–	89,474	–	55,417	–	144,891
Transfer of share option reserve upon expiry of share options	–	–	(72)	–	–	72	–
Shares vested under the share award schemes	–	–	–	62,691	(46,065)	(16,626)	–
Shares repurchased	–	–	–	–	–	(299,070)	(299,070)
Purchase of shares for unvested shares under share award schemes	–	–	–	(99,805)	–	–	(99,805)
Dividends paid (Note 17)	–	(181,222)	–	–	–	(324,909)	(506,131)
At 31 December 2014	–	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 17)	–	(23,200)	–	–	–	(116,000)	(139,200)
At 31 December 2015	–	7,053	218,434	(84,625)	15,187	421,376	577,425

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35. LONG TERM INCENTIVE SCHEMES

Share option schemes

(I) *The Company*

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

The share option scheme, which was adopted by the 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.

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.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(i) *The Company (continued)*

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

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

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 2015, the total number of Shares available for issue under the 2012 Share Option Scheme is 105,799,038 Shares (representing approximately 6.84% of the Shares in issue) and a total of 14,695,900 and 15,722,000 Shares (representing approximately 0.95% and 1.02%, respectively, of the Shares in issue) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme and 2012 Share Option Scheme respectively.

(iv) Maximum entitlement 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 issued 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.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(I) The Company (continued)

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

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

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

- (viii) The basis of determining the exercise price

The exercise price 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 and effective for a period of ten years from the date of adoption until 29 May 2022.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(i) *The Company (continued)*

Movements of the share options under the 2002 Share Option Scheme during the year ended 31 December 2015 are set out below:

(a) The 2002 Share Option Scheme

Category of participant	Number of share options									Date of grant of share options	Share price	Exercise price of share options	
	Outstanding at 1.1.2014	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014 & 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year		Outstanding at 31.12.2015		at date of grant of share options
Directors ⁴	400,000	-	(93,000)	-	307,000	-	-	-	-	307,000	13.02.2006	11.75	11.80
Directors ⁶	600,000	-	-	-	600,000	-	(300,000)	-	-	300,000	03.04.2006	15.70	15.87
Directors ⁷	153,000	-	-	-	153,000	-	(51,000)	-	-	102,000	28.02.2008	11.50	11.50
Directors ⁸	1,316,520	-	(1,316,520)	-	-	-	-	-	-	-	01.04.2008	10.70	10.804
Directors	1,628,000	-	(1,628,000)	-	-	-	-	-	-	-	17.12.2008	2.02	2.02
Directors ⁹	823,000	-	(550,000)	-	273,000	-	(91,000)	-	-	182,000	03.04.2009	2.99	2.99
Directors ^{3,10}	3,724,000	-	(3,184,000)	-	540,000	-	-	(200,000)	-	340,000	07.04.2010	3.76	3.76
Directors ¹¹	180,000	-	-	-	180,000	-	(60,000)	-	-	120,000	07.04.2010	3.76	3.76
Directors ¹²	7,000,000	-	(5,600,000)	-	1,400,000	-	(350,000)	-	-	1,050,000	08.04.2011	5.75	5.75
Directors ¹³	3,480,000	-	(1,110,000)	-	2,370,000	-	(210,000)	-	-	2,160,000	27.01.2012	7.10	7.10
Sub-total	19,304,520	-	(13,481,520)	-	5,823,000	-	(1,062,000)	(200,000)	-	4,561,000			

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(I) *The Company (continued)*

(a) The 2002 Share Option Scheme (continued)

Category of participant	Number of share options										Date of grant of share options	Share price at date of grant of share options HK\$	Exercise price of share options HK\$
	Outstanding	Reclassified	Exercised	Lapsed	Outstanding	Granted	Reclassified	Exercised	Lapsed	Outstanding			
	at 1.1.2014	during the year	during the year	during the year	at 31.12.2014 & 1.1.2015	during the year	during the year	during the year	during the year	at 31.12.2015			
Employees ⁵	410,000	-	(30,000)	-	380,000	-	-	-	-	380,000	13.02.2006	11.75	11.80
Employees ⁶	119,200	(900)	(27,000)	-	91,300	-	-	-	-	91,300	01.04.2008	10.70	10.804
Employees	126,668	-	(126,668)	-	-	-	-	-	-	-	17.12.2008	2.02	2.02
Employees ⁹	295,000	-	(184,000)	-	111,000	-	-	-	-	111,000	03.04.2009	2.99	2.99
Employees ¹⁰	1,680,000	-	(1,035,000)	-	645,000	-	(125,000)	-	-	520,000	07.04.2010	3.76	3.76
Employees ¹²	5,750,000	(62,000)	(4,656,000)	-	1,032,000	-	-	-	-	1,032,000	08.04.2011	5.75	5.75
Employees ¹³	3,906,200	(74,000)	(1,357,800)	(11,000)	2,463,400	-	(330,000)	-	-	2,133,400	27.01.2012	7.10	7.10
Sub-total	12,287,068	(136,900)	(7,416,468)	(11,000)	4,722,700	-	(455,000)	-	-	4,267,700			

Notes to the Consolidated Financial Statements

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(i) The Company (continued)

(a) The 2002 Share Option Scheme (continued)

Category of participant	Number of share options									Share price			
	Outstanding at 1.1.2014	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014 & 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015	Date of grant of share options	Share price at date of grant of share options HK\$	Exercise price of share options HK\$
Others ^{5,20}	3,362,000	-	(450,000)	-	2,912,000	-	-	-	-	2,912,000	13.02.2006	11.75	11.80
Others ^{6,20}	300,000	-	-	-	300,000	-	300,000	-	-	600,000	03.04.2006	15.70	15.87
Others ^{7,20}	51,000	-	-	-	51,000	-	51,000	-	-	102,000	28.02.2008	11.50	11.50
Others ^{8,20}	757,300	900	(648,000)	-	110,200	-	-	-	-	110,200	01.04.2008	10.70	10.804
Others ^{9,20}	184,000	-	(64,000)	-	120,000	-	91,000	-	-	211,000	03.04.2009	2.99	2.99
Others ^{10,20}	310,000	-	(50,000)	-	260,000	-	185,000	-	-	445,000	07.04.2010	3.76	3.76
Others ^{12,20}	1,710,000	62,000	(1,586,000)	-	186,000	-	350,000	-	-	536,000	08.04.2011	5.75	5.75
Others ^{13,20}	737,000	74,000	(400,000)	-	411,000	-	540,000	-	-	951,000	27.01.2012	7.10	7.10
Sub-total	7,411,300	136,900	(3,198,000)	-	4,350,200	-	1,517,000	-	-	5,867,200			
Total	39,002,888	-	(24,095,988)	(11,000)	14,895,900	-	-	(200,000)	-	14,695,900			
Share options exercisable at year end	29,173,088				11,848,500					14,695,900			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(I) *The Company (continued)*

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2015 are set out below:

(b) The 2012 Share Option Scheme

Category of participant	Number of share options										Share price			
	Outstanding at 1.1.2014	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014 & 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015	Date of grant of share options	at date of grant of share options HK\$	Exercise price of share options HK\$
Directors ¹⁴	2,800,000	-	-	-	-	2,800,000	-	(200,000)	-	-	2,600,000	02.04.2013	13.20	13.40
Directors ¹⁴	1,000,000	-	-	(1,000,000)	-	-	-	-	-	-	-	02.04.2013	13.20	13.40
Directors ¹⁵	-	2,000,000	-	-	-	2,000,000	-	(150,000)	-	-	1,850,000	03.04.2014	26.65	26.65
Directors ¹⁶	-	1,500,000	-	-	-	1,500,000	-	-	-	-	1,500,000	03.04.2014	26.65	26.65
Directors ¹⁸	-	-	-	-	-	-	633,000	-	-	(30,000)	603,000	08.04.2015	14.24	14.24
Directors ¹⁹	-	-	-	-	-	-	1,500,000	-	-	-	1,500,000	08.04.2015	14.24	14.24
Sub-total	3,800,000	3,500,000	-	(1,000,000)	-	6,300,000	2,133,000	(350,000)	-	(30,000)	8,053,000			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(l) The Company (continued)

(b) The 2012 Share Option Scheme (continued)

Category of participant	Number of share options										Date of grant of share options	Share price	Exercise price of share options	
	Outstanding at 1.1.2014	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014 & 1.1.2015	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year		Outstanding at 31.12.2015		at date of grant of share options
												HK\$	HK\$	
Employees ¹⁴	3,311,000	-	(112,000)	(618,000)	(17,000)	2,564,000	-	(500,000)	-	-	2,064,000	02.04.2013	13.20	13.40
Employees ¹⁵	-	2,831,000	-	-	-	2,831,000	-	(700,000)	-	-	2,131,000	03.04.2014	26.65	26.65
Employees ¹⁷	-	200,000	-	-	-	200,000	-	-	-	-	200,000	29.08.2014	20.65	20.83
Employees ¹⁸	-	-	-	-	-	-	937,000	(223,000)	-	-	714,000	08.04.2015	14.24	14.24
Sub-total	3,311,000	3,031,000	(112,000)	(618,000)	(17,000)	5,595,000	937,000	(1,423,000)	-	-	5,109,000			
Others ^{14, 20}	556,000	-	112,000	(169,000)	-	499,000	-	700,000	-	-	1,199,000	02.04.2013	13.20	13.40
Others ^{15, 20}	-	245,000	-	-	-	245,000	-	850,000	-	-	1,095,000	03.04.2014	26.65	26.65
Others ^{19, 20}	-	-	-	-	-	-	43,000	223,000	-	-	266,000	08.04.2015	14.24	14.24
Sub-total	556,000	245,000	112,000	(169,000)	-	744,000	43,000	1,773,000	-	-	2,560,000			
Total	7,667,000	6,776,000	-	(1,787,000)	(17,000)	12,639,000	3,113,000	-	-	(30,000)	15,722,000			
Share options exercisable at year end	2,128,000					4,554,000					9,402,000			

Notes to the Consolidated Financial Statements

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(I) The Company (continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
2. As at 31 December 2015, the Company had 14,695,900 share options outstanding under the 2002 Share Option Scheme and 15,722,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the outstanding share options would result in the issue of 30,417,900 additional ordinary shares of the Company and additional share capital of approximately HK\$422,274,000 before issuance expenses.
3. During the year ended 31 December 2015, no share options were cancelled under the 2002 Share Option Scheme and 2012 Share Option Scheme.

In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and on the date on which the share options were exercised were HK\$13.32 and HK\$13.62 respectively.

4. The share options granted on 13 February 2006 are divided into 3 tranches exercisable from 1 April 2008, 1 April 2010 and 1 April 2012 respectively to 31 January 2016.
5. The share options granted on 13 February 2006 are divided into 6 tranches exercisable from 1 April 2008, 1 April 2010, 1 April 2012, 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 31 January 2016.

6. The share options granted on 3 April 2006 are divided into 3 tranches exercisable from 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 2 April 2016.
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 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(i) *The Company (continued)*

Notes: (continued)

14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. The category "Others" represents the former directors/employees or consultants of the Group. The fair value of the share options granted to consultants are measured with reference to the fair value of equity instruments granted as the consultants are in a contractual arrangement in providing services similar to those rendered by the Group's employees.

On 8 April 2015, the Company granted a total of 3,113,000 share options to the directors, certain employees and consultants of the Company under the 2012 Share Option Scheme. The validity period of the options is ten years, from 8 April 2015 to 7 April 2025. The options will entitle the grantees to subscribe for a total of 3,113,000 new shares at an exercise price of HK\$14.24 per share. The closing prices of the shares immediately before and on the dates on which the options were granted were HK\$13.16 and HK\$14.24 respectively.

The estimated fair values of the share options granted was measured using the Black Scholes Option Pricing model as at the grant date which amounted to approximately HK\$25,766,000, with fair value per option granted of HK\$8.28 per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(I) The Company (continued)

The Black-Scholes Model (2014: Binomial 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		
	8 April 2015	29 August 2014	3 April 2014
Valuation model	Black-Scholes	Binomial	Binomial
Share price at date of grant of share options	HK\$14.24	HK\$20.65	HK\$26.65
Exercise price	HK\$14.24	HK\$20.83	HK\$26.65
Expected volatility	56%	61%	61%
Expected life	10 years	10 years	10 years
Risk-free rate	1.37%	1.85%	2.36%
Expected dividend yield	0.56%	1.60%	0.80%
Suboptimal exercise factor	3.3 – 5.1	3.9	3.2 – 3.8

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

The Group recognized total expenses of approximately HK\$50,782,000 for the year ended 31 December 2015 (2014: HK\$89,474,000) in relation to the share options granted by the Company.

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

The share option scheme adopted by MelcoLot at the general meeting on 20 April 2002 (the "MelcoLot 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.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(II) *MelcoLot (a listed subsidiary of the Company) (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 the Company and its shares for the benefit of the Company 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. 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 the date of this annual report, the number of MelcoLot's shares available for issue under the MelcoLot 2012 Share Option Scheme is 109,962,383, representing approximately 3.50% of the issued shares of MelcoLot.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(II) *MelcoLot (a listed subsidiary of the Company) (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 issued unless the same is approved by MelcoLot's shareholders in general meeting. In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of MelcoLot or any of their respective associates, and where the total number of MelcoLot's shares issued and to be issued upon exercise of all options granted or to be granted to such person in any twelve-month period exceed 0.1% of MelcoLot's shares in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to 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 shall remain valid. On the other hand, 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.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(II) MelcoLot (a listed subsidiary of the Company) (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 2015 are set out below:

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

Category of participant	Number of share options												Share price			
	Outstanding at 1.1.2014	Exercised before open offer	Adjustment for open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding	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	Date of	at date of	Exercise
							at & 1.1.2015							grant of	of grant	price of
options	options	options	options	options	options	options	options	options	options	options	options	options	options	options	options	options
														HK\$	HK\$	HK\$
Under MelcoLot's 2012 Share Option Scheme																
Directors ^{9,9}	12,939,000	-	833,271	-	-	-	13,772,271	-	-	-	-	-	13,772,271	02.07.2013	0.54	0.511
Directors ¹⁰	-	-	-	20,384,000	-	-	20,384,000	-	-	-	(20,384,000)	-	-	11.08.2014	1.14	1.14
Directors ¹⁰	-	-	-	-	-	-	-	6,368,000	-	-	18,879,000	-	25,247,000	09.10.2015	0.465	0.465
Total	12,939,000	-	833,271	20,384,000	-	-	34,156,271	6,368,000	-	-	(1,505,000)	-	39,019,271			
Share options exercisable at year end	-						14,782,757						9,181,514			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

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

(ii) Share options granted to other eligible participants

Category of participant	Number of share options												Share price			
	Outstanding at 1.1.2014	Exercised before open offer	Adjustment for open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding at 31.12.2014 & 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	Date of grant of share options	at date of grant of share options	Exercise price of share options
															HK\$	HK\$
Under MelcoLot's 2002 Share Option Scheme																
Others ^{3, 4, 11}	583,082	-	37,548	-	(568,330)	-	52,300	-	-	-	-	-	52,300	12.01.2007	0.09	0.063
Others ^{3, 5, 11}	4,971,277	(1,834,420)	202,007	-	(195,254)	-	3,143,610	-	-	-	-	-	3,143,610	31.03.2008	0.89	0.638
Others ^{3, 6, 11}	3,380,574	(602,738)	178,892	-	-	-	2,956,728	-	-	-	-	-	2,956,728	16.02.2009	0.30	0.215
Others ^{2, 3, 7, 11}	6,472,882	(5,960,600)	32,988	-	(41,840)	(1,346)	502,084	-	(111,574)	-	-	-	390,510	10.07.2009	0.32	0.263
Others ^{3, 8, 11}	4,801,311	(3,006,200)	115,603	-	(69,734)	(1,394,683)	446,297	-	-	-	-	-	446,297	18.11.2010	0.15	0.109
Total	20,209,126	(11,403,958)	567,038	-	(875,158)	(1,396,029)	7,101,019	-	(111,574)	-	-	-	6,989,445			
Share options exercisable at year end	20,209,126						7,101,019						6,989,445			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

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

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

Category of participant	Number of share options												Share price			
	Outstanding at 1.1.2014	Exercised before open offer	Adjustment for open offer	Granted after open offer	Exercised after open offer	Lapsed after open offer	Outstanding	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	Date of	at date	Exercise
							at 31.12.2014 & 1.1.2015							grant of share options	of grant of share options	price of share options
HK\$	HK\$	HK\$														
Under MelcoLot's 2012 Share Option Scheme																
Others ^{3, 9, 11}	16,500,000	-	1,062,600	-	-	-	17,562,600	-	-	-	-	-	17,562,600	02.07.2013	0.54	0.511
Others ^{10, 11}	-	-	-	61,324,000	-	-	61,324,000	-	-	-	(60,976,000)	(348,000)	-	11.08.2014	1.14	1.14
Others ^{10, 11}	-	-	-	-	-	-	-	-	-	-	56,461,000	-	56,461,000	09.10.2015	0.465	0.465
Total	16,500,000	-	1,062,600	61,324,000	-	-	78,886,600	-	-	-	(4,515,000)	(348,000)	74,023,600			
Share options exercisable at year end	-						36,490,200						11,708,400			

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

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

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. In respect of the share options exercised during the year, the weighted average closing price of the shares of MelcoLot immediately before and on the date of which the share options were exercised were HK\$0.49 and HK\$0.485, respectively.
3. The exercise price and the number of share options granted from 2007 to 2013 have been adjusted for the effect of the open offer which took place in May 2014 pursuant to the terms of the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 Share Option Scheme. For details, please refer to the announcement of MelcoLot dated 28 May 2014.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

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

Notes: (continued)

10. On 9 October 2015, (1) a total of 81,708,000 share options (the “2014 Share Options”) previously granted by MelcoLot 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. In addition, MelcoLot repriced the 2014 Share Options. The exercise price was reduced from HK\$1.14 to the then current market price of HK\$0.465. 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 MelcoLot to the Company 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.

11. “Others” represents the directors (other than the directors of the Company), employees or consultants of MelcoLot.

As described above, during the year ended 31 December 2015, MelcoLot granted a total of 81,708,000 Replacement Share Options to its directors, employees, consultants and substantial shareholder under the MelcoLot 2012 Share Option Scheme. The validity period of the options is ten years from 9 October 2015 to 8 October 2025. The options will entitle the grantees to subscribe for a total of 81,708,000 new shares of MelcoLot at a reduced exercise price of HK\$0.465 per share. The closing prices of the shares of MelcoLot immediately before and on the date on which the options were granted were HK\$0.229 and HK\$0.465 respectively. The estimated fair values of the 2014 Cancelled Share Options was approximately HK\$64,316,000 and HK\$22,313,000 at the date of grant and date of cancellation, respectively. The estimated fair value of the 75,340,000 Modified Share Options was approximately HK\$24,366,000 and the incremental fair value at date of grant of HK\$2,053,000 will be expensed over the remaining vesting period of the 2014 Cancelled Share Options of 3 years. The estimated fair value of the 6,368,000 new options was approximately HK\$2,059,000.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

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

The fair value of share options granted during the year ended 31 December 2015 were calculated using the Black-Scholes Option Pricing model (2014: Binomial model). The inputs into the model were as follows:

		2014	2014
	Replacement	Cancelled	Cancelled
	Share	Share	Share
	Options	Options	Options
	granted	modified	granted
	on 9 October	on 9 October	on 11 August
	2015	2015	2014
Number of options granted/modified	81,708,000	81,360,000	81,708,000
Closing share price immediately before the date of grant/on the date of modification	HK\$0.465	HK\$0.465	HK\$1.14
Exercise price	HK\$0.465	HK\$1.14	HK\$1.14
Exercise multiplier	2.8 – 3.3	2.8 – 3.3	2.8 – 3.3
Expected volatility	91%	87%	86%
Option life/Remaining option life	10 years	8.8 years	10 years
Risk-free interest rate	1.55%	1.382%	1.97%
Expected dividend yield	0%	0%	0%
Fair value of an option	HK\$0.3015 –	HK\$0.2726 –	HK\$0.7286 –
	HK\$0.3563	HK\$0.2856	HK\$0.8267

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 incremental fair value of HK\$2,053,000 will be expensed over the remaining vesting period of 3 years. MelcoLot used the inputs noted above to measure the fair value of the old and new options.

The Group recognized a total expenses of HK\$22,439,000 (2014: HK\$46,383,000) for the year ended 31 December 2015 in relation to share options granted by MelcoLot.

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) *EGT (a listed subsidiary of the Company)*

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

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

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

The following is a summary of the principal terms of the EGT 2008 Stock Incentive Plan:

(i) Purpose

The EGT 2008 Stock Incentive Plan is intended to advance the interests of EGT and its stockholders by enabling EGT and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation, and to reward those individuals who contribute to the achievement of economic objectives.

(ii) Participants

All employees and any subsidiary employees (including officers and directors who are also employees), as well as all non-employee directors and other consultants, advisors and other persons who provide services to EGT will be eligible to receive incentive awards under the EGT 2008 Stock Incentive Plan.

(iii) Maximum number of shares available for issue

The maximum number of EGT shares reserved for issuance under the EGT 2008 Stock Incentive Plan was 1,250,000.

(iv) Remaining life of the plan

The EGT 2008 Stock Incentive Plan will terminate on 31 December 2018.

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

Options

(i) The basis of determining the exercise price

The exercise price shall not be less than 100% of the fair market value of one share of common stock on the date of grant, unless the participant owns more than 10% of the total combined voting power of all classes of stock of EGT or any parent or subsidiary corporation of EGT, in which case the exercise price shall then be 110% of the fair market value.

(ii) Period and payment on acceptance of options

The period under which an option may be exercised shall be such period as the compensation committee of EGT may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date of grant. Exercise of an option shall be paid entirely in cash.

No consideration on acceptance of an offer of the grant of an option. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

(iii) Non-statutory stock options

The aggregate fair market value of shares of common stock with respect to which incentive stock options may become exercisable by a participant for the first time during any calendar year may not exceed US\$100,000. Any incentive stock options in excess of this amount will be treated as non-statutory stock options.

Restricted stock awards

A restricted stock award is an award of common stock vesting at such times and in such installments as may be determined by the compensation committee and, until it vests, that is subject to restrictions on transferability and the possibility of forfeiture. Restricted stock awards may be subject to any restrictions or vesting conditions that the compensation committee deems appropriate, including that the participant remains continuously employed by EGT or a subsidiary for a certain period.

Performance stock awards

A performance stock award is an award of common stock that may be subject to the future achievement of specified performance criteria determined by the compensation committee or be free of any performance or vesting conditions. The compensation committee may select one criterion or multiple criteria for measuring performance, which may be based on company or business unit performance or the individual performance of the participant or any other measure.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

Movements of the stock options, which granted under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan, during the year ended 31 December 2015, are set out below:

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

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 (Note 1) US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014 & 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			
Under EGT 1999 Stock Option Plans													
Directors ³	7,500	-	-	-	7,500	(5,625)	-	-	-	1,875	22.01.2008	14.96	57.92
Directors ⁴	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	12.02.2008	16.88	73.44
Directors ⁵	500,000	-	-	-	500,000	(375,000)	-	-	-	125,000	29.12.2008	0.60	2.72
Directors ¹⁵	50,000	-	-	-	50,000	(37,500)	-	-	-	12,500	11.12.2008	0.24	1.28
Total	582,500	-	-	-	582,500	(436,875)	-	-	-	145,625			
Stock options exercisable													
at year end	582,500				582,500					145,625			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

(i) Stock options granted to the directors of the Company (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\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014 & 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			
Under EGT 2008 Stock Incentive Plan													
Directors ⁶	37,500	-	-	-	37,500	(28,125)	-	-	-	9,375	12.02.2009	0.48	2.08
Directors ⁷	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	07.01.2010	1.24	4.64
Directors ⁸	125,000	-	-	-	125,000	(93,750)	-	-	-	31,250	22.01.2010	1.08	4.40
Directors ⁹	137,500	-	-	-	137,500	(103,125)	-	-	-	34,375	03.02.2011	1.48	5.76
Directors ¹⁰	175,000	-	-	-	175,000	(131,250)	-	-	-	43,750	03.01.2012	0.92	3.696
Directors ¹¹	50,000	-	-	-	50,000	(37,500)	-	-	-	12,500	02.01.2013	2.05	7.86
Directors ¹²	65,000	-	-	-	65,000	(48,750)	-	-	-	16,250	02.01.2013	2.05	7.86
Directors ¹³	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	02.01.2014	1.21	4.844
Directors ¹⁴	100,000	-	-	-	100,000	(75,000)	-	-	(13,750)	11,250	02.01.2014	1.21	4.844
Directors ¹⁶	12,500	-	-	-	12,500	(9,375)	-	-	-	3,125	03.02.2011	1.48	5.76
Directors ¹⁷	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	03.01.2012	0.92	3.696
Directors ¹⁸	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	02.01.2014	1.21	4.844
Total	802,500	-	-	-	802,500	(601,875)	-	-	(13,750)	186,875			
Stock options exercisable													
at year end	637,500				637,500					159,375			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

(ii) Stock options granted to other eligible participants

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 (Note 1) US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014 & 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			
Under EGT 1999 Stock Option Plans													
Others ³⁹	226	-	-	(226)	-	-	-	-	-	-	10.12.2004	6.52	26.56
Others ^{23, 39}	221	-	-	-	221	(165)	-	-	(56)	-	05.01.2005	7.00	26.836
Others ^{19, 39}	2,500	-	-	-	2,500	(1,875)	-	-	(625)	-	16.02.2005	7.60	29.28
Others ^{24, 39}	12,500	-	-	-	12,500	(9,375)	-	-	(3,125)	-	07.11.2005	12.12	48.00
Others ^{20, 39}	2,500	-	-	-	2,500	(1,875)	-	-	-	625	30.01.2006	13.04	48.48
Others ^{21, 39}	7,500	-	-	-	7,500	(5,625)	-	-	-	1,875	06.03.2007	9.88	38.88
Others ^{22, 39}	1,250	-	-	-	1,250	(937)	-	-	-	313	07.03.2007	9.60	38.339
Others ^{25, 39}	1,250	-	-	-	1,250	(937)	-	-	-	313	07.03.2007	9.60	38.339
Others ^{26, 39}	4,000	-	-	-	4,000	(3,000)	-	-	-	1,000	10.09.2007	11.80	49.76
Others ^{3, 39}	30,000	-	-	-	30,000	(22,500)	-	-	-	7,500	22.01.2008	14.96	57.92
Others ^{27, 39}	31,250	-	-	-	31,250	(23,437)	-	-	-	7,813	12.02.2008	16.88	67.516
Others ^{28, 39}	49,750	-	-	-	49,750	(37,312)	-	-	-	12,438	12.02.2008	16.88	73.44
Others ^{29, 39}	50,000	-	-	-	50,000	(37,500)	-	-	-	12,500	21.05.2008	4.96	19.52
Others ^{15, 39}	50,000	-	-	-	50,000	(37,500)	-	-	-	12,500	11.12.2008	0.24	1.28
Others ^{30, 39}	112,500	-	-	-	112,500	(84,374)	-	-	-	28,126	11.12.2008	0.24	1.28
Total	355,447	-	-	(226)	355,221	(266,412)	-	-	(3,806)	85,003			
Stock options exercisable at year end	335,447				335,221					85,003			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (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 (Note 1) US\$
	Outstanding at 26.11.2014 (date of acquisition)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014 & 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			
Under EGT 2008 Stock Incentive Plan													
Others ^{6, 39}	75,000	-	-	-	75,000	(56,250)	-	-	-	18,750	12.02.2009	0.48	2.08
Others ^{7, 39}	37,500	-	-	-	37,500	(28,125)	-	-	-	9,375	07.01.2010	1.24	4.64
Others ³⁹	37,500	-	-	(37,500)	-	-	-	-	-	-	07.01.2010	1.24	4.64
Others ^{31, 39}	150,001	-	-	-	150,001	(112,500)	-	-	-	37,501	12.03.2010	1.08	4.16
Others ^{32, 39}	137,502	-	-	-	137,502	(103,125)	-	-	-	34,377	13.05.2010	1.04	4.24
Others ³⁹	37,500	-	-	(37,500)	-	-	-	-	-	-	14.05.2010	1.04	4.24
Others ^{33, 39}	18,750	-	-	-	18,750	(14,062)	-	-	-	4,688	17.08.2010	1.00	3.84
Others ^{34, 39}	603,619	-	-	-	603,619	(452,712)	-	-	-	150,907	03.02.2011	1.48	5.76
Others ^{16, 39}	37,500	-	-	-	37,500	(28,125)	-	-	-	9,375	03.02.2011	1.48	5.76
Others ³⁹	50,000	-	-	(50,000)	-	-	-	-	-	-	03.02.2011	1.48	4.24
Others ^{17, 39}	75,000	-	-	-	75,000	(56,250)	-	-	-	18,750	03.01.2012	0.92	3.696
Others ^{37, 39}	25,000	-	-	-	25,000	(18,750)	-	-	-	6,250	20.07.2012	2.21	8.676
Others ^{35, 39}	15,000	-	-	-	15,000	(11,250)	-	-	-	3,750	07.09.2012	2.16	8.564
Others ^{11, 39}	75,000	-	-	-	75,000	(56,250)	-	-	-	18,750	02.01.2013	2.05	7.86
Others ^{36, 39}	75,000	-	-	-	75,000	(56,250)	-	-	-	18,750	11.03.2013	1.90	7.496
Others ^{18, 39}	75,000	-	-	-	75,000	(56,250)	-	-	-	18,750	02.01.2014	1.21	4.844
Total	1,524,872	-	-	(125,000)	1,399,872	(1,049,899)	-	-	-	349,973			
Stock options exercisable at year end	1,461,539				1,336,539					344,973			

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (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.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

Notes: (continued)

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 16 February 2005 may be exercised from 17 August 2005 to 16 February 2015.
20. The stock options granted on 30 January 2006 may be exercised from 31 July 2006 to 30 January 2016.
21. The stock options granted on 6 March 2007 may be exercised from 7 September 2007 to 6 March 2017.
22. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.
23. The stock options granted on 5 January 2005 may be exercised from 5 January 2005 to 5 January 2015.
24. The stock options granted on 7 November 2005 are divided into 2 tranches exercisable from 7 November 2007 and 7 November 2008 respectively to 7 November 2015.
25. The stock options granted on 7 March 2007 may be exercised from 8 September 2007 to 7 March 2017.
26. The stock options granted on 10 September 2007 may be exercised from 18 November 2007 to 10 September 2017.
27. 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.
28. The stock options granted on 12 February 2008 may be exercised from 13 August 2008 to 14 November 2017.
29. 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.
30. 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.
31. The stock options granted on 12 March 2010 may be exercised from 12 March 2011 to 12 March 2020.
32. 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.

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For the year ended 31 December 2015

35. LONG TERM INCENTIVE SCHEMES (continued)

Share option schemes (continued)

(III) EGT (a listed subsidiary of the Company) (continued)

Notes: (continued)

33. 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.
34. 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.
35. 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.
36. 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.
37. 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.

38. No stock options were exercised and cancelled under the EGT 1999 Stock Option Plans and EGT 2008 Stock Incentive Plan during the year ended 31 December 2015.

39. “Other eligible participants” represents the directors (other than the directors of the Company), employees and consultants of EGT.

The Group recognized a total expenses of HK\$1,019,000 (for the period from 26 November 2014, date of acquisition, to 31 December 2014: income of HK\$156,000) for the year ended 31 December 2015 in relation to the stock options granted by EGT.

Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme Trust (the “Share Purchase Scheme”) and The Melco Share Award Scheme Trust (the “Share Subscription Scheme”) and 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.

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share award schemes (continued)

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).

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 appendices 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.

35. LONG TERM INCENTIVE SCHEMES (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 2015 are set out below:

Category of participant	Number of awarded shares									Share price at date of award HK\$	Date of award	Vesting date
	Outstanding at 1.1.2014	Awarded during the year	Vested during the year	Outstanding					Outstanding at 31.12.2015			
				at 31.12.2014 & 1.1.2015	Awarded during the year	Reclassified during the year	Vested during the year	Cancelled during the year				
Directors	1,250,000	-	(1,250,000)	-	-	-	-	-	-	13.40	02.04.2013	02.04.2014
Directors	-	1,100,000	(1,100,000)	-	-	-	-	-	-	26.65	03.04.2014	03.04.2014
Directors	-	1,100,000	-	1,100,000	-	-	(1,100,000)	-	-	26.65	03.04.2014	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	14.24	08.04.2015	08.04.2016
Directors	-	-	-	-	79,000	-	-	(4,000)	75,000	14.24	08.04.2015	08.04.2017
Directors	-	-	-	-	76,000	-	-	(3,000)	73,000	14.24	08.04.2015	08.04.2018
Sub-total	1,250,000	2,200,000	(2,350,000)	1,100,000	2,515,000	-	(2,281,000)	(11,000)	1,323,000			

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35. LONG TERM INCENTIVE SCHEMES (continued)

Share award schemes (continued)

(a) Share Purchase Scheme (continued)

Category of participant	Number of awarded shares									Share price at date of award HK\$	Date of award	Vesting date	
	Outstanding	Awarded	Vested	Outstanding		Reclassified	Vested	Cancelled	Outstanding				
	at 1.1.2014	during the year	during the year	at 31.12.2014	Awarded	during the year	during the year	during the year	during the year				at 31.12.2015
Employees	-	-	-	-	123,600	-	(123,600)	-	-	-	14.24	08.04.2015	08.04.2015
Employees	-	-	-	-	116,600	(28,000)	-	-	88,600	-	14.24	08.04.2015	08.04.2016
Employees	-	-	-	-	114,400	(28,000)	-	-	86,400	-	14.24	08.04.2015	08.04.2017
Employees	-	-	-	-	109,400	(27,000)	-	-	82,400	-	14.24	08.04.2015	08.04.2018
Sub-total	-	-	-	-	464,000	(83,000)	(123,600)	-	257,400	-			
Consultants	-	-	-	-	6,000	-	(6,000)	-	-	-	14.24	08.04.2015	08.04.2015
Consultants	-	-	-	-	5,000	28,000	-	-	33,000	-	14.24	08.04.2015	08.04.2016
Consultants	-	-	-	-	5,000	28,000	-	-	33,000	-	14.24	08.04.2015	08.04.2017
Consultants	-	-	-	-	5,000	27,000	-	-	32,000	-	14.24	08.04.2015	08.04.2018
Sub-total	-	-	-	-	21,000	83,000	(6,000)	-	98,000	-			
Total	1,250,000	2,200,000	(2,350,000)	1,100,000	3,000,000	-	(2,410,600)	(11,000)	1,678,400	-			

35. LONG TERM INCENTIVE SCHEMES (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 appendices 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.

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35. LONG TERM INCENTIVE SCHEMES (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.

No award was granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2015.

The Group recognized total expenses of approximately HK\$41,239,000 (2014: HK\$55,417,000) for the year ended 31 December 2015 in relation to the awarded shares under the share award schemes.

During the years ended 31 December 2015 and 2014, the share price on the date of award has been used to determine the fair value of the awarded shares under the share award schemes.

36. ACQUISITION OF A SUBSIDIARY

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

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

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36. ACQUISITION OF A SUBSIDIARY (continued)

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

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

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

Gain on bargain purchase arising from acquisitions:

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

Notes:

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

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36. ACQUISITION OF A SUBSIDIARY (continued)

Gain on bargain purchase arising from acquisitions: (continued)

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

Net cash inflow on acquisition of EGT

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

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

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

37. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

Minimum lease payments under operating leases during the year in respect of office premises were approximately HK\$18,287,000 (2014: HK\$12,400,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	5,537	21,054
In the second to fifth year inclusive	–	4,906
	<u>5,537</u>	<u>25,960</u>

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for a term ranging from one to four years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. OPERATING LEASE ARRANGEMENTS (continued)

(b) The Group as lessor

At 31 December 2015, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to five years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2015	2014
	HK\$'000	HK\$'000
Within one year	5,155	5,472
In the second to fifth year inclusive	5,106	10,002
	10,261	15,474

38. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme. No more contribution was made to the ORSO Scheme after the switch.

For members of the MPF Scheme, both the employee and the Group contribute 5% each of relevant payroll costs to the Scheme, subject to a maximum contribution of HK\$1,500 (HK\$1,250 before June 2014), which contribution is matched by the employee.

In addition, the Group contributes to a local municipal government retirement scheme for all qualifying employees in the PRC. The employers and its employees are each required to make contributions to the scheme at the rates specified in the scheme's rules. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

39. RELATED PARTY TRANSACTIONS

(a) The Group has entered into the following related parties transactions:

	2015	2014
	HK\$'000	HK\$'000
Overseas travels, entertainment and gifts expenses charged by an associate	705	999
Service income received from associates	9,145	10,114
Service income received from a related company (Note)	240	240
Sundry income received from associates	121	255
Management fee income from a non-controlling shareholder of a subsidiary	–	212
Management fee paid to associates	2,177	–
Sales of lottery terminals to an associate of a non-controlling shareholder of a subsidiary	–	574
Sales of gaming products to associates	72,012	9,072
Purchase of lottery terminals, parts and hardware from a subsidiary of a non-controlling shareholder of a subsidiary	48,207	38,302
Dividend paid to non-controlling shareholders of a subsidiary	–	10,115

Note: Mr. Ho, Lawrence Yau Lung, a shareholder with significant influence of holding over a 20% shareholding in, and also a director of, the Company, has a significant shareholding in that related company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015	2014
	HK\$'000	HK\$'000
Short-term benefits	29,291	22,458
Post-employment benefits	136	122
Share-based compensation	93,130	155,362
	122,557	177,942

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Company's operating results and market standards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

40.1 General information of principal subsidiaries

Details of the Group's principal subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion of ownership interest held by the Company			
				Directly		Indirectly	
				2015	2014	2015	2014
Melco Leisure and Entertainment Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	100%	100%	–	–
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares and 33,930 B shares	–	–	86.68%	86.68%
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares of and 13,495 ordinary shares	–	–	84.75%	84.75%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares	–	–	86.68%	86.68%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.1 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 held by the Company			
				Directly		Indirectly	
				2015	2014	2015	2014
Melco Technology Group Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares	100%	100%	–	–
EGT Entertainment Holding Limited	Hong Kong	Investment holding in Hong Kong	833,333 ordinary shares	–	–	100%	100%
Melco Services Limited	British Virgin Islands	Provision of management and network support services to group companies	1 share of US\$1	100%	100%	–	–
Zonic Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	–	–	100%	100%
Melco LottVentures Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 share of US\$1	–	–	100%	100%
Melco Finance Limited	British Virgin Islands	Issuer of bonds	1 share of US\$1	–	–	100%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.1 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 held by the Company			
				Directly		Indirectly	
				2015	2014	2015	2014
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 (2014: 3,145,545,326) 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 and, design, manufacture and distribution of gaming chips and plaques in Hong Kong	14,464,220 (2014: 57,879,835) common shares of US\$0.001 each (Note)	–	–	64.84%	64.81%

Note: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.1 General information of principal subsidiaries (continued)

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Melco Finance Limited which issued HK\$760,000,000 guaranteed bonds, as disclosed in Note 31, in which the Group has no interest.

40.2 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	
		2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
MelcoLot (Note)	Cayman Islands/The PRC	59.35%	59.35%	(19,898)	(49,904)	246,034	251,384
EGT	The US/The Philippines/ Cambodia/Hong Kong	35.16%	35.19%	9,309	(3,530)	110,199	100,659
Individually immaterial subsidiaries with non-controlling interests						36,382	35,839
						392,615	387,882

Note: MelcoLot is listed on the Hong Kong Stock Exchange. Although the Group has only 40.65% ownership in MelcoLot, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant entities of MelcoLot on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 59.35% ownership interests in MelcoLot are owned by large numbers of shareholders with insignificant shareholding that are unrelated to the Group and individually, none of the unrelated shareholders hold more than 10%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

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.

MelcoLot

	2015 HK\$'000	2014 HK\$'000
Current assets	476,170	524,911
Non-current assets	50,613	858
Current liabilities	(118,236)	(104,778)
Equity attributable to owners of MelcoLot	399,751	415,890
Non-controlling interests	8,796	5,101

	2015 HK\$'000	2014 HK\$'000
Revenue	57,163	45,284
Expenses	(91,667)	(111,833)
Loss for the year	(34,504)	(66,549)
Loss attributable to owners of MelcoLot	(35,934)	(65,403)
Profit (loss) attributable to the non-controlling interests of MelcoLot	1,430	(1,146)
Loss for the year	(34,504)	(66,549)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

MelcoLot (continued)

	2015 HK\$'000	2014 HK\$'000
Other comprehensive (expense) income attributable to owners of MelcoLot	(2,187)	6,143
Other comprehensive income (expense) attributable to the non-controlling interests of MelcoLot	722	(19)
Other comprehensive (expense) income for the year	(1,465)	6,124
Total comprehensive expense attributable to owners of MelcoLot	(38,121)	(59,260)
Total comprehensive income (expense) attributable to the non-controlling interests of MelcoLot	2,152	(1,165)
Total comprehensive expense for the year	(35,969)	(60,425)
Dividend to non-controlling shareholders	–	3,040
Net cash (used in) from operating activities	(14,655)	3,876
Net cash used in investing activities	(168,358)	(197,136)
Net cash from financing activities	162	436,751
Net (decrease) increase in cash and cash equivalents	(182,851)	243,491

EGT

	2015 HK\$'000	2014 HK\$'000
Current assets	267,873	191,577
Non-current assets	84,444	155,832
Current liabilities	(21,960)	(23,396)
Non-current liabilities	(7,072)	(7,408)
Equity attributable to owners of EGT	323,282	316,602
Non-controlling interests	3	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

EGT (continued)

	2015	26.11.2014
	HK\$'000	(date of acquisition)
	to 31.12.2014	to 31.12.2014
	HK\$'000	HK\$'000
Revenue	245,140	22,495
Expenses	(238,760)	(34,188)
Profit (loss) for the year/period attributable to owners of EGT	6,380	(11,693)
Other comprehensive (expense) income for the year/period attributable to owners of EGT	(342)	128
Total comprehensive income (expense) for the year/period attributable to owners of EGT	6,038	(11,565)

	2015	26.11.2014
	HK\$'000	(date of acquisition)
	to 31.12.2014	to 31.12.2014
	HK\$'000	HK\$'000
Dividend to non-controlling shareholders	-	-
Net cash from (used in) operating activities	114,008	(9,921)
Net cash used in investing activities	(10,814)	(3,979)
Net cash used in financing activities	-	(117)
Effect of exchange rate changes in cash	902	-
Net increase (decrease) in cash and cash equivalents	104,096	(14,017)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

40.3 Change in ownership interest in a subsidiary

During the year ended 31 December 2014, the Group disposed of 74,208,000 MelcoLot's shares (the "Disposal"), representing 4% of the issued share capital of MelcoLot as at 31 December 2014, for an aggregate cash consideration, net of expenses, of approximately HK\$110,203,000, in the open market. The consideration had been calculated by referencing to the market price of MelcoLot at the date of the Disposal.

The gain in respect of the Disposal of approximately HK\$116,977,000, calculated by (a) adding the net liabilities of MelcoLot attributable to the non-controlling interests of approximately HK\$6,774,000; and (b) deducting the related costs and expenses of the disposal of approximately HK\$396,000 from the gross proceeds of the Disposal of approximately HK\$110,599,000, was credited to special reserve.

Five Years Financial Summary

RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	129,314	146,851	183,274	201,735	427,389
Profit for the year	281,392	1,123,614	1,604,116	1,435,127	90,877
Attributable to:					
Owners of the Company	280,085	1,121,903	1,596,715	1,487,172	100,924
Non-controlling interests	1,307	1,711	7,401	(52,045)	(10,047)
	281,392	1,123,614	1,604,116	1,435,127	90,877

ASSETS AND LIABILITIES

	At 31 December				
	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	8,578,030	9,925,332	12,943,071	14,097,064	14,316,938
Total liabilities	(1,366,454)	(627,438)	(1,327,724)	(1,377,526)	(1,538,486)
	7,211,576	9,297,894	11,615,347	12,719,538	12,778,452
Equity attributable to owners of the Company	7,182,646	9,374,433	11,688,948	12,331,656	12,385,837
Non-controlling interests	28,930	(76,539)	(73,601)	387,882	392,615
	7,211,576	9,297,894	11,615,347	12,719,538	12,778,452

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HO, Lawrence Yau Lung
(*Chairman and Chief Executive Officer*)
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence

Non-executive Director

Mr. NG Ching Wo

Independent Non-executive Directors

Mr. CHOW Kwong Fai, Edward
Mr. SHAM Sui Leung, Daniel
Dr. TYEN Kan Hee, Anthony

EXECUTIVE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TSANG Yuen Wai, Samuel*
Mr. TAM Chi Wai, Dennis*
Mr. CHOY, Andy*
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. TSUI Che Yin, Frank
Mr. LEUNG Hoi Wai, Vincent*

FINANCE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TAM Chi Wai, Dennis*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. CHOW Kwong Fai, Edward (*Chairman*)
Mr. HO, Lawrence Yau Lung
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Ms. MA Po Ming, Maggie*

COMPANY SECRETARY

Mr. LEUNG Hoi Wai, Vincent

QUALIFIED ACCOUNTANT

Mr. TAM Chi Wai, Dennis

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LEGAL ADVISORS

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King & Wood Mallesons

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Bank of China, Macau Branch
UBS AG

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