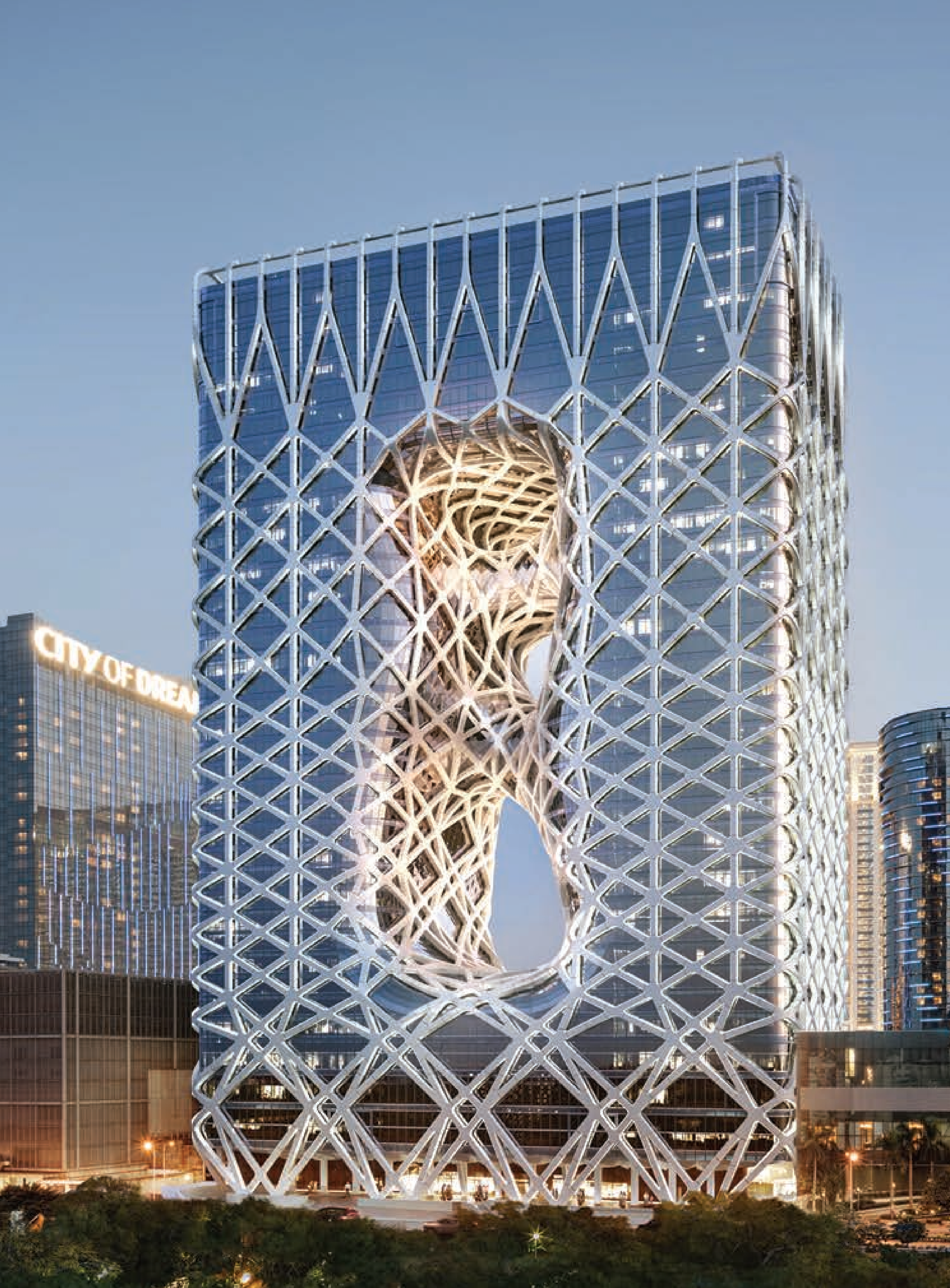
MELCO

MELCO INTERNATIONAL DEVELOPMENT LIMITED

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

ANNUAL REPORT 2017

CONTENTS


CITY OF DREA

CITY OF DREAMS
MACAU
新濠天地

A TRUE LANDMARK FOR ALL OF MACAU

Constantly upping its ante in the Macau integrated resort scene, our flagship property City of Dreams is heralding the start of a new era of hospitality sophistication in Macau.

With the launch of the Forbes 5-Star hotel Nüwa, the rebranding and redevelopment of The Countdown, and the eagerly awaited opening of Morpheus, the cornerstone of the final phase of development for City of Dreams, the property sets a new benchmark for luxury and entertainment in Macau.


STUDIO CITY

STUDIO CITY MACAU
新濠影滙

A SPARKLING ENTERTAINMENT WONDERLAND

Combining electrifying entertainment with Forbes 5-Star hotel, Michelin-starred dining and designer brand shopping, the cinematically-themed resort Studio City takes thrilling entertainment to a whole new level in Asia.

Studio City is further embarking on a series of property upgrades to refine the entertainment offerings and improve accessibility into the resort, striving for bringing the biggest, boldest and most exciting attractions to Macau.


CITY OF DREAMS
MANILA

THE WINNING HAND IN THE PHILIPPINE ENTERTAINMENT SCENE

Featuring 3 luxurious hotel brands, various premium dining outlets and one-of-a-kind entertainment, the dynamic and innovative resort City of Dreams Manila is playing a key role in strengthening the depth and diversity of the Philippines' leisure, business and tourism offerings.

Despite new supply within Entertainment City, through delivering an unparalleled entertainment and hospitality experience to the Philippines, City of Dreams Manila continued to enjoy robust year-on-year growth and be a key revenue driver of the Group.

KIMONO
ROBOTO

VISION FOR JAPAN

Heritage inspires the future. In collaboration with international contemporary artists, the Group hosted the KIMONO ROBOTO exhibition to celebrate the heritage of the traditional kimono artistry. A world-first collection of museum-quality kimonos created by Japanese Living National Treasures and Imperial Family-appointed artisans using weaving techniques unseen in over a century were showcased in the event.

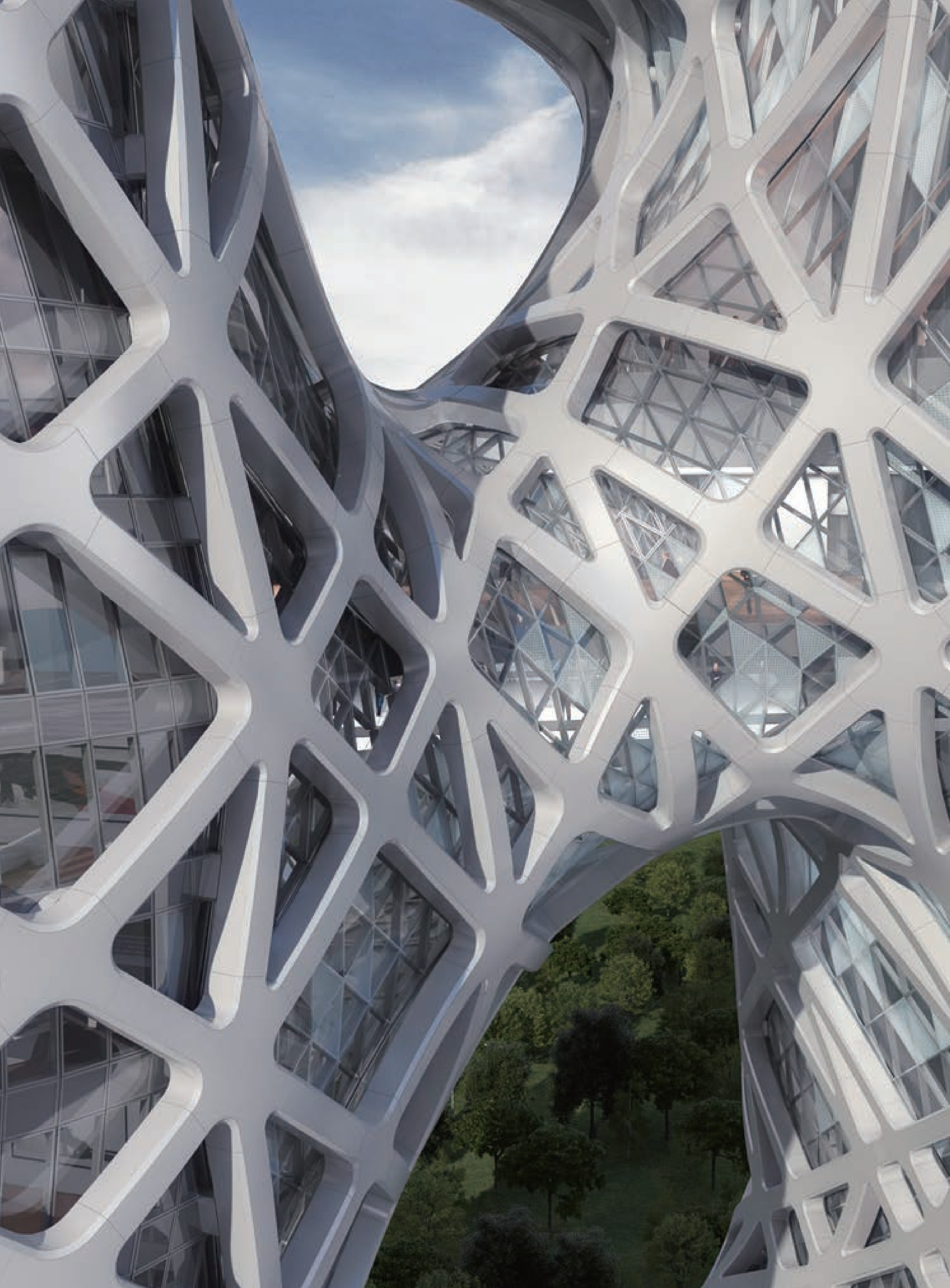
Japan continues to be a core focus of the Group. With its high quality assets, dedication to world-class entertainment offerings, market-leading social safeguard and compliance culture, and commitment to being an ideal partner to local governments and communities alike, the Group is in a strong position to realize its vision for integrated resort development in the country with a unique Japanese touch.

GIVING BACK TO THE COMMUNITY IT SERVES

The Group has devoted its greatest efforts in contributing to the society through a proactive and innovative approach, with the development of one-of-its kind Corporate Social Responsibility (CSR) programs.

Its vision in CSR is about making a difference in the lives of the people in the communities in which it operates. Beyond philanthropy, it is about creating long-term programs which create solutions and opportunities for the society.


MELCO
WHOLE PERSON DEVELOPMENT
LIFE TRANSFORMING MOMENT
新濠全人發展 見證重要時刻



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

Key Financial Performance Indicators

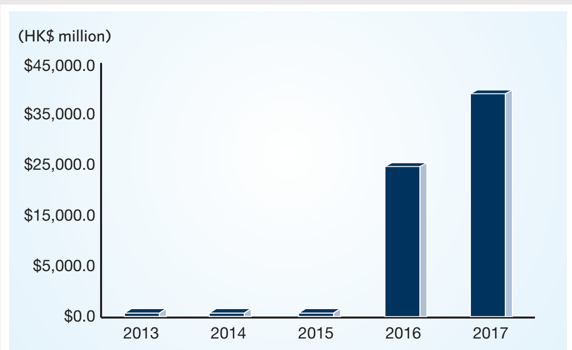
Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") has once again achieved strong financial results with net revenue increasing by over 70% to HK$41.2 billion and Adjusted EBITDA increasing by approximately 85% to HK$9.81 billion. The increase was due to stronger results in 2017. Additionally, the prior year results reflected approximately 8 months of consolidated results of Melco Resorts & Entertainment Limited ("Melco Resorts") (formerly known as Melco Crown Entertainment Limited) compared to a full year of consolidated results in 2017.

Profit attributable to owners of the Company and basic earnings per share both decreased by 95.4% to HK$474.1 million and HK$0.31, respectively. The decreases were principally due to a one-off gain on deemed disposal of previously held interest in an associate amounting to approximately HK$10,385.5 million recognized in 2016, offset in part by the strong performance of the Group's operating results.

During the year, Melco International benefited from the recovery of its core market of Macau, rebounding to register consecutive monthly growth throughout 2017. Meanwhile, outside Macau, City of Dreams Manila has continued to deliver consistently strong performance across all gaming segments and capturing the fast-growing tourism market of the Philippines. Beyond Asia, the Group has increased its interest in the Cyprus casino resort licensing holding project company to 75%, thereby increasing the Company's exposure to the high-growth integrated resort market opportunity in the country.

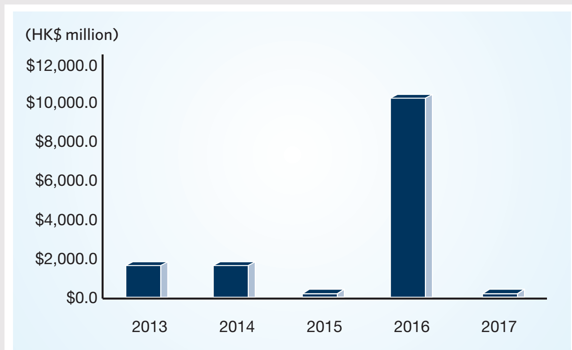
REVENUE

HK$41,180.1 million (+72.6%)



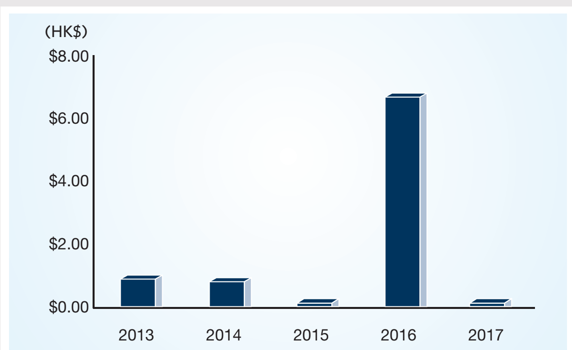
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$474.1 million (-95.4%)



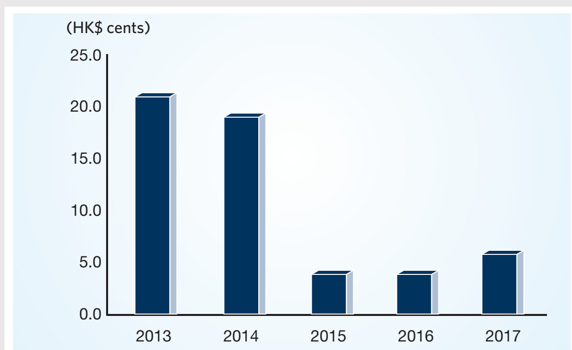
BASIC EARNINGS PER SHARE

HK$0.31 (-95.4%)



TOTAL DIVIDENDS FOR THE YEAR

HK6.2 cents per share (+77.1%)



Non-Financial Key Performance Indicators

The Group has disclosed details on various non-financial key performance indicators, including stakeholder engagement, environmental impact and other community development efforts in its 2017 Environmental, Social and Governance ("ESG") Report. The Group's non-financial key performance indicators for the year were robust and continued to reflect its steadfast commitment and significant contributions to the betterment of the society.

COMMUNITY ENGAGEMENT

In 2017, the Group has continued to engage in a wide range of activities that benefit the communities it has deep roots in, aiming to make a difference in people's lives. Its continuous commitment in corporate social responsibilities has resulted in the following achievements:

Assistance to **362,000+** children, young people and the physically challenged

Contribution of **136,800+** volunteer hours by employees

ENVIRONMENTAL PROTECTION

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

Greenhouse Gas ("GHG") Emissions

Total GHG Emissions (tCO_2e):
406,714
(2016:418,557)

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

CORPORATE PROFILE

A LONG HISTORY AND A BRIGHT FUTURE

Melco International was founded in 1910 and listed on the Hong Kong Stock Exchange in 1927. Under the leadership of Chairman and Chief Executive Officer Mr. Lawrence Ho, Melco International has found new energy and direction as a dynamic company that leads the field in the leisure and entertainment sector. Our group companies are responding to the changing dynamics with vibrant, imaginative products and services that fulfill the demands and dreams of the increasingly affluent and ambitious young generation.

CONFIDENCE LEADS TO GROWTH, GROWTH LEADS TO CONFIDENCE

Characterizing all Melco International companies is confidence that stems from recent successes in repositioning businesses for long-term growth and the development of unique, proprietary products and services in attaining market leadership.

In 2017, Melco International became the sole majority shareholder of its subsidiary Melco Resorts, a leading developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. This further bolstered the Company's financial position through incorporation of the full financial contributions of Melco Resorts.

BRILLIANT ACHIEVEMENTS

The accolades that Melco International has received over the past several years proved that our achievements have been widely recognized. The Group is the first 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 2017, Melco International has been honored with the "Corporate Governance Asia Annual Recognition Awards" for 12 consecutive years since 2006, and the "Best Investor Relations Company in Hong Kong" for 6 consecutive years by Corporate Governance Asia magazine. Its Chairman and Chief Executive Officer, Mr. Lawrence Ho was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015, and was awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the sixth time in 2017.

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

CORPORATE STRUCTURE

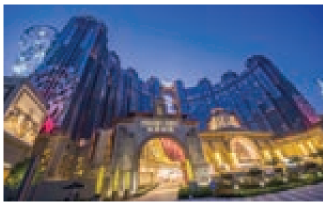
MELCO INTERNATIONAL DEVELOPMENT LIMITED
LISTED ON THE STOCK EXCHANGE OF HONG KONG LIMITED (SEHK:0200)

CASINO AND HOSPITALITY BUSINESS

MELCO RESORTS & ENTERTAINMENT LIMITED
LISTED ON THE NASDAQ GLOBAL SELECT MARKET (NASDAQ:MLCO)

MACAU

City of Dreams, Cotai
Premium Market

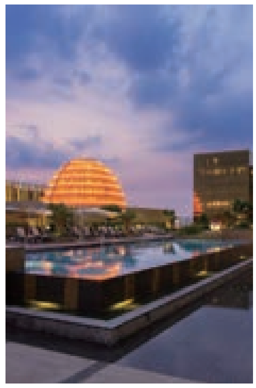


Studio City, Cotai
Mass Market

Altira Macau, Taipa
VIP Market

Mocha Clubs, all over Macau
Leisure Grind Market

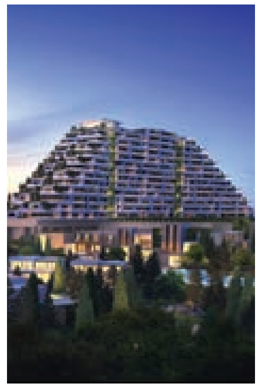
THE PHILIPPINES



City of Dreams Manila,
Entertainment City, Manila
Mass Market

INTEGRATED CASINO RESORTS CYPRUS LIMITED

CYPRUS



City of Dreams
Mediterranean,
Cyprus
(under development)

OTHER BUSINESSES

ENTERTAINMENT GAMING ASIA INC.

Slot machine participation business and social gaming platforms development

ABERDEEN RESTAURANT ENTERPRISES LIMITED (JUMBO KINGDOM)

Catering business

CHAIRMAN & CEO'S STATEMENT

Dear Shareholders,

I am pleased to report that the Group has achieved strong performance in 2017. After years of weathering headwinds in our core market of Macau and investing into the development of an international network of integrated resorts, our results this year demonstrate that our opportunities are increasingly global and we are better equipped than ever to seize them.

Over the last 12 months, we have built substantial momentum throughout the business, and I am encouraged by the growth we can achieve on the strength of these foundations. We have entered 2018 as a stronger, more focused and better positioned company.

Nevertheless, challenges remain ahead. There is still much we must do before we can realize our long-term ambition of leading the world in leisure and entertainment. So in this letter, I will review recent milestones and ongoing priorities. I hope to leave you sharing our sense of excitement and energy about the road ahead, and above all, of our unwavering focus on making a reality of our vision for the future of gaming and entertainment.

OPERATING RESULTS

In 2017, our Adjusted EBITDA was HK$9.8 billion, representing a solid increase of over 80%. The increase was due to stronger results in 2017. Additionally, the prior year results reflected approximately 8 months of consolidated results of Melco Resorts compared to a full year of consolidated results in 2017.

The main factors contributing to the increase in our Adjusted EBITDA over 2016 were the first full-year consolidation of Melco Resorts' results and the stronger performance of the Group's core gaming operations in Macau and the Philippines. The entire market rebounded strongly in Macau with patrons returning to the tables across both the VIP and mass market segments. These tailwinds were further reinforced by our sustained attention to operating excellence and attracting Chinese outbound tourism, particularly within the consistently expanding premium-mass segment. In the Philippines, City of Dreams Manila continued to enjoy robust year-on-year growth in all gaming segments, despite new supply within Entertainment City.

STRATEGIC DEVELOPMENTS

Throughout the year, we continued to move City of Dreams steadily closer to the launch of its third phase, when the integrated resort will once again set the reference for luxury, entertainment and innovation in Macau. On track for completion in the first half of 2018, the rollout of City of Dreams Phase III encompasses upgrades to retail, hospitality, leisure and gaming facilities. The launch of the Melco-created hotel brand Nüwa, which was already announced last December and opened at the start of 2018, is the first step in the preparation of the launch of City of Dreams Phase III.

Inspired by the heroine from Chinese mythology, Nüwa crystalizes our focus on discerning luxury and holistic customer experience. Most importantly, the launch of this Melco-original brand also marks the strategic milestone of moving beyond gaming operations and integrated resort development. Building on our first experience managing Studio City Hotel, we are directly managing the brand and operations for one of the anchor pillars of Melco's integrated resort experience: luxury hospitality. Replacing the former Crown Towers at City of Dreams in both Macau and Manila, Nüwa will drive greater consistency throughout our customer-facing activities and develop a critical new competency as we advance our long-term strategy of building a global leisure and entertainment platform.

Another all-new hotel brand opening at City of Dreams, Morpheus, will anchor the property when Phase III completes, and, I expect, become known as its signature component. Construction continued throughout 2017, and the building is on track to open in the first half of 2018. Designed by the late Dame Zaha Hadid, DBE, this new tower will become the world's first free-form exoskeleton building. It will also add considerable new capacity to our luxury hospitality, entertainment and retail operations. Mass luxury tourists and the premium mass segment in particular will be its core demographics.

Morpheus is more than just another building. It is an architectural masterpiece, and will become a tourist attraction in Macau – an icon for quality, taste and vision. It embodies our commitment to supporting Macau's ongoing transformation into a diversified world tourism and leisure destination. Just as critically, it exemplifies our unique ability to imagine and deliver world's first projects that redefine and elevate the landscapes they share.

The reality is, few, if any, other operators are doing this – certainly not on the same scale. This is a fundamental competitive advantage. Our successful execution of large projects like Morpheus goes beyond the operations of a single property. For all the current and future governments and partners with whom we collaborate, they validate our commitment to holistic and original development, made specifically for each location. For our customers, they reaffirm our focus on quality and on creating from their perspective – for the experience they want, not what we can most easily implement. This is why we have been able to build a global integrated resort network, literally from the ground up, within a few years. And it is why we have the opportunity to own the future of our space.

In the Philippines, where we first trialled this vision outside Macau, City of Dreams Manila has been a standout success; in 2017, it again delivered robust year-on-year growth. The consistency of its performance since we identified the opportunity and opened the resort in 2014 is reassuring as we gear up now for our next major phase of international development.

In Cyprus, our first European integrated resort, we recently began our 30-year casino gaming license in June 2017, the first 15 years of which are exclusive. Granting us direct control over this project, we have increased our shareholding in the joint venture company with approval from the Republic of Cyprus in September 2017 by purchasing the entire interest in the project from HR Cyprus Investor, LLC (Hard Rock) and further in December 2017 by completing the corporate restructuring. Melco International now holds a 75% stake, up from 35.37% when we first invested in the joint venture company in January 2017. In 2018, we will commence operating a temporary casino facility while we work towards a 2021 targeted opening for the permanent integrated casino resort.

In Japan, our largest and ongoing business development target, we also completed several critical steps last year to advance our long-term strategy. We established a Japanese subsidiary, opened an office in Tokyo, appointed local leadership and unveiled our design concept for an original integrated resort celebrating the best of Japan and its culture. As a market with the capacity to grow into one of the world's largest gaming destinations and the maturity to sustain a fully diversified gaming-entertainment-tourism model, Japan is an optimal fit for taking the Melco vision to its next chapter.

So strongly do we believe in our capacity to execute on all of these ambitions that, as of February 2017, we have also now assumed majority ownership of our core gaming arm, Melco Resorts.

OUTLOOK

2018 promises to be a year of beginnings. Macau has entered a new phase of growth. Our first integrated resort will achieve its third and final phase. We will break ground in Cyprus, and we hope to secure a gaming license in Japan. From Macau, the Philippines and around the Asian region to Cyprus, I am also confident that we will continue to diversify our revenue streams and grow with the premium mass consumer base around the world.

While a number of new infrastructure developments in Macau and the Philippines will support this growth, I am also conscious of our exposure to stricter capital controls in mainland China and ongoing structural changes in the consumption of outbound Chinese tourists in all markets and particularly Macau. We will closely manage against these risks, supported by our strong financials, management team, and sharp focus on building a sustainable advantage for the long term.

In closing, I would like to thank our Board of Directors, shareholders, employees and partners for their unwavering support over the years, without which we would not be able to stand at where we are today. In the coming years, we look forward to further strengthening our global network and continuing to shape the future of international gaming and entertainment.

Thank you for your support.

HO, LAWRENCE YAU LUNG
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

MANAGEMENT DISCUSSION AND ANALYSIS

Studio City, the Hollywood-inspired, cinematically-themed integrated resort debuted in 2015, has successfully established itself as Asia's Entertainment Capital.

City of Dreams Manila, strategically located at the gateway of Entertainment City, Manila, has continued to deliver consistently strong performance across all gaming segments.

SIGNIFICANT EVENTS AND DEVELOPMENTS

In 2017, the Group achieved several critical milestones, advancing our mission to lead the world in leisure and entertainment. The business today is stronger, more focused and better positioned than ever to capture the larger and increasingly global opportunities that lie ahead.

Throughout the year, we worked to more closely align our corporate structure in support of our long-term strategy to build an international gaming and entertainment network. In February 2017, the Group assumed majority ownership of our core gaming arm, Melco Resorts. In September 2017, we also obtained approval from the Republic of Cyprus (the "Cyprus Government") to purchase the entire interest in a joint venture company (the "Cyprus Project Company") from HR Cyprus Investor, LLC (Hard Rock) which was granted the first and only casino resort license from the Cyprus Government in June 2017 and together with the corporate restructuring transactions completed in December 2017, Melco International's interest in the Cyprus Project Company has increased from 35.37% when we first invested in the Cyprus Project Company in January 2017 to 75% as of 31 December 2017. Both developments have increased the Group's exposure to high-growth integrated resort market opportunities.

At the same time, we have deepened our focus on our core markets through two additional transactions. We have divested our 40.65% equity interest in MelcoLot Limited, a company engaged in the provision of lottery-related technologies, systems and solutions in the People's Republic of China ("PRC"). Entertainment Gaming Asia Inc. ("EGT"), a formerly NASDAQ-listed company in which we held a 64.84% effective equity interest, has also become our indirect wholly-owned subsidiary in June 2017. Engaged in the leasing of electronic gaming machines on a revenue sharing (participation) basis in the Philippine market, EGT is additionally developing social gaming platforms.

At home in our core gaming market of Macau, the flagship integrated resort City of Dreams continued to progress towards the launch of its third phase. Its new signature hotel, Morpheus, the world's first free-form exoskeleton tower designed by the late Dame Zaha Hadid, DBE, is on track to open in the first half of 2018. Also as part of the ongoing revamp of retail, hotel and gaming facilities throughout the property, Melco Resorts announced the launch of a new luxury hotel brand, Nüwa, in December, which is replacing the former Crown Towers at City of Dreams in both Macau and Manila. Nüwa, the Melco-original hospitality brand, exemplifies the Group's mission to deliver an ever-improving and holistic customer offering that spans the entirety of the gaming, entertainment and hospitality space.

Our other top priority in 2017 was building out a long-term development strategy in Japan – a market with the potential to rank among the largest global gaming destinations, in Asia second only to Macau. To this end, the Group, through Melco Resorts, realized several major outcomes over the year. After unveiling the inspiration in February 2017 for an initial design concept for an original integrated resort celebrating the best of Japan and its culture, Melco Resorts established a Japanese subsidiary, opened an office in Tokyo, and appointed a local leadership team in the last quarter of the year. Reaffirming its commitment to partner with the Japanese government, businesses and communities in creating a Japanese integrated resort, the Group further revealed more detailed schematics on the potential design and proprietary technologies it would deploy to support responsible gaming and diversified tourism in the market. Over the course of 2018, the Japanese integrated resorts opportunity will continue to pass through further legislative and commercial milestones, and it will remain a major focus for business development going forward.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through subsidiary Melco Resorts, a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia, of which Melco International assumed sole majority ownership in February 2017.

Melco Resorts currently operates Altira Macau, a casino hotel located at Taipa, Macau; City of Dreams, an integrated urban casino resort located in Cotai, Macau; and Mocha Clubs, the largest non-casino based operations of electronic gaming machines in Macau. It also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

In 2017, Melco Resorts delivered strong operating and financial results, buoyed by a rebound throughout the Macau market, which yielded strong growth for the first time after three consecutive years of decline. According to the unaudited financial results of Melco Resorts prepared in accordance with the U.S. generally accepted accounting principles, net revenue increased year-over-year by 17% to US$5.3 billion, while consolidated Adjusted Property EBITDA[1] grew 31% to US$1.4 billion.

City of Dreams

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property targeting high-end customers and rolling chip players from regional markets across Asia. As of 31 December 2017, the property operated approximately 475 gaming tables and 670 gaming machines. It is currently in its final phase of development.

With its grand opening scheduled for the first half of 2018, the arrival of Morpheus, City of Dreams' new hotel tower, will herald the start of a new era of hospitality sophistication in Macau, one with the potential to attract new visitors from around the world and once again set a new benchmark for luxury and entertainment in Cotai. Designed by the late legendary architect, Dame Zaha Hadid, DBE, the hotel will represent a new contemporary, simple yet stunning, and sophisticated kind of luxury like no other. This, taken together with the newly launched Forbes 5-Star Nüwa luxury hotel, will create an overall property with approximately 2,170 five-star and luxury hotel rooms, convening a feast of amazing restaurants and new retail space.

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

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

In Cyprus, Melco International is eager to begin the development of its first European integrated resort. Upon completion, the property will have approximately 500 luxury hotel rooms, with at least 1,000 gaming machines and 100 gaming tables.

The Group introduced its new luxury hotel brand NÜWA, which embodies the very essence of its pursuit of providing its guests the very best in sophistication, quality and innovation.

City of Dreams partners with world-renowned artist Maarten Baas to unveil the "Count:Down Clock" in anticipation of its phase III launch.

Studio City

Studio City, the Hollywood-inspired, cinematically-themed integrated entertainment, retail and gaming resort, is designed to be the most diversified entertainment offering in Macau. Since its grand opening in October 2015, Studio City, Asia's Entertainment Capital, has attracted over 10 million visitors and garnered critical acclaim from around the world. As of 31 December 2017, the property operated approximately 290 gaming tables and 970 gaming machines.

In 2017, Studio City posted strong year-on-year improvement in Adjusted Property EBITDA due to the continued increase in its mass table games revenues as well as the commencement of rolling chip operations in November 2016. Throughout the year, Studio City also initiated a series of property upgrades to refine its entertainment offerings and improve accessibility to the resort, developments set to facilitate the continuing ramp-up of its operations and performance into 2018.

Altira Macau

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers sourced primarily through gaming promoters. Located in the heart of Taipa, it is an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By consistently delivering impeccable services tailored to each guest, both Altira Macau and Altira Spa have attained the highest 5-Star award ratings for nine consecutive years in the 2018 Forbes Travel Guide. As of 31 December 2017, Altira Macau operated approximately 100 gaming tables and 119 gaming machines operated as a Mocha Club at Altira Macau.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to the broadest spectrum of patrons and visitors. As of 31 December 2017, Mocha Clubs operated eight clubs with a total of 1,319 gaming machines (including 119 gaming machines at Altira Macau).

City of Dreams Manila

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, Manila, has continued to deliver consistently strong performance across all gaming segments, despite new supply coming online over the year within Entertainment City. Providing an unparalleled entertainment and hospitality experience for the Philippine market, the integrated resort, the Group's first major foray outside of Macau, continues to set the reference for Melco Resorts' robust capacity to execute on its international vision. The dynamic property boasts the ultimate in entertainment, hotel, retail, dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities with approximately 293 gaming tables, 1,635 slot machines and 172 electronic gaming tables as of 31 December 2017.

OUTLOOK

2017 was a turnaround year in our core market of Macau. Rebounding to register consecutive monthly growth throughout 2017, Macanese gaming improved in both the VIP and mass market segments, and we expect another year of robust growth in 2018. Buttressing the geography's increasingly favorable visitation patterns will be the deployment of new infrastructure developments making tourism more accessible and convenient, particularly for travelers from mainland China and overnight visitors throughout the surrounding region. These developments include the opening of the new Pac On Ferry Terminal, the ongoing development of Hengqin Island, the completion of the Hong Kong-Zhuhai-Macau Bridge, the build-out of the Cotai Strip and the rollout of a light rail transit system throughout Macau.

Downside risks to this sustained recovery remain, namely the impact of stricter capital controls in mainland China and, locally, uncertainty introduced by operational changes required upon implementation of Macau's recently passed casino smoking ban.

While VIP gaming registered strong performance over the year, we maintain our long-term thesis that future growth in Macau will be driven by the premium-mass and mass segments. Accordingly, we will continue to invest in balancing our exposure to both VIP and mass revenue, as well as to entertainment and leisure sales from the ever-expanding non-gaming revenues pie as Macau evolves into a diversified global tourism destination.

Our priority in Macau for 2018 is City of Dreams Phase III, which will roll out in the first half of the year. This extensive upgrade to our flagship property will solidify our leadership in the premium-mass segment, positioning us to offer customers Macau's most fully integrated and modern gaming and entertainment experience. Despite multiple new resorts having recently opened in Cotai, we believe that City of Dreams, with its recently launched Forbes 5-Star Nüwa and soon-to-be-opened Morpheus, will become a landmark in the market. Almost 770 new luxury rooms, suites, and villas will also be added at Morpheus, on top of new restaurant, retail and entertainment concepts, all designed to capture greater non-gaming spend from both gamers and tourists. Meanwhile at Studio City, we will continue to upgrade entertainment offerings and resort accessibility throughout the year, including by exploring plans for the Phase II expansion of the resort.

Outside Macau, we remain bullish on our exposure to an expanding network of global operations and business development opportunities.

City of Dreams Manila is on track to continue delivering healthy revenue and stable earnings growth despite new supply coming online in the surrounding Manila Bay Entertainment City. As Philippine infrastructure and the overall consumer economy continue to improve, we anticipate sustained tailwinds in this market. At the same time, the ongoing phased opening of the Ninoy Aquino International Expressway leading from the airport to Entertainment City will further support overnight visitation, tourist arrivals and gaming activity at our resort.

In Cyprus, our 30-year casino-gaming license period has commenced, the first 15 years of which are exclusive. We now hold a 75% stake of this project, up from 35.37% when we first invested in the related joint venture company in January 2017. We are eager to begin the development in 2018 of our first European integrated resort located at Zakaki, Limassol, which is approximately 72 km from one of the Cyprus' major international airports, Larnaca International Airport, and approximately 1 km from the Cyprus' main port, Limassol Port. We are working towards a 2021 targeted opening for the permanent integrated casino resort. We will also commence operating a temporary casino facility in 2018. Upon completion of the permanent integrated casino resort, the property will have approximately 84,000 square meters of casino and resort space offering approximately 500 luxury hotel rooms, with at least 1,000 gaming machines and 100 gaming tables.

Japan remains as our core business development focus in the year ahead. Following the recent passage of the integrated resorts implementation bill, we are focused on successfully securing a license to become an integrated resort operator in the market. We will continue to invest in the strength of our team, our entertainment and tourism offerings, social safeguards and a compliance culture, and our partnership with local governments and communities. We believe we are strongly positioned to partner with Japan in realizing a distinct and sustainable integrated resort proposition.

Looking ahead, we believe that our diversified revenue streams across market segments and geographies will yield increasingly attractive returns as demographics evolve in each of our core markets. We are also confident that, leveraging the growing demand worldwide for premium, imaginative and integrated gaming entertainment experiences, and with our strong financials and management team, we are uniquely placed to lead the future of these trends.

Paying homage to Japanese culture and heritage, Melco Resorts hosted the 'Kimono Roboto' exhibition in Tokyo, where a world's first collection of 13 museum-quality kimonos created by Japanese Living National Treasures were showcased to the public.

ACHIEVEMENTS AND AWARDS

Melco International strives to operate with high standards in corporate governance and corporate social responsibility, both of which are integral to our commitment to strengthen the Group's industry presence as a global market-leading operator. In 2017, our efforts have continued to be widely acknowledged.

Corporate Governance

In 2017, the strong management team has garnered prestigious leadership awards from the business and investor community. Mr. Lawrence Ho, Chairman and Chief Executive Officer, was honored as "Asia's Best CEO" and "Asian Corporate Director of the Year" by Corporate Governance Asia Magazine for the sixth time. The Group was awarded "Corporate Governance Asia Recognition award – Icon on Corporate Governance" for the twelfth time and was named, for the sixth time, "Best Investor Relations Company in Hong Kong" by the same publication. These accolades serve as a testament to the Group's continued dedication to ensuring accountability, fairness and transparency in our relationships with all stakeholders.

Corporate Social Responsibility

Melco International is equally committed to leading the world in gaming and entertainment as it is to growing in partnership with the communities it shares. In recognition of the Group's efforts in corporate social responsibility, it has received BDO ESG Awards across three categories, including Best in ESG Award, Best in Reporting Award and ESG Report of the Year Award, for Middle Market Capitalization companies.

Melco International is also a champion of sustainability and has been selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index Series since 2013. Its continued contribution towards the community was recognized by Hong Kong Council of Social Service as a "10 Years Plus Caring Company" for the third consecutive year.

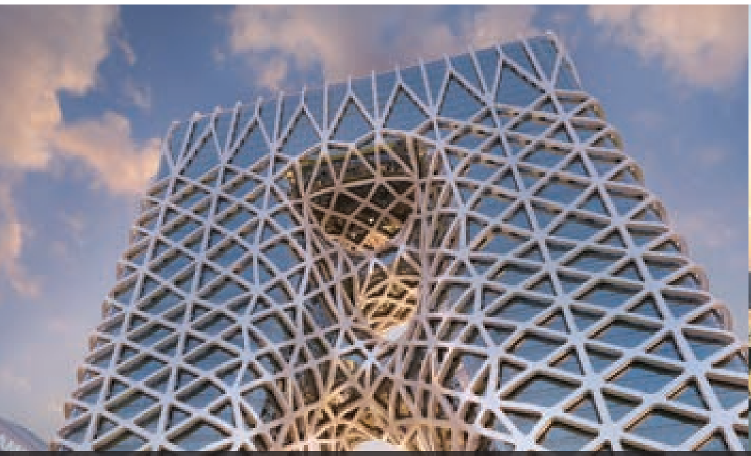
A key pillar of the Group's sustainability policy is the environment. In this area, Melco International has garnered additional recognition, receiving since 2009 the Wastewi$e Label – Class of Excellence, the highest recognition in the category of waste reduction. It is awarded by the Hong Kong Awards for Environmental Excellence.

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

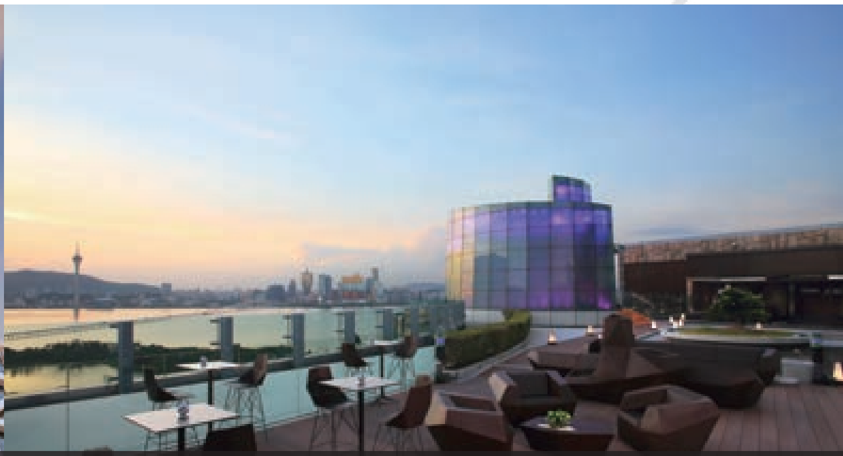
Business Operations

Melco International has persistently provided its customers with an outstanding offer of hospitality, leisure, culinary and entertainment experiences.

Altira Macau and Altira Spa have been honored with Forbes 5-Star Awards for nine consecutive years from 2010 to 2018, while Nüwa and Nüwa Spa at City of Dreams (then branded as Crown Towers and Crown Spa) has also garnered the Forbes 5-Star Awards for the sixth consecutive year.



Morpheus, the world's first free-form exoskeleton architectural composition designed by the late legendary architect Dame Zaha Hadid, DBE, is set to be a true landmark for all of Macau.



Altira Macau, 9-time winner of Forbes 5-Star awards for hotel and spa, is another jewel of Macau that offers stylish elegance and comfort along with impeccable services.

The Group's commitment to excellence in its non-gaming offerings has earned itself multiple Forbes Travel Guide star awards. Its efforts in setting the bar for gastronomic brilliance has also earned itself 7 Michelin stars in total in Michelin Guide Hong Kong Macau 2018, offering the most Michelin-starred dining establishments in Macau.

Studio City has garnered numerous awards since its opening in 2015, and was further recognized by the International Hotel Awards 2017-18 across an impressive five categories, including "International Five Star Standard", "Best Large Hotel Macau", "Best City Hotel Macau", "Best Resort Hotel Macau" and "Best Convention Hotel Macau". Studio City's Star Tower and Zensa Spa achieved the Forbes 5-Star and 4-Star rating, respectively, in the 2018 Forbes Travel Guide on their first attempt. In addition, it was the Global Winner in the "Luxury Casino Hotel" category and the Regional Winner (East Asia) in the "Luxury Family Hotel" category of the 2017 World Luxury Hotel Awards.

City of Dreams Manila was named by Bloomberg to be the "Best Performing Casino Stock in the World," while Town and Country ranked it among the 23 "fanciest casinos in the world". Nüwa at City of Dreams Manila also achieved the only new 5-Star award for hotels in Manila in the 2018 Forbes Travel Guide.

In addition to our integrated resorts, Melco International's world-class restaurants have also continued to garner critical acclaim. The Group is offering more Michelin-starred dining establishment than any operator in Macau with stars awarded to The Tasting Room (two stars), Jade Dragon (two stars), Shinji by Kanesaka (one star), Ying (one star) and Pearl Dragon (one star).

All these accolades demonstrate recognition and appreciation from key stakeholder groups for Melco International's fundamental commitment to excellence in corporate governance, operational performance and customer experience.

FINANCIAL REVIEW

RESULTS

HK$' million	2017	2016	YoY%
Revenue	41,180.1	23,852.8	72.6%
Adjusted EBITDA	9,811.5	5,304.6	85.0%
Profit attributable to owners of the Company	474.1	10,365.9	-95.4%
Basic earnings per share (HK$)	0.31	6.74	-95.4%

FINANCIAL POSITION

HK$' million	2017	2016	YoY%
Total assets	98,270.2	103,650.9	-5.2%
Total liabilities	52,418.2	46,607.4	12.5%
Shareholders' equity	18,988.9	22,347.7	-15.0%
Net assets value per share attributable to equity shareholders (HK$)	12.4	14.5	-14.5%
Gearing ratio (%)	35.1%	29.3%	N/A

Revenue

Revenue of the Group increased by 72.6% from HK$23,852.8 million for the year ended 31 December 2016 to HK$41,180.1 million for the year ended 31 December 2017. The increase was due to stronger results in 2017. Additionally, the prior year results reflected approximately 8 months of consolidated results of Melco Resorts compared to a full year of consolidated results in 2017. Revenue generated from Melco Resorts' established Casino and Hospitality segment in both Macau and the Philippines was a key revenue stream of the Group.

HK$' million	2017	2016	YoY%
Casino revenue	38,394.2	21,792.7	76.2%
Entertainment and resort facilities revenue:			
Entertainment, retail and other	1,468.2	1,194.6	22.9%
Catering service income	720.0	562.7	28.0%
Rooms	573.3	167.9	241.5%
Lottery business:			
Provision of services and solutions for distribution of lottery products	0.4	0.9	-55.6%
Trading of lottery terminals and parts	9.6	59.4	-83.8%
Electronic gaming machines participation	8.8	57.8	-84.8%
Manufacture and distribution of gaming chips and plaques	–	12.5	-100.0%
Property rental income	4.5	4.2	7.1%
Others	1.1	0.1	1,000.0%
	41,180.1	23,852.8	72.6%

Adjusted EBITDA [1]

Adjusted EBITDA for the year ended 31 December 2017 increased by 85.0% to HK$9,811.5 million, compared to HK$5,304.6 million for the year ended 31 December 2016. The increase was due to stronger results in 2017. Additionally, the prior year results reflected approximately 8 months of consolidated results of Melco Resorts compared to a full year of consolidated results in 2017.

Profit Attributable to owners of the Company

During the year ended 31 December 2017, the profit attributable to owners of the Company decreased by 95.4% from HK$10,365.9 million in 2016 to HK$474.1 million in 2017. The decrease in profit in 2017 was mainly due to a one-off gain on deemed disposal of previously held interest in an associate of approximately HK$10,385.5 million recognized in 2016, offset in part by the strong performance of the Group's operating results in 2017 compared to 2016.

Basic Earnings Per Share

During the year ended 31 December 2017, basic earnings per share decreased by 95.4% from HK$6.74 in 2016 to HK$0.31 in 2017.

Earnings attributable to owners of the Company for the year ended 31 December 2016 included a one-off gain on deemed disposal of previously held interest in an associate amounting to approximately HK$10,385.5 million, this one-off gain impacted basic earnings per share positively by HK$6.75 in 2016.

Financial and Operational Performance

Gaming Business in Asia – Melco Resorts

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

On 14 December 2016, an indirectly wholly-owned subsidiary of the Company entered into an agreement to acquire an additional interest of 13.42% of Melco Resorts for a cash consideration of approximately HK$8,531,206,200. The transaction was completed on 16 February 2017. As a result, the shareholding in Melco Resorts indirectly held by the Company has been increased from 37.89% to 51.31% on completion of the transaction. As at 31 December 2017, the Company indirectly owns approximately 51.22% of Melco Resorts.

The performance of Melco Resorts during the year is described below:

According to the unaudited financial results of Melco Resorts prepared in accordance with the U.S. generally accepted accounting principles, it recorded a net revenue of US$5.3 billion for the year ended 31 December 2017, versus US$4.5 billion for the year ended 31 December 2016. The year-on-year increase in net revenue was primarily attributable to better group-wide performance in all gaming segments, particularly the performance in the rolling chip segment including the fully-operating rolling chip operations in Studio City in the current year.

Operating income for 2017 was US$607.6 million, compared with operating income of US$363.1 million for 2016, representing an increase of 67%.

The Adjusted Property EBITDA[2] for the year ended 31 December 2017 was US$1,422.8 million, as compared with Adjusted Property EBITDA of US$1,087.5 million in 2016. The 31% year-over-year improvement in Adjusted Property EBITDA was mainly attributable to better group-wide performance in all gaming segments.

Net income attributable to Melco Resorts for the year ended 31 December 2017 was US$347.0 million, compared with a net income attributable to Melco Resorts of US$175.9 million for 2016.

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

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

City of Dreams

For the year ended 31 December 2017, net revenue at City of Dreams was US$2,666.3 million versus US$2,590.8 million in 2016. City of Dreams generated Adjusted Property EBITDA of US$804.9 million in 2017, representing an increase of 8% compared to US$742.3 million in 2016. The year-over-year improvement in Adjusted Property EBITDA was primarily a result of higher rolling chip revenues and recovery of previously provided doubtful debt, partially offset by lower mass market table games revenues.

Gaming Performance *US$'million*	2017	2016	YoY%
VIP Gaming			
Rolling chip volume	47,427.1	41,474.6	14.4%
Win rate	3.0%	2.8%	N/A
Mass Market			
Table drop	4,504.0	4,307.6	4.6%
Hold percentage	32.4%	35.8%	N/A
Gaming Machine			
Handle	4,067.5	4,102.2	-0.8%
Win rate	3.7%	3.5%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2017 was US$305.6 million, compared with US$279.6 million in 2016.

Altira Macau

For the year ended 31 December 2017, net revenue at Altira Macau was US$446.1 million compared to US$439.1 million in 2016. Altira Macau generated Adjusted Property EBITDA of US$20.7 million in 2017 compared with Adjusted Property EBITDA of US$5.1 million in 2016. The year-over-year improvement in Adjusted Property EBITDA was primarily a result of higher rolling chip revenues and recovery of previously provided doubtful debt, partially offset by lower mass market table games revenues.

Gaming Performance *US$'million*	2017	2016	YoY%
VIP Gaming			
Rolling chip volume	17,216.9	17,658.1	-2.5%
Win rate	3.1%	2.9%	N/A
Mass Market			
Table drop	429.2	494.7	-13.3%
Hold percentage	17.5%	18.6%	N/A
Gaming Machine			
Handle	47.6	32.4	46.8%
Win rate	6.0%	6.5%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau in 2017 was US$26.5 million, compared with US$28.1 million in 2016.

Mocha Clubs

Net revenue from Mocha Clubs totaled US$121.3 million in 2017 as compared to US$120.5 million in 2016. Mocha Clubs generated US$26.6 million of Adjusted Property EBITDA in 2017 compared with Adjusted Property EBITDA of US$23.8 million in 2016.

US$'million	2017	2016	YoY%
Gaming Machine			
Handle	2,446.3	2,554.3	-4.2%
Win rate	4.8%	4.6%	N/A

Studio City

For the year ended 31 December 2017, net revenue at Studio City was US$1,363.4 million compared to US$838.2 million in 2016. Studio City generated Adjusted Property EBITDA of US$335.6 million in 2017 compared with Adjusted Property EBITDA of US$156.0 million in 2016. The year-on-year improvement in Adjusted Property EBITDA was primarily a result of the commencement of rolling chip operations in November 2016 and better performance in the mass market table games segment.

Gaming Performance

US$'million	2017	2016	YoY%
VIP Gaming			
Rolling chip volume	19,003.9	1,343.6	1,314.4%
Win rate	3.2%	1.4%	N/A
Mass Market			
Table drop	2,913.0	2,480.0	17.5%
Hold percentage	26.1%	24.7%	N/A
Gaming Machine			
Handle	2,120.5	2,002.3	5.9%
Win rate	3.7%	3.8%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2017 was US$203.4 million, compared with US$221.0 million in 2016.

City of Dreams Manila

For the year ended 31 December 2017, net revenue at City of Dreams Manila was US$649.3 million compared to US$491.2 million in 2016. City of Dreams Manila generated Adjusted Property EBITDA of US$235.0 million in 2017 compared with US$160.3 million in 2016. The year-over-year improvement in Adjusted Property EBITDA was primarily a result of increased casino revenues.

Gaming Performance

US$'million	2017	2016	YoY%
VIP Gaming			
Rolling chip volume	11,509.7	6,833.8	68.4%
Win rate	3.1%	3.4%	N/A
Mass Market			
Table drop	686.9	550.5	24.8%
Hold percentage	29.6%	28.0%	N/A
Gaming Machine			
Handle	3,039.5	2,235.0	36.0%
Win rate	5.8%	5.9%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2017 was US$116.3 million, compared with US$104.7 million in 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Resources

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

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 31 December 2017, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$12,117.0 million (2016: HK$16,889.6 million) and investments in mutual funds that mainly invest in bonds and fixed-interest securities amounted to HK$699.2 million (2016: nil).

As at 31 December 2017, certain bank credit facilities amounted to HK$12,683.1 million (2016: HK$10,117.1 million) were available for future drawdown, subject to satisfaction of certain conditions precedent.

Major changes in our indebtedness during and subsequent to the year ended 31 December 2017 are summarized below:

On 8 February 2017, the Group obtained a banking facility amounting to US$1,000 million (equivalent to HK$7,780 million) and subsequently drew down US$700 million (equivalent to HK$5,446 million) to finance part of the consideration of the acquisition of 13.4% additional interest in Melco Resorts.

On 6 June 2017, the Group issued US$650 million (equivalent to HK$5,057 million) 4.875% senior notes due 2025 ("First 2017 Senior Notes"). On 14 June 2017, together with the net proceeds from the issuance of the First 2017 Senior Notes along with the proceeds in the amount of US$350 million (equivalent to HK$2,723 million) from a partial drawdown of a revolving credit facility under an existing credit facility ("Drawn Revolving Credit Facility") and cash on hand, the Group redeemed all of its outstanding US$1 billion (equivalent to HK$7,780 million) 5% senior notes due 2021.

On 3 July 2017, the Group issued an additional US$350 million (equivalent to HK$2,723 million) 4.875% senior notes due 2025, the net proceeds from which were used to repay in full the Drawn Revolving Credit Facility.

On 9 October 2017, the Group partially redeemed Peso 15 billion 5% senior notes due 2019 in an aggregate principal amount of Peso 7.5 billion (equivalent to HK$1,126.5 million), together with accrued interest.

Subsequent to 31 December 2017, the Group drew down a revolving credit facility of US$168 million (equivalent to HK$1,307 million) to fund the full repayments of the unsecured bond of HK$760 million and one of the secured bank loans of HK$546 million at their maturities.

Gearing Ratio

The gearing ratio, expressed as a percentage of total borrowings divided by total assets, was at 35.1% as at 31 December 2017 (2016: 29.3%).

Pledge of Assets

As at 31 December 2017, borrowings amounting to HK$26,078.4 million (2016: HK$22,249.4 million) are secured by the following assets of the Group:

(i) certain property, plant and equipment;

(ii) issued shares of certain subsidiaries of the Group;

(iii) land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);

(iv) investment properties;

(v) certain bank deposits; and

(vi) chattels, receivables and other assets including certain inter-group loans and promissory note.

City of Dreams announced its groundbreaking collaboration with legendary chef Alain Ducasse, leading to the opening of an entire floor dedicated to two Ducasse restaurants and a bar at Morpheus.

Melco Resorts is the Official Title Partner of the Michelin Guide Hong Kong Macau. An extravagant gala dinner was hosted at City of Dreams in 2017, in celebration of the tenth anniversary of the annual Michelin Guide Hong Kong Macau.

The House of Dancing Water, the must-see water-based extravaganza at City of Dreams, celebrated its 7th anniversary in 2017, having attracted over 5 million visitors since its launch.

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017.

FINANCIAL RISK

Foreign exchange risk

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

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

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

Interest rate risk

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

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 19,844 as of 31 December 2017 (2016: 20,548). Among the 19,844 employees, 390 are located in Hong Kong and the rest of 19,454 are located respectively in the Philippines, the United States, Cambodia, Macau and the PRC. The related staff costs for the year ended 31 December 2017, including directors' emoluments, share options expenses and share award expenses, amounted to HK$6,572.1 million (2016: HK$4,427.5 million).

Human Resources

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

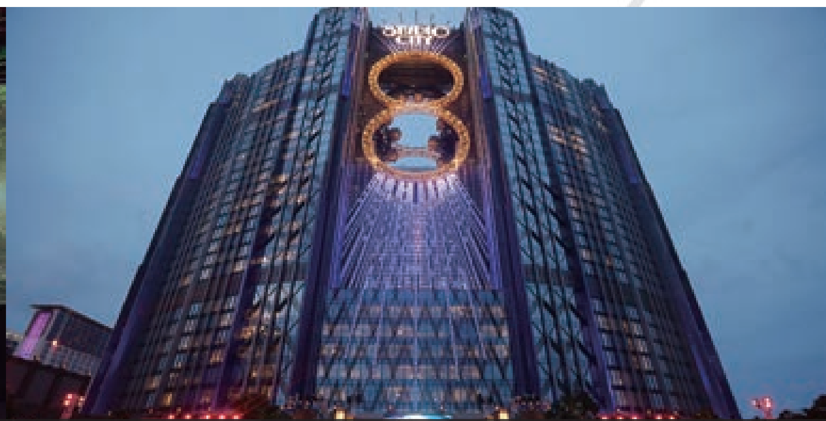
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Discussion on Environmental Policies and Performance
The Group continues its staunch commitment to minimizing and mitigating the environmental impacts that may arise from operations through effective and efficient use of resources in daily operations. To reaffirm this commitment, the Group has formulated environmental policies for both the corporate office and the core gaming arm, Melco Resorts, which outline the overarching dedication to the continual improvement of environmental performance. The policies are communicated to all staff and business partners, as well as the general public. A guideline on resource conservation is also in place to delineate best practices on managing resource consumption and select energy-efficient equipment to save energy costs and reduce carbon footprints. Through the Group's previous and ongoing environmental efforts over the years, a 3% reduction in total greenhouse gas emissions was achieved with the greatest contribution coming from electricity savings at Studio City and Altira Macau in Macau.

The Group also adopts a holistic approach to reducing and managing waste generated from operations, which helps to conserve the earth's scare resources. A comprehensive recycling scheme was established to recycle a variety of items across operations. Food waste recycling initiatives are in place at City of Dreams in Macau and Manila, which will be further enhanced and extended to other properties in 2018. The Group's efforts in waste management have once again been awarded the Class of Excellence in the Wastewi$e Label scheme.

In terms of water conservation, a number of water-saving measures have been adopted at our properties including the SYNERGY® system which saves water; and also reduces chemical use by up to 90%, minimizing water pollution. Rainwater recovery systems and other water conservation measures have been installed to save and reduce water use.


The 'Dinosaur Hunt', an exhibition of life-size recreations of dinosaurs held at Studio City, proved to be a huge success, attracting families from Asia and around the world.


The immensely popular 'Summer Love' Pool Party series was held at Studio City's pool deck and Pacha Macau, bringing Ibiza vibes and best party music to guests.

To instil a sense of environmental responsibility amongst employees, the Group actively organizes various awareness activities with the objective of encouraging behavioural change. A series of activities and campaigns were organized or co-organized with local NGOs to promote awareness on resources management, including a red packet recycling campaign, the donation of clothes and computers, tree planting, and a green tour. "Green Labels", posters and energy saving statements are shared amongst employees to encourage behaviour change and conserve resources whenever possible.

Account of Key Relationships with Employees, Customers and Suppliers

To maintain relationships with key stakeholders, the Group works closely, and communicates regularly, with employees, customers and suppliers to address their needs and concerns in a timely and effective manner.

Employees

As the Group's operations are customer-oriented, a dedicated group of employees is necessary for the delivery of quality services and guest experiences to customers. Therefore, the Group believes it is crucial to build a stable workforce and cultivate a harmonious workplace. As an equal opportunity employer, the Group ensures equal opportunities in every area, including compensation and benefits, recruitment, promotions and transfers, and training and development. The Group also recognizes the importance of enriching the knowledge and skills of our employees for sustainable business development. Thus, the Group has a training and development sponsorship policy in place to support the enhancement of employee skills and competencies. To ensure a healthy and safe working environment, Occupational Safety and Health Committees were established at operating properties to safeguard employees and to regularly communicate safety management issues.

Customers

The Group endeavours to deliver innovative products and services with the ultimate goal of offering outstanding customer experiences in the field of leisure, entertainment, and hospitality. As the hospitality business involves the delivery of excellent services and superior food and beverage options to customers, the Group has a series of stringent internal protocols in place to manage and alleviate customers' health and safety risks. The Group regularly engages with customers via a variety of communication channels, such as the property front office, customer service hotlines and emails, and official social media platforms. All comments collected are valued by senior management and are reviewed and duly considered in decision-making processes.

Suppliers

As a company in the leisure, entertainment and hospitality industry, the Group strives to develop long-term and stable relationships with suppliers to deliver excellent products and services to customers. The Group is committed to developing an environmentally, socially, and ethically responsible supply chain. A procurement policy is in place to guide staff engaged in procurement activities in making sustainable procurement decisions. Relevant standards and requirements are clearly stipulated in tendering documents, and all suppliers are required to comply with applicable laws and regulations. The Group has adopted a Supplier Code of Conduct in its Operational Policy Guidebook which served as a guideline to all staff, contractors and suppliers. The Group is also considering the development of a standalone Supplier Code of Conduct to ensure that suppliers and contractors operate in line with the highest ethical standards as well as in full compliance with all applicable laws and regulations.

MANAGEMENT PROFILE

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 41)
Chairman and Chief Executive Officer

Mr. Ho has been the Chairman and Chief Executive Officer of the Company since March 2006. Before that, he was the Group Managing Director of the Company after he completed a general offer for shares of the Company in 2001. He is also the chairman of the executive committee, finance committee and regulatory compliance committee of the Company and a director of certain subsidiaries of the Company. Mr. Ho is currently the chairman and chief executive officer of Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited), a company listed on the NASDAQ Global Select Market in the United States, that holds one of the six Macau gaming concessions and subconcessions and develops, owns and operates casino gaming and entertainment resort facilities in Asia. He is also the chairman and director of Maple Peak Investments Inc., a company listed on the TSX Venture Exchange in Canada. Mr. Ho is a director of Lasting Legend Ltd. and Better Joy Overseas Ltd., both of which are substantial shareholders of the Company.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho serves on the board or participates as a committee member in various organizations in Hong Kong, Macau and mainland China. He is a vice chairman of All-China Federation of Industry and Commerce; a member of the Board of Directors and a Vice Patron of The Community Chest of Hong Kong; a member of the All China Youth Federation; a member of the Macau Basic Law Promotion Association; chairman of the Macau International Volunteers Association; a 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 the Association of Property Agents and Real Estate Developers of Macau and director Executive of the 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. In 2017, Mr. Ho was awarded the Medal of Merit-Tourism by the Macau SAR government for his significant contributions to tourism in the territory.

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. In 2009, Mr. Ho was selected as one of the "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014 and was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015. Mr. Ho was honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for six consecutive years since 2012, and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the sixth time in 2017.

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

Mr. Evan Andrew WINKLER (aged 43)
Managing Director

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

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

Mr. CHUNG Yuk Man, Clarence (aged 55)
Executive Director

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

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

Mr. TSUI Che Yin, Frank (aged 60)
Non-executive Director

Mr. Tsui has been re-designated as Non-executive Director in July 2017. Before his re-designation, he served as an Executive Director from November 2001 to June 2017. He is currently 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. He was previously the chairman and non-executive director of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong 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. Mr. Tsui was formerly the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited.

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

Mr. NG Ching Wo (aged 67)
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 LL.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 focuses primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, tax planning, large-scale international joint ventures and technology transfer.

Mr. CHOW Kwong Fai, Edward, J.P. (aged 65)
Independent Non-executive Director

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

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

Mr. SHAM Sui Leung, Daniel (aged 62)
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 62)
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 also an independent non-executive director of Summit Ascent Holdings Limited, China Baofeng (International) Limited (formerly known as Mastercraft International Holdings Limited) and Ourgame 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. He was also an independent director of the Company's subsidiary, Entertainment Gaming Asia Inc., a company delisted and removed from trading on the NASDAQ Capital Market in the United States in June 2017 (resigned in July 2017), as well as Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange in Canada (resigned in November 2017).

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 and the Taxation Institute of Hong Kong. Dr. Tyen is also a fellow member of The Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Directors. He is currently a practicing certified public accountant in Hong Kong and has over 40 years' experience in auditing, accounting, management and company secretarial practice.

SENIOR MANAGEMENT

Mr. Geoffrey Stuart DAVIS, CFA (aged 49)
Chief Financial Officer

Mr. Davis has been the Chief Financial Officer of the Company since December 2017, overseeing the Group's finance and treasury functions. He was appointed to his current role as an executive vice president and the chief financial officer of Melco Resorts in April 2011. Prior to that, he served as the deputy chief financial officer of Melco Resorts from August 2010 to March 2011 and senior vice president, corporate finance of Melco Resorts from 2007, when he joined Melco Resorts. Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he held a number of executive positions with Park Place Entertainment, the largest gaming company in the world at the time, and Hilton Hotels Corporation. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts degree from Brown University in 1991.

Mr. LEUNG Hoi Wai, Vincent (aged 44)
Group General Counsel

Mr. Leung is the Group General Counsel and he also serves as the Company Secretary of the Company. Mr. Leung oversees the legal, corporate secretarial and compliance matters of the Group. He joined the Group in May 2015. Prior to joining the Group, he was a senior legal counsel of Hutchison Whampoa Limited (currently CK Hutchison Holdings Limited), a multi-national conglomerate listed on the Hong Kong Stock Exchange, and Hutchison Port Holdings Trust, a business trust listed on the Singapore Stock Exchange, respectively, and practised law in the Hong Kong and China offices of Linklaters, Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with almost 20 years of experience in the legal profession specializing 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 56)
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 the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. HIGHLIGHTS OF THE YEAR

Community

- **362,249** beneficiaries from our community programmes
- **136,832** volunteer hours by our employees
- *77* charitable activities and programmes organized by us
- **HK$34.2 million** charitable donations

Environment

- **17GWh of reduction** in electricity consumption at Studio City and Altira Macau
- **3% reduction** in total greenhouse gas emissions

People Development

- **137,414 hours** of training for our employees
- Provide **lactation support** at our four properties in Macau and the Hong Kong corporate office

Awards and Recognition

- **BDO ESG Awards – ESG Report of the Year Award** (Middle Market Capitalization category)
- **Hong Kong Awards for Environmental Excellence – Wastewi$e Label** – Class of Excellence
- Hong Kong Council of Social Service – **10 Years Plus Caring Company**
- **Business Award of Macau – Corporate Social Responsibility Grand Award** – Melco Resorts & Entertainment Limited
- Asian Excellence Award by Corporate Governance Asia magazine – **Best Environmental Responsibility** – Melco Resorts & Entertainment Limited

2. ABOUT THIS REPORT

Reporting Standards and Scope

Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") is pleased to present its Environmental, Social and Governance ("ESG") Report, which has been prepared in accordance with the disclosure requirements of the ESG Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The preparation of this Report has also selectively referenced the GRI Standards for disclosure of information.

As a sustainability reporting pioneer in the leisure and entertainment industry, Melco International has been publishing its Corporate Social Responsibility Report annually since 2007. This year, we continue our commitment to the transparent disclosure of our ESG policies and performance through a more focused ESG Report, which provides an overview of ESG policies and management approach and presents sustainability initiatives and performance trends during the period from 1 January 2017 to 31 December 2017.

To reflect the businesses which have a considerable impact on the Group's environmental and social performance, this Report covers Melco International's corporate office and the core gaming arm, Melco Resorts & Entertainment Limited ("Melco Resorts"), with particular focus on the five properties, namely City of Dreams, City of Dreams Manila; Studio City; Altira Macau; and Mocha Clubs.

To locate relevant ESG topics, disclosures and key performance indicators ("KPIs") within this Report with ease and to provide supplemental information, a detailed ESG content index is presented at the end of this Report. Additional ESG performance information including financial data and corporate governance details can be located in other relevant sections of our annual report.

Stakeholder Engagement and Materiality Assessment

The Company recognizes the importance of engaging stakeholders and identifying material sustainability issues for our continued ESG success. To prepare this Report, the Company commissioned an independent consultant to carry out a stakeholder engagement and materiality assessment. An online survey was conducted with employees to gather stakeholder insights on the materiality of various ESG issues, our current ESG performance, and the content of this Report.

A three-step process was undertaken to determine material issues for disclosure in this Report:

Step 1: Identification

To identify potential material topics:

- Peer benchmarking: The ESG disclosures of local peers were reviewed to identify industry practices.
- Stakeholder engagement: An online survey was conducted with internal stakeholders to rank the materiality of various ESG issues and gather their thoughts on this Report.

Step 2: Prioritization

To prioritize potential material topics:

- Results from the peer benchmarking exercise and the outcomes of the stakeholder engagement were compiled and analyzed to indicate the overall materiality level for each ESG aspect and KPI.
- A prioritized list of material ESG-related issues was developed for the next step.

Step 3: Validation

To finalize the list of material issues, the outcomes of steps 1 and 2 were brought forward for discussion with senior management which confirmed the list of material KPIs for disclosure in this Report.

3. SUSTAINABILITY GOVERNANCE

Corporate Governance

Supervised by the Audit Committee and the Board, the risk management of the Group combines a top-down strategic view with a bottom-up operational process. ESG-related operational risks are also considered, and regularly reviewed, evaluated and monitored in accordance with the Group's risk management process and internal control systems.

A risk management taskforce, comprising members representing different business units of the Group designated by the Board, to oversee and assess the Group's risk management framework was set up by the Audit Committee and a risk management policy was adopted by the Board. The risk management taskforce assists the Board and the Audit Committee in overseeing the risk management system based on the results of the risk assessment work through inquiries with key management personnel. Please refer to "Corporate Governance Report" for more details.

Anti-corruption

"Credibility" is one of the Group's core values. We cultivate a corporate culture of integrity and ensure our employees uphold the highest standards of business ethics in their daily operations. We have adopted relevant codes and policies at both the Group and subsidiary levels. The *Code of Business Conduct and Ethics* details our policies on anti-bribery, anti-money laundering and anti-fraud. New employees are required to attend the corporate governance orientation, during which the Code of Business Conduct and Ethics will be explained clearly. Annual trainings on anti-bribery and anti-corruption are also provided for management and staff in key business functions of our operating subsidiaries.

To further strengthen the corporate culture, Melco Resorts launched the Ethical Business Practices Programme which sets out the standards and requirements for compliance with anti-corruption laws in the jurisdictions where our gaming facilities operate. Guidance on giving and receiving gifts, tours, meals and entertainment, as well as interacting with government officials is provided to employees. We have also designated staff member as an Ethical Business Legal Advisor in each city where we operate to answer staff enquiries related to anti-corruption and anti-bribery.

Whistle-blowing

We consider our whistle-blowing channel to be a useful means of identifying possible misconduct or fraud risks at a particular operation or function and encourage employees to raise concerns in good faith.

Corporate policies on complaints handling and whistle-blowing are also in place at the Company and subsidiary levels. Melco International's employees can report cases on (i) suspected violations of Company policies; (ii) intentional error or suspected fraud in the preparation, review or audit of Company's financial information; and (iii) suspected theft or fraudulent activities. Moreover, Melco Resorts' employees can report any wrong-doing via the whistle-blowing hotline managed by an external party whereas employees of the rest of the Group can report the same through a dedicated email account which selected independent management members can directly access. All information reported to the external party is recorded anonymously and all complaints shall be reviewed by selected independent management members. Details of our whistle-blowing channels are available on our intranet and posted at key areas of our offices.

4. OUR PEOPLE

As our Group's operations are customer-oriented, we depend highly on our dedicated employees for delivering quality services and guest experiences to our customers. Thus, we strive to provide a harmonious, safe and healthy working environment, and training and development opportunities to our employees to encourage a sense of pride and belonging.

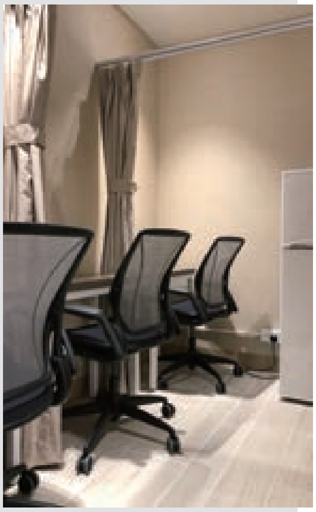
Employment and Caring Workplace

As an equal opportunity employer, we believe that building a stable workforce and cultivating a harmonious workplace starts with embracing diversity. Therefore, we ensure equal opportunities in every area, including compensation and benefits, recruitment, promotion and transfer, and training and development. We do not tolerate any kind of discrimination based on race, religion, gender, marital status, age, national origin, or any other considerations deemed irrelevant by local labour laws. As at the end of 2017, the Group had a total of 18,978 full-time employees of which 9,725 were male employees and 9,253 were female employees; 13,062 employees were below age 40 and 5,916 employees were over 40.

In order to retain a loyal workforce, competitive compensation packages are provided to our employees based on job responsibilities, performance and their contributions as well as their professional and managerial competencies. Employees undergo annual appraisals and are rewarded appropriately according to their performance and contributions to the Group's development, as outlined in the Group's Remuneration Policy. When there are vacant positions, we also give priority to qualified internal candidates prior to recruiting from external sources, whenever possible. As at the end of 2017, the employee turnover rate of the Group was 12.8% for male employees and 12.1% for female employees; and 14.6% for employees aged below 40 and 7.7% for employees aged over 40.

Lactation Rooms

To support working mothers in the workplace, we opened lactation rooms in 2016 at our four properties in Macau, which includes City of Dreams, Studio City, Altira Macau and our office at Flower City. Working mothers are now provided with comfortable and spacious rooms that are fully-equipped with lounge chairs, cleaning facilities and refrigerators. In 2017, we extended our care for working mothers to our corporate office in Hong Kong.



We continued to organize a wide range of staff activities during the year designed to encourage communication among employees, build trust across departments, and enhance staff morale. We also encourage our employees to play an active part in serving the community through participating in volunteering activities organized by the Company. Meanwhile, we also appreciate employees' spontaneous volunteering initiatives. Please refer to the section headed "Our Community" of this Report for the community and volunteer programmes we organized or sponsored in 2017.

Training and Development

Enriching the knowledge and skills of our employees is crucial to sustainable business development as we depend on our employees' professionalism and expertise to deliver quality services to our customers and drive business growth.

Our Training and Development Sponsorship Policy guides our dedication in supporting the enhancement of employee skills and competencies. When determining the training needs of individual staff, we set objectives and desired outcomes and continually review the subsequent results of any training received. We encourage our employees to pursue further education at external educational institutions by providing sponsorship or arranging specific training and development courses by external training companies.

Average training hours for the Group's male employees	Average training hours for the Group's female employees
7.47 hours	**7.00** hours

We embrace the concept of personal growth, professional development and life-long learning. At the operational level, apart from providing on-the-job technical training for our employees, we also offered employees with a variety of courses, including:

- Energy Management Series: Workshop on Implementing ISO50001 Energy Management System (EnMS)
- ISO 14001:2015 Internal Auditor Training
- Melco Induction – The Future is Ours – Environmental Awareness
- Power Quality Solutions and Design

Occupational Health and Safety

We are deeply committed to ensuring our employees work in a safe and healthy environment. Our Occupational Safety and Health ("OSH") Policy, which was established in 2008, exhibits the top management commitment to compliance with legal requirements, prevention of injuries and illnesses, and continual improvement in OSH. To ensure all of our activities and workplace hazards are being managed and are in compliance with local legal requirements, OSH Committees at our different operating properties meet once a month and discuss safety management issues. The main functions of the OSH Committees are:

Review OSH performance trends and follow up on major OSH incidents and accidents
Support OSH promotion and awareness activities, and assist with the implementation of OSH education and training Programmes
Coordinate OSH auditing and inspection activities
Provide feedback to management on employee OSH issues and concerns, and implement measures to reduce accidents

Internal investigations are conducted for every reported workplace accident. Once an accident has been reported to our Human Resources Department, the Accident Form is shared with the OSH Committees, which are responsible for conducting follow up investigations. Relevant corrective actions are to be taken to prevent the occurrence of similar accidents. Our Hazard and Near Miss Reporting Programme also prevents accidents by reporting and rectifying an unsafe situation before the occurrence of any potential injuries.

All employees at Melco Resorts are required to complete mandatory responsible gaming training as part of the onboarding process.

Studio City signed the Macau Labour Affairs Bureau (DSAL)'s Occupational Safety and Health Charter, a step further to strengthen its commitment to occupational safety.

Instilling a Safety Culture

We actively provide training to our employees to educate them on the importance of OSH. A key component of our OSH Training Programme is written assessments, which ensure that course participants have retained a good understanding of the main safety messages from the OSH training courses. There are six key OSH Training Programmes:

- OSH Induction Training for new staff
- OSH Refresher Training for existing staff
- Contractor Safety Orientation
- Bi-Monthly OSH Training Modules
- OSH Focus Training
- OSH Video Training

Melco Resorts organizes OSH workshops from time to time to refresh employees' knowledge on the matter.

To recognize our employees' efforts in improving OSH performance, our OSH Awards Programme has been offering quarterly cash prizes for eight consecutive years to employees who contribute the most to workplace safety. To promote the safety-first mindset to our employees, we also broadcast monthly OSH information updates via our internal employee television network in all staff common areas in Macau.

Our 2018 OSH Performance Objectives
Ensure Melco Resort's annual employee Lost Time Injury Frequency Rate ("LTIFR") is below the Macau leisure and entertainment industry benchmark
Reduce the annual employee LITFR for each Melco Resorts' property in Macau by 5%

5. OUR COMMUNITY

Caring for the community has always been core to our culture as our corporate vision is "to contribute to the growth and future of the communities we serve, and inspiring hope and happiness in people all over the world". In 2017, we continued to deliver positive impacts to society through community programmes under our three Corporate Social Responsibility ("CSR") pillars – Youth Development, Education and Environmental Conservation. Aspiring to build a more harmonious and healthy society, we are proud to work with our trusted community partners to serve different vulnerable groups in society and promote social inclusion and integration through different activities and events.

The devastating impacts of Typhoon Hato on the community will leave a lasting imprint on the memory for every citizen in Macau. In response to this, we committed to sharing our collective resources to swiftly support and restore the community. We promptly created a MOP $30M Cash Relief Fund and a Volunteer Task Force to support employees, the community and the restoration efforts in the aftermath of Typhoon Hato in Macau. As an immediate action, we halted the construction of our new Morpheus hotel tower and reassigned all 2,000 construction workers to join government-led efforts to assist and restore the city's most affected areas. We also quickly mobilized our dedicated volunteers to help impacted residents and businesses by clearing debris on the streets, distributing bottled water and necessities, and supporting the general public with immediate needs. We are pleased to leverage our community efforts, which enabled the city swiftly recovered from the disaster.

In the aftermath of Typhoon Hato, a 2,500-strong task force of the Group's volunteers and construction workers was formed to help clear debris, distribute bottled water and support the immediate needs of the general public.

Other actions taken in response to Typhoon Hato:	
FOR COMMUNITY	FOR EMPLOYEES
➢ Delivered 1,200 meal boxes, bread and over 10,000 bottles of water to residents in need ➢ Over 600 volunteers contributed and provided support to the community ➢ Over 40 local businesses were supported by our electricians and carpenters, restoring power supply and returning to operations	➢ Provided shower facilities for employees affected by water supply suspension ➢ Provided rest areas and accommodation for employees affected by power outage ➢ Adopted flexible working hours for employees assisting their family members and restoring order to their daily lives ➢ Distributed 3,600 bottles of drinking water ➢ Property Services assisted employees to repair significantly damaged homes ➢ Workdays missed due to work locations being not operable were paid

Our Core Community Programmes in 2017	
Number of volunteer hours our employees contributed in 2017	Total number of beneficiaries of our CSR activities in 2017
136,831.5 hours	362,249

Youth Development

"Life Goes On, Art is Eternity" 2017 Charity Painting Day

On 25 February 2017, our volunteers and 20 children with autism aged from 3 to 15 participated in an event organized by Macau Autism Association. Melco Resorts sponsored the venue, entertainment attraction and tea party for this Day. The children created a total of 36 paintings, which were later exhibited on World Autism Awareness Day. Some art pieces were selected and made into products for fundraising by Macau Autism Association. This activity provided an opportunity for the children to develop their talent and potential.

Care for the Macau's Community – Sharing of Festive Joy

With support from various local community service partners and NGOs, we organized the "Love & Care Elderly Mid-Autumn Fun Day" on 27 September 2017 with 100 elders, 100 primary school students, and over 100 Melco Resorts volunteers. After the mini magic show performed by our volunteers, the troop of The House of Dancing Water marched in and surprised the elderly and students with a spectacular performance and parade. Our volunteers also distributed mooncakes and enjoyed an afternoon tea with the elderly and students. It was a special occasion to deliver care and love to three different generations, whilst conveying the message of "respecting the elderly".

Melco Cares – Special Olympic Sports Fun Day 2017

We co-organized a sport challenge event with Macau Special Olympics, aiming to encourage individuals with special needs to participate in various sports activities, and unleash the potential of their talent. Over 200 Special Olympics athletes and over 100 volunteers from Melco Resorts and volunteers from other organization participated in 150 sports competitions that were tailored for Special Olympics athletes and students including running, and long jump. The event promoted social integration in the society and fulfilled corporate social responsibility.

Orbis's Paediatric Eyecare Project

We have been providing support to the Paediatric Eye Care project in Linyi, Shangdong province operated by Orbis Hong Kong since 2012. Orbis is sponsored for a three-year project to partner with Lunan Eye Hospital to enhance public awareness on eye care, eye disease education, through screenings in the community and schools, and free surgic al treatment to patients. Service networks are further extended to four branch hospitals in Jinan, Mengyin, Pingyi and Yishui with new equipment and intensive trainings for medical professionals that have benefited 145,000 children, doctors and community health workers.

Playright Children's Play Association's Hospital Play Service

To deliver long-term benefits, we have also sponsored Playright to build well-rounded facilities, including two playrooms and to purchase a series of therapeutic play tools to facilitate pediatric play therapies at Caritas Medical Centre. Educational leaflets were distributed to help patients and their families to adopt medical procedures and combat stressful treatments. During 2017, the programme benefited 2,311 beneficiaries.

Hong Kong PHAB Association's Youth Life Plan Supportive Scheme

We have continued to support the Hong Kong Physically Handicapped and Able-Bodied Association ("Hong Kong PHAB Association"), whose mission is to unleash the potential of young members with disabilities and empower them with self-confidence. Under the "Career Navigation 360: Youth Life Plan Supportive Scheme", a series of training and community services were organized. During the year of 2017, 885 youth members with learning disabilities were able to learn about life planning with social skills — an opportunity not available anywhere else in Hong Kong.

Education

The Salvation Army Macau Mobile Class Programme

We donated HK$1,390,000 to The Salvation Army Macau to support the pioneer learning programme on life education in Macau. A repurposed truck with unique decoration and setup will be operated as a mobile classroom to provide extraordinary learning experiences for students, where they can participate and learn outside of a traditional classroom. The programme is expected to be launched in September 2018.

Christian Action's Education Grant for Children from Huangnan Children's Home

We have continued to support Christian Action's Education Grant Programme, providing disadvantaged children with education opportunities. With our donation support, 21 students benefited from the programme during the year, and a total of 49 students received tertiary education, of which 28 graduated in the past five years.

Environmental Conservation

2017 Sustainable Development International Forum

To be part of the international business community that supports sustainable development, we sponsored the 2017 Sustainable Development International Forum organized by Junior Chamber International Macao on 24 June 2017. Around 120 local and international professionals attended the Forum to discuss ways to achieve the 17 "United Nations Sustainable Development Goals".

Responsible Gaming

As a pioneer in raising awareness of responsible gaming ("RG") to staff and the public in Macau, we have developed the Responsible Gaming Policy to minimize the harm associated with gambling disorder in 2010. The purpose of the Responsible Gaming Policy is to:

- manage potential harm associated with gambling by creating a responsible gambling environment
- educate and inform customers, supporters and employees about the potential harm associated with gambling
- create an awareness of the significant benefits that will arise where customers, supporters and employees assist us in endeavors to minimize the potential harm associated with gambling
- ensure that we comply with legal obligations relating to gambling disorder

We continued to educate our employees on the issue by delivering RG courses for newcomers. Quarterly Responsible Gaming Ambassadors courses are provided for newly promoted managers and above. All frontline employees are required to complete RG refresher training assessment on a regular basis. To further enhance their knowledge, a new additional RG enhancement course was delivered to gaming and non-gaming employees. To spread the message on RG to the public, we produced a commercial video related to RG, which will be broadcast on Teledifusão de Macau in 2018.

6. OUR VALUE CHAIN

Customer Care

With an ultimate goal of delivering innovative products and services and delivering higher value to our customers, our primary objective is to offer outstanding customer experiences in the field of leisure, entertainment and hospitality industry by providing quality services and amenities. We have taken extra care in managing advertising and marketing activities, and mitigating and controlling customers' health and safety risks. We ensure that we comply with all applicable laws and regulations when we advertise and deliver marketing materials.

As our hospitality business involves the delivery of excellent services and superior food and beverage options to customers, we have a series of stringent internal protocols in place to manage and alleviate customers' health and safety risks.

Our Food Safety Assurance Process

Product Recall and Traceability Procedure

- Trace every stage of the product activity, from storage, production, processing, to distribution.

Product Mock Recall and Traceability Exercise

- Conduct regularly to prepare for the situation where food products are recalled.

As one of the elements in the Hazard Analysis and Critical Control Points (HACCP) Programme, City of Dreams, Altira Macau and Studio City conduct the product mock recall and traceability exercise at least twice a year by the food safety team. The programme is being audited and verified by an external certification body on an annual basis. In cases where the hazards are generated by raw materials, immediate action will be taken to trace products back to vendors, traders, distributors or manufacturers to identify the cause. We are conscious of food safety and both City of Dreams and Altira Macau have been HACCP certified.

The HACCP Committee, consists of management representatives of over ten departments and divisions, and meets on a bi-weekly basis to oversee any food safety and hygiene related matters within the organizations. In addition, a quarterly food safety management review is conducted to reflect on the performance of food vendors, including a review of microbiological testing results and food safety related customer feedback.

Data Privacy

We have established policies in relation to information security and document retention. These policies are communicated and accessible to all relevant staff members, providing clear guidance on the proper procedures to handle different types of third-party personal data. In addition to policies, we have also implemented systems and processes to protect our customers, employees and company information from cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees or employees of third-party vendors.

Supply Chain Management

We work hand-in-hand with a wide array of suppliers to deliver excellent and quality services to our customers. Committed to developing an environmentally and socially responsible supply chain, we convey sustainability messages to our suppliers and take relevant environmental criteria into account during supplier assessments.

We have a Procurement Policy in place to guide staff who are engaged in procurement activities to make sustainable procurement decisions. During the procurement process, environmental requirements and standards for suppliers are clearly stipulated in tendering documents, which require all suppliers to comply with relevant environmental laws and regulations. In addition, when making a purchase of office equipment, we give priority to environment-friendly and energy-efficient products. To ensure suppliers align with our expectations, we regularly review supplier environmental performance. Suppliers who repeatedly fail to meet relevant environmental laws and regulations will be terminated in due course.

In addition, we have adopted a Supplier Code of Conduct in our Operational Policy Guidebook which served as a guideline to all staff, contractors and suppliers. We are also considering the development of a standalone Supplier Code of Conduct to ensure the suppliers and contractors uphold the highest ethical standards as well as comply with all applicable laws and regulations.

7. OUR ENVIRONMENT

We have long been committed to minimizing and mitigating the environmental impacts that may arise from operations, whilst delivering excellent and extraordinary customer service in leisure, entertainment and hospitality industry. We strive to make the most effective and efficient use of resources, and instil a sense of environmental responsibility into employees. We actively conduct regular environmental reviews and inspections to evaluate the status of compliance against applicable environmental legislation and requirements. During the reporting year, we complied with all relevant environmental laws and regulations at all locations where we operate including Hong Kong, Macau, and the Philippines.

We endeavour to go beyond compliance requirements and apply practical and innovative measures to consume resources in an efficient and prudent manner. To reaffirm this commitment, environmental policies, which outline the overarching commitment to continual improvement of environmental performance, have been adopted. The policies are communicated to all staff and business partners, as well as the general public. A guideline on resource conservation is also in place to delineate best practices to managing resource consumption, assisting us to select and install more efficient equipment at our operations.

In addition to our commitment and management approach to protecting the environment, City of Dreams went a step further to become the first hospitality facility in Macau to obtain the ISO 14001 Environmental Management Certification, along with an Indoor Environmental Quality Certificate.

Resource Management

Energy Efficiency

Given the business nature of the leisure, entertainment and hospitality industry, our daily operations consume a considerable amount of energy each year. Committed to efficiently and wisely consuming resources as well as minimizing carbon footprints, we seize every opportunity to adopt measures and actions to reduce our energy consumption.

To demonstrate our commitment to effectively managing energy consumption, both City of Dreams and Studio City, which received "Macau Green Hotel Award – Gold Award" and "Energy Saving Concept Award", have installed a number of energy conservation measures, including heat wheel systems and one of Macau's biggest chilled-ceiling systems. In addition, we are attentive to available technological options in the market to enhance energy efficiency. For example, an advanced indoor air purification system was installed at City of Dreams and Studio City to reduce the amount of fresh air pumped into the building from outside. The highly advanced Building Management System, which comprises of various technological features, including tracking the outdoor ambient temperature to adjust chiller temperatures, and using heat generated from the air conditioning system to provide hot water, also helps to significantly reduce energy consumption and carbon emissions from the operations. As compared to our environmental performance in 2016, we have achieved a 3% reduction on the total greenhouse gas emissions in 2017.

2017 Energy Consumption in Total and Intensity (per GFA*)		
Direct Energy Consumed (Stationary and Mobile Combustion)	19,776.33	MWh
Direct Energy Consumed by intensity	0.01	MWh per *GFA
Indirect Energy Consumed (Electricity)	448,041.37	MWh
Indirect Energy Consumed by intensity	0.33	MWh per *GFA
Total Energy Consumed	467,817.70	MWh
Total Energy Consumed by intensity	0.35	MWh per *GFA

* Total Gross Floor Area (GFA) is measured in square metres and covers the following properties, including City of Dreams, Altira Macau, Studio City, Mocha Clubs, and City of Dreams Manila.

2017 Greenhouse Gas ("GHG") Emissions# in Total and Intensity (per GFA*)		
Scope 1# emissions	20,154.19	Tonnes of CO_2-equivalent
Scope 2# emissions	385,719.97	Tonnes of CO_2-equivalent
Scope 3# emissions	839.69	Tonnes of CO_2-equivalent
Total GHG emissions	406,713.84	Tonnes of CO_2-equivalent
Total GHG intensity	0.30	Tonnes of CO_2-equivalent per GFA

\# According to the GHG Protocol Corporate Standard, a company's GHG emissions are classified into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the company, including both upstream and downstream emissions.

* Total Gross Floor Area (GFA) is measured in square metres and covers the following properties, including City of Dreams, Altira Macau, Studio City, Mocha Clubs, and City of Dreams Manila.

We understand that lighting represents a significant portion of electricity consumption at our hotel operations and there is a potential to further reduce consumption by installing and maximizing the use of energy-efficient LED lighting. For example, LED lights are now installed in all hotel guest rooms. At City of Dreams Manila, LED lighting has been installed in wastewater treatment plants and electrical substations, and will be installed in other facilities in the future. We will continue to identify opportunities to expand the use of LED lighting, substantially reducing energy consumption across all operations.

Other energy efficiency measures which contribute to our overall energy performance and carbon reduction include:

- Adjusting façade lighting based on sunset and sunrise schedules throughout the reporting year
- Implementing heat pumps instead of boilers for the hot water supply system
- Installing DC motors for Fan Coil Units in hotel towers to reduce power consumption
- Installing motor detectors in different areas of Studio City to dim the lights when an area is not occupied
- Adjusting the brightness of pylon signs to reduce power consumption at night and help to reduce light pollution
- Selecting high efficiency motors which comply to IE3 requirements
- De-lamping different areas to remove unnecessary light bulbs/ fixtures in areas where over-illumination occurs
- Rescheduling and shortening escalator and water feature operation hours to avoid needless energy consumption
- Switching off heaters in the swimming during winter to avoid needless consumption
- Temporarily switching off running water in water features during non-peak hours

Creating a Renewable Future – Installation of Solar Panel

We recognize the importance of identifying, harnessing and implementing feasible sustainable energy options to reduce carbon footprints and minimize the environmental impacts of our operations. Therefore, we are taking a step forward to invest in renewable energy by undertaking a solar panel installation project at City of Dreams and Studio City, which have significant energy consumptions every year. We plan to install 8,924 solar modules at City of Dreams, which can generate 3,245 MWh of electricity, while for Studio City, 7,690 solar modules will be installed, generating 3,002 MWh of electricity. The solar modules are capable of generating enough energy for 1,400 households per year. We will continue to explore other opportunities and feasible energy options to operate our business in an environmentally-responsible manner and to create a sustainable future.

Waste Management

Carefully managing and reducing the waste generated from our operations helps to conserve the earth's scarce resources. We adopt a holistic approach to waste management to minimize waste generation, to reduce unnecessary waste consumption, and to recycle and recover waste materials to create value and benefit the community. To understand the volume and type of waste generated in our operations, recycling data is tracked, monitored and analyzed on a daily, weekly and monthly basis. Under our recycling scheme, we recycle a wide array of items, including plastic, carton boxes, office paper, metals, batteries, glass bottles and used cooking oil. During the reporting year, we have disposed of and transported 14,265.12 tonnes (0.011 tonnes per GFA*) of general waste to waste treatment facilities.

2017 Total Recycled Waste and Intensity (per GFA*)		
Paper	529.18 0.39	tonnes kg per GFA
Plastic	75.20 0.056	tonnes kg per GFA
Metal	23.00 0.017	tonnes kg per GFA
Glass Bottles	47.92 0.035	tonnes kg per GFA
Aluminum Cans	6.96 0.0051	tonnes kg per GFA
Waste Battery	1.62 0.0012	tonnes kg per GFA
Waste Cooking Oil	67,853.00 0.050	litres litres per GFA

* Total Gross Floor Area (GFA) is measured in square metres and covers the following properties, including City of Dreams, Altira Macau, Studio City, Mocha Clubs, and City of Dreams Manila.

We also recognize that food waste, which is inevitably generated in our daily operations, may pose negative impacts to the environment. In view of this, we have two biodegradable food waste decomposers installed at City of Dreams. The food decomposers handle 200 kg of food waste daily, which is equivalent to 73 tonnes per year, achieving a 96% reduction of CO_2 emissions per 10 tonnes of food waste. Residuals from the decomposers can be upcycled into useful organic fertilizer after six months. Apart from the operations in Macau, we are also actively managing food waste in City of Dreams Manila by commissioning a kitchen waste recycling initiative to convert kitchen waste into organic fertilizer for gardening.

Biodegradable food waste decomposers are installed at City of Dreams to convert food wastage into organic fertilizer.

City of Dreams Manila actively manages food waste by commissioning a kitchen waste recycling initiative to transform organic waste into nutrient-rich fertilizer for gardening.

To utilize the kitchen waste produced from food and beverages outlets, City of Dreams Manila has adopted vermicomposting to transform organic waste into nutrient-rich fertilizer. During the composting process, African Night Crawler worms are used and added to the mixture of vegetables, fruit peels, and garden debris to produce nutrient-rich organic fertilizer for gardening within the property. With the implementation of the initiative, City of Dreams Manila is able to save an approximately 15% of gardening consumable expenses each quarter and reduce the use of chemical fertilizer and pesticides, enabling sustainable practices in gardening and promoting environmental safety and health in the operations.

Our waste recycling efforts will be further enhanced in 2018. At Studio City, we plan to deploy two food waste decomposers in the second quarter of 2018. We are also keen to explore and to further expand the existing categories of recyclable items. Considering the operational needs of the gaming industry, we currently generate approximately 7 tonnes of shredded playing cards daily. Committed to creating value from waste materials, we are working with a recycling company to formulate and execute a recycling programme that can recover shredded playing cards and convert them into useful materials. The programme is targeted to commence in mid-2018.

Water Conservation

Freshwater is a precious and scarce natural resource, therefore, we are conscious to adopt water-saving measures at our properties. We have implemented the SYNERGY® system to save water; and also reduce chemical use by up to 90%, minimizing water pollution. To harvest rainwater and maximize its utilization in landscape irrigation, a rainwater recovery system was installed at City of Dreams with a capacity to collect 250 cubic metres of water per annum. At City of Dreams Manila, an efficient drip irrigation system will be installed in the future.

Total Water Consumed	Total Water Consumed by intensity
3,562,433.10 m^3	**2.63 m^3 per GFA***

* Total Gross Floor Area (GFA) is measured in square metres and covers the following properties, including City of Dreams, Altira Macau, Studio City, Mocha Clubs, and City of Dreams Manila.

Other water conservation measures include:

- Installing automatic sensors in all faucets and rainwater recovery system
- Implementing water-saving toilets and showers in hotel guest rooms
- Minimizing water loss from pools and river features through wind evaporation by extensive planting
- Implementing a grey water system to recycle treated guestroom sink, shower and bath water as flush water at Altira Macau
- Adopting a sophisticated filtration system in The House of Dancing Water at City of Dreams to allow the unlimited reuse and recycling of water in the pool

Environmental Awareness

To raise employee awareness of environmental protection, we have an Energy Saving Statement in place which is shared on our intranet homepage to remind employees of energy-efficient measures and green behaviour. “Green Labels” and posters are also posted in staff common areas to encourage behavioural change and resource conservation whenever possible.

Employee participation is essential to building internal environmental awareness. We actively organize various awareness activities, with the objective of encouraging behavioural change and fostering environmental awareness amongst employees. A series of activities and campaigns were organized by us or co-organized with local NGOs to promote awareness on resources management in Macau. These include a red packet recycling campaign; the donation of clothes, computers and mooncakes; a tree planting initiative; and a visit to a recycling company. Furthermore, with the new safety regulations on motorcycle helmets enforced in 2017, we supported the Environmental Protection Bureau of Macau (“DSPA”) to set up a motorcycle helmet disposal and recycling point for general public, to convert the disposed helmets into recyclable materials. At City of Dreams Manila, our employees actively participated in various green activities in 2017, including mangrove planting, tree planting and coastal clean-ups.

Red Packet Envelopes Recycling Campaign

With more than 320 million new red packet envelopes used each year which is roughly equivalent to chopping down 16,300 trees, it is essential to raise awareness and encourage the public to reuse and recycle red packet envelopes. In 2017, a red packet envelopes recycling programme was held after the Chinese New Year, where we set up collection boxes in various places to collect used red packet envelopes. Approximately 71,200 used red packet envelopes, equivalent to 298.8 kg of paper, were collected and sent to DSPA for further handling.

Building a Green Future

Taking a forward-looking stance to build a sustainable and greener future for the next generation, we strive to adopt innovative measures and sustainable practices across operations. We have incorporated green elements in new development projects. A wide array of green features will be incorporated into Morpheus – our new flagship hotel for the City of Dreams complex targeted to be in operation in 2018. These green building features include high efficiency heat pumps, electronic communicated fan motors, pressure independent control valves that save pumping power, D.C. stepless fan-coil units, and an ozone pool filtration system that reduces chemical use.

8. MAJOR RECOGNITIONS, AWARDS AND CHARTERS

Melco International Development Limited

- Corporate Governance Asia Annual Recognition Award by Corporate Governance Asia magazine – 2006-17

- Hong Kong Awards for Environmental Excellence
  - Wastewi$e Label – Class of Excellence – 2009-17

- Hang Seng Indexes Company Limited
  - Constituent member of Hang Seng Corporate Sustainability Benchmark Index Series – 2013-17

- Hong Kong Council of Social Service
  - 10 Years Plus Caring Company – 2015-18

- BDO ESG Awards 2018
  - Best in ESG Award (in the Middle Market Capitalization category)
  - Best in Reporting Award (in the Middle Market Capitalization category)
  - ESG Report of the Year Award (in the Middle Market Capitalization category)

Melco Resorts & Entertainment Limited

- Business Award of Macau
  - Corporate Social Responsibility Grand Award – 2013, 2017

- Asian Excellence Award by Corporate Governance Asia magazine
  - Best Environmental Responsibility – 2013-17

- Labor Affairs Bureau of the Macau Special Administrative Region
  - Organization Safety Performance Silver Award in the Catering Industry Occupational Safety and Health (OSH) Scheme – 2016

9. HONG KONG STOCK EXCHANGE'S ESG REPORTING GUIDE AND GRI STANDARDS CONTENT INDEX

Aspect	KPI	Description	Page #	Section/Remarks
A. Environmental				
A1 Emissions	A1	General Disclosure	47-50	Our Environment
	A1.1	Types of emissions and respective emissions data	/	Our Environment Our operations emit an insignificant amount of air pollutants from stationary and mobile sources. During the reporting year, we emitted 286.46kg of Nitrogen Oxides (NO_x) from stationary LPG consumption and 8.84 kg of Sulphur Oxides (SO_x) from stationary LPG consumption and other mobile energy consumption.
	A1.2	Greenhouse gas emissions in total and intensity	47	Our Environment
	A1.3	Total hazardous waste produced and intensity	48	Not material to the Group
	A1.4	Total non-hazardous waste produced and intensity	48	Our Environment
	A1.5	Description of measures to mitigate emissions and results achieved	47-48	Our Environment
	A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives, and results achieved	47-48	Our Environment
A2 Use of Resources	A2	General Disclosure	47-50	Our Environment
	A2.1	Direct and/or indirect energy consumption by type and intensity	47	Our Environment
	A2.2	Water consumption in total and intensity	49	Our Environment
	A2.3	Description of energy use efficiency initiatives and results achieved	47-48	Our Environment
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results	49	Our Environment
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	/	Not material to the Group
A3 The Environment and Natural Resources	A3	General Disclosure	47-50	Our Environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	47-50	Our Environment
B. Social				
B1 Employment	B1	General Disclosure	40	Our People
	B1.1	Total workforce by gender, employment type, age group and geographical region	40	Our People
	B1.2	Employee turnover rate by gender, age group and geographical region	40	Our People
B2 Health and Safety	B2	General Disclosure	41	Our People
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	41	Our People
B3 Development and Training	B3	General Disclosure	40	Our People
	B3.2	The average training hours completed per employee by gender and employee category	40	Our People

Aspect	KPI	Description	Page #	Section/Remarks
B4 Labour Standards	B4	General Disclosure	40	Our People We abide by relevant employment ordinances and statutory requirements. No relevant cases of non-compliance were recorded.
B5 Supply Chain Management	B5	General Disclosure	46	Our Value Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	46	Our Value Chain
B6 Product Responsibility	B6	General Disclosure	46	Our Value Chain
	B6.4	Description of quality assurance process and recall procedures	46	Our Value Chain
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	46	Our Value Chain
B7 Anti-corruption	B7	General Disclosure	39	Sustainability Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	39	Sustainability Governance
B8 Community Investment	B8	General Disclosure	42-45	Our Community
	B8.1	Focus areas of contribution	42-45	Our Community
	B8.2	Resources contributed to the focus area	42-45	Our Community
Responsible Gaming	–	General Disclosure	46	Our Community

This material references the following disclosures from the GRI Standards published in 2016:

GRI Standards Indicators	Description	Page #	Section/Remarks
102-1	Name of the organization	38	About this Report
102-4	Location of operations	38,40	About this Report, Our People
102-7	Scale of the organization	38	About this Report
102-8	Information on employees and other workers	40	Our People
102-9	Description of organization's supply chain	46	Our Value Chain
102-11	Precautionary Principle or approach	39	Sustainability Governance
102-12	External initiatives	50	Major Recognitions, Awards and Charters
102-18	Governance structure	39	Sustainability Governance
102-43	Approach to stakeholder engagement	38-39	About this Report
102-46	Defining report content and topic boundaries	38-39	About this Report
102-47	List of material topics	51-53	HKEx ESG Reporting Guide and GRI Standards Content Index
102-50	Reporting period	38	About this Report
102-51	Date of most recent report	38	About this Report
102-52	Reporting cycle	38	About this Report
102-53	Contact point for questions regarding the report	62	Communication with Shareholders
102-54	Claims of reporting in accordance with the GRI Standards	53	Hong Kong Stock Exchange's ESG Reporting Guide and GRI Standards Content Index
102-55	GRI Content Index	51-53	Hong Kong Stock Exchange's ESG Reporting Guide and GRI Standards Content Index
205-MA	Anti-corruption management approach disclosures	39	Sustainability Governance
302-MA	Energy management approach disclosures	47-48	Our Environment
302-1	Energy consumption within the organization	47	Our Environment
302-3	Energy intensity	47	Our Environment
302-4	Reduction of energy consumption	47	Our Environment
305-MA	Emissions management approach disclosures	47-48	Our Environment
305-1	Direct (Scope 1) GHG emissions	47	Our Environment
305-2	Energy indirect (Scope 2) GHG emissions	47	Our Environment
305-3	Other indirect (Scope 3) GHG emissions	47	Our Environment
305-4	GHG emissions intensity	47	Our Environment
306-MA	Effluents and waste management approach disclosures	48-50	Our Environment
306-2	Waste by type and disposal method	48-50	Our Environment
401-MA	Employment management approach disclosures	40	Our People
401-1	Employee turnover rate	40	Our People
403-MA	Occupational health and safety management approach disclosures	41	Our People
404-MA	Training and education management approach disclosures	40	Our People
404-1	Average hours of training per year per employee	40	Our People
405-MA	Diversity and equal opportunity management approach disclosures	40	Our People
408-MA	Child labour management approach disclosures	40	Our People
413-MA	Local communities management approach disclosures	42-46	Our Community
413-1	Operations with local community engagement, impact assessments, and development programs	42-46	Our Community
416-MA	Customer health and safety management approach disclosures	46	Our Value Chain
419-MA	Socioeconomic compliance management approach disclosures	46	Our Value Chain

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) maintenance of responsible decision making; (ii) improvement in transparency and disclosure of information to shareholders; (iii) continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders; and (iv) improvement in management of risks and enhancement of performance by the Group. We consider good corporate governance forms the core of a well-managed organization.

CORPORATE GOVERNANCE PRACTICES

(a) Promulgation of Company's Corporate Governance Code

In 2005, the Company adopted its Code on Corporate Governance (the "Company Code"), which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Company Code was prepared and revised from time to time with reference to the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company Code not only formalizes the Company'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 Company 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. To strengthen corporate governance, the Code of Conduct was updated in 2017 to reflect the current Group structure and refine the whistle-blowing procedures. 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. All complaints and whistle-blowing are directed to the Company's Audit Committee Chairman, the Group General Counsel and the Group Internal Audit Director concurrently for investigations.

Employees can report cases on (i) suspected violations of the Company policies, especially those related to accounting, internal accounting controls, and auditing matters; (ii) intentional error or suspected fraud in the preparation, review or audit of the Company's financial statements; and (iii) suspected theft or fraudulent activities.

Price-sensitive information

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

(c) Compliance of the Company Code and CG Code

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the year ended 31 December 2017.

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

THE BOARD OF DIRECTORS

Role of the Board

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

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

Composition of the Board

The Board comprises a total of eight Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (Managing Director) and Mr. Chung Yuk Man, Clarence; two Non-executive Directors, namely, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony. The number of Independent Non-executive Directors represents more than one-third of the Board and complies with Rule 3.10A of the Listing Rules.

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

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

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

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. This year, Mr. Chung Yuk Man, Clarence, Mr. Tsui Che Yin, Frank and Mr. Sham Sui Leung, Daniel will retire from office by rotation at the forthcoming annual general meeting. Save and except Mr. Sham Sui Leung, Daniel, who has indicated that he will not stand for re-election at the forthcoming annual general meeting of the Company (the "AGM"), the retiring Directors, being eligible, have confirmed that they will offer themselves for re-election at the AGM. The biographical details of the retiring Directors who have offered themselves for re-election at the AGM have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

Board Diversity Policy

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

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

Directors' Training

The Company Secretary is responsible for keeping Directors informed of changes in laws and regulations and organizing 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. From time to time, the Company Secretary provides the Directors with information on external training courses and updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements.

Board Meetings

The Directors met five times during the year of 2017. 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 meeting during the year ended 31 December 2017 are set out in the table below.

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 2017.

Securities Dealings by Directors and Employees

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2017.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company. In 2017, no claims under the insurance policy were made.

	No. of meetings attended/held					
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Corporate Governance Committee meeting**	**Annual general meeting**
Executive Directors						
Mr. Ho, Lawrence Yau Lung	4/5	–	–	–	–	1/1
Mr. Evan Andrew Winkler	5/5	–	–	–	–	1/1
Mr. Chung Yuk Man, Clarence	5/5	–	–	–	–	1/1
Non-executive Directors						
Mr. Tsui Che Yin, Frank*	5/5	–	–	–	–	1/1
Mr. Ng Ching Wo	5/5	2/3	1/1	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. Chow Kwong Fai, Edward	5/5	–	–	1/1	–	1/1
Mr. Sham Sui Leung, Daniel	5/5	3/3	1/1	–	1/1	1/1
Dr. Tyen Kan Hee, Anthony	5/5	3/3	1/1	1/1	1/1	1/1
Average Attendance Rate	**97.50%**	**88.89%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

* Re-designated from Executive Director to Non-executive Director on 1 July 2017.

DELEGATION BY THE BOARD

Management Functions

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

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

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

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out in the section headed "Corporate Information" on page 208 of this annual report.

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

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

(1) Executive Committee

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

(2) Audit Committee

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

The detailed duties and powers of the Audit Committee are set out in the committee's terms of reference, which align with the requirements of the CG Code and the guidelines issued by the Hong Kong Institute of Certified Public Accountants.

The members of the Audit Committee met three times during the year and:

(a) reviewed the annual financial results of 2016 and interim financial results of 2017;

(b) reviewed and approved the 2016 annual report and 2017 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 systems of the Group;

(e) approved and confirmed the internal audit plan for 2017;

(f) reviewed the risk management report;

(g) reviewed and considered the auditor's remuneration;

(h) considered the audit tender for the Company's audit and tax services for the financial year ending 31 December 2017; and

(i) approved the appointment of Ernst & Young Tax Services Limited to provide tax consultancy services for a project.

(3) Nomination Committee

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

The members of the Nomination Committee met 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;

(d) considered and recommended to the Board on the re-designation of Mr. Tsui Che Yin, Frank from Executive Director to Non-executive Director; and

(e) nominated Board candidates to stand for election by shareholders at the Company's 2017 annual general meeting.

(4) Remuneration Committee

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

The members of the Remuneration Committee met once during the year. The work done by the committee during the year is set out below:

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

(b) reviewed and approved remuneration of Executive Directors and senior management;

(c) considered and recommended to the Board on the grant of share options and awarded shares to Directors, employees and consultants of the Group; and

(d) considered and recommended to the Board on grant of share award and share options to the Managing Director of the Company.

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 emoluments of the Directors, Chief Executive and senior management are set out in notes 12 and 48(b) to the consolidated financial statements.

Emoluments paid or payable to the member of senior management (whose profiles are included in "Management Profile" section of this annual report) for the year ended 31 December 2017 fell within the following bands:

Emolument bands (HK$)	Number of individuals
Below HK$15,000,000	2
HK$15,000,001 – HK$30,000,000	1

(5) Finance Committee

The Finance Committee is made up of the Company's Executive Directors and the Chief Financial Officer (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 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) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

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

(d) developing, reviewing and monitoring the Code of Conduct and compliance manual applicable to employees and Directors; and

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

The members of the Corporate Governance Committee met once during the year to review the Company's compliance with the Company Code and the CG Code, to discuss and review the revised Code of Conduct which is applicable to all Directors and employees and to review the training and continuous professional development of Directors and senior management.

COMPANY SECRETARY

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

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). This responsibility includes designing, implementing and maintaining the necessary internal control system, ensuring that the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of external auditor are set out in the Independent Auditor's Report on page 93 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the fees paid or payable by the Company to its external auditors for providing audit and non-audit services amounted to approximately HK$1.6 million and HK$2.4 million (2016: HK$2.2 million and HK$9.3 million) respectively. The non-audit services mainly included interim review, taxation and advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Risk Management System

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

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

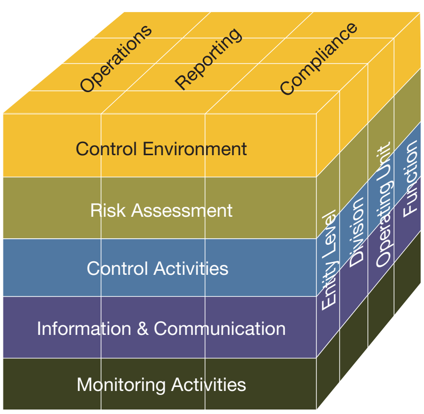
Our principal subsidiary, Melco Resorts & Entertainment Limited ("Melco Resorts") is separately listed on NASDAQ. It has its own risk management system. The risk and compliance department is tasked with overseeing and assessing the risk management framework. The risk management policy, adopted by the Melco Resorts' board, provides a risk management framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The risk and compliance department, led by the Chief Risk Officer, assists the Melco Resorts' board and audit and risk committee in overseeing the risk management system. On a bi-annual basis, a Strategic Risk Assessment and Mitigation Report (the "SRAM Report") covering areas such as finance, governance, operations, compliance, strategic and planning risks, is submitted by the Chief Risk Officer to Melco Resorts' audit and risk committee and the board for review and discussion. The SRAM Report is also presented to the Company's risk management taskforce for review. Those risks identified are considered to be in line with Melco Resorts' overall risk appetite and objectives.

Internal Control System

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

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

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 provides the basis for carrying out internal control. The Board and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct. Factors of control environment include ethical values, Board's oversight responsibility and competence of personnel.

(2) ***Risk Assessment***

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

(3) ***Control Activities***

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

(4) ***Information and Communication***

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

(5) ***Monitoring Activities***

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

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

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

Audit Committee Supervision

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for 2017 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, and considered that they are adequate.

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

Procedures for Nomination of Directors for Election

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

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

The Board Chairman, Board Committees' chairmen (or their delegates) and the Company's auditor attended the 2017 annual general meeting and were on hand to answer questions.

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

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in submitting to shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017, including a discussion of the principal risks and uncertainties the Group facing and an indication of likely future developments in the Group's business, is set out in "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 18 to 19 and 20 to 33 respectively of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 14 to 15 and in the Group's Five Years Financial Summary on page 207 of this annual report.

In addition, the board of Directors (the "Board") is responsible for the Group's Environmental, Social and Governance ("ESG") strategy and reporting, which include evaluating and determining the Company's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Discussions on the Group's environmental policies, relationships with its employees, shareholders, suppliers and customers and compliance with the laws and regulations are contained in the section headed "Management Discussion and Analysis – Environmental, Social and Governance" on pages 32 to 33 and in the "Environmental, Social and Governance Report" on pages 38 to 53 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 98 to 99 of this annual report.

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

For the year ended 31 December 2017, the Group recorded a profit attributable to shareholders of HK$474.1 million. The Board has recommended the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2017 (2016: a special final dividend of HK2.0 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018. The proposed 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 Wednesday, 4 July 2018.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Thursday, 7 June 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 4 June 2018 to Thursday, 7 June 2018 (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 Friday, 1 June 2018.

The proposed final dividend for the year ended 31 December 2017 is subject to the approval of shareholders at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 13 June 2018 to Friday, 15 June 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Friday, 8 June 2018. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 June 2018.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, investment properties, land use rights, gaming license and subconcession, goodwill, trademarks and other intangible assets) during the year are set out in notes 17, 18, 19, 20, 21, 22 and 23 respectively, to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2017 are set out in note 37 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 207 of this annual report. This summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution consisted of capital reserve and retained profits of approximately HK$7,053,000 and HK$2,936,420,000 respectively (2016: HK$7,053,000 and HK$287,957,000 respectively). The Company considered it has fulfilled those conditions required for distribution of capital reserve.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the five largest customers accounted for less than 30% of the Group's total turnover and the five largest suppliers accounted for less than 30% of the Group's total purchases.

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

DIRECTORS

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

Executive Directors
Mr. Ho, Lawrence Yau Lung *(Chairman and Chief Executive Officer)*
Mr. Evan Andrew Winkler *(Managing Director)*
Mr. Chung Yuk Man, Clarence

Non-executive Directors
Mr. Tsui Che Yin, Frank *(re-designated from Executive Director to Non-executive Director on 1 July 2017)*
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. Chow Kwong Fai, Edward
Mr. Sham Sui Leung, Daniel
Dr. Tyen Kan Hee, Anthony

In accordance with Article 98(A) of the Company's Articles of Association, Mr. Chung Yuk Man, Clarence, Mr. Tsui Che Yin, Frank 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. Due to other engagements which require more of his dedication, Mr. Sham Sui Leung, Daniel has confirmed that he will not offer himself for re-election as an Independent Non-executive Director of the Company and will retire from office with effect from the conclusion of the annual general meeting. Mr. Chung Yuk Man, Clarence and Mr. Tsui Che Yin, Frank, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Biographical details of the Directors are set out on pages 34 to 37 of this annual report.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes and the share award schemes of the Company as disclosed in this report and in note 38 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short position of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director and chief executive of the Company are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

(a) Ordinary shares of the Company

	Number of ordinary shares held				
Name of Director	Personal interests[2]	Corporate interests[3]	Other interests[4]	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	37,189,132	473,521,077[5]	306,382,187[6]	817,092,396	53.19%
Mr. Evan Andrew Winkler	71,000	–	–	71,000	0.00%
Mr. Chung Yuk Man, Clarence	3,350,440	–	–	3,350,440	0.22%
Mr. Tsui Che Yin, Frank	7,089,660	–	–	7,089,660	0.46%
Mr. Ng Ching Wo	143,000	–	–	143,000	0.01%
Mr. Chow Kwong Fai, Edward	7,000	–	–	7,000	0.00%
Mr. Sham Sui Leung, Daniel	1,059,000	–	–	1,059,000	0.07%
Dr. Tyen Kan Hee, Anthony	18,000	–	–	18,000	0.00%

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

Name of Director	Number of underlying shares held pursuant to share options[2 & 7]	Number of awarded shares held[2 & 8]	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	750,000	2,200,000	2,950,000	0.19%
Mr. Evan Andrew Winkler	5,946,000	3,095,000	9,041,000	0.59%
Mr. Chung Yuk Man, Clarence	2,956,000	165,000	3,121,000	0.20%
Mr. Tsui Che Yin, Frank	1,040,000	68,000	1,108,000	0.07%
Mr. Ng Ching Wo	1,154,000	19,000	1,173,000	0.08%
Mr. Chow Kwong Fai, Edward	47,000	12,000	59,000	0.00%
Mr. Sham Sui Leung, Daniel	225,000	16,000	241,000	0.02%
Dr. Tyen Kan Hee, Anthony	1,000,000	19,000	1,019,000	0.07%

Notes:

1. As at 31 December 2017, the total number of issued shares of the Company was 1,536,158,255.

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

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

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

5. The 473,521,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 50,830,447 shares, 7,294,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust and Maple Peak Investments Inc. respectively, representing approximately 19.17%, 7.77%, 3.31%, 0.47% and 0.10% of the total issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.

6. In addition to the deemed interests as stated in note 5 above, Mr. Ho, Lawrence Yau Lung is also taken to have interests in the 306,382,187 shares held by Great Respect Limited, representing approximately 19.94% of the total issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

7. Details of share options granted to the Directors pursuant to the share option schemes of the Company are set out in the "Share Option Schemes" section of this report.

8. Details of awarded shares granted to the Directors pursuant to the Share Purchase Scheme adopted by the Company on 18 October 2007 are set out in the "Share Award Schemes" section of this report.

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

(A) Melco Resorts & Entertainment Limited ("Melco Resorts") *(a listed subsidiary of the Company)*

(a) Ordinary shares of Melco Resorts

	Number of ordinary shares held			
Name of Director	**Personal interests**[(2)]	**Corporate interests**[(3)]	**Total**	**Approximate % of total issued shares**[(1)]
Mr. Ho, Lawrence Yau Lung	4,973,015	757,229,043[(4)]	762,202,058	51.55%
Mr. Chung Yuk Man, Clarence	62,269	–	62,269	0.00%

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

Name of Director	**Number of underlying shares held pursuant to stock options**[(2 & 5)]	**Number of restricted shares held**[(2 & 6)]	**Total**	**Approximate % of total issued shares**[(1)]
Mr. Ho, Lawrence Yau Lung	8,965,755	1,548,873	10,514,628	0.71%
Mr. Evan Andrew Winkler	–	24,273	24,273	0.00%
Mr. Chung Yuk Man, Clarence	194,664	43,692	238,356	0.02%

Notes:

1. As at 31 December 2017, the total number of issued shares of Melco Resorts was 1,478,429,243.

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

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

4. In May 2017, Melco Resorts launched an underwritten offering (the “Offering”) of 27,769,248 American depositary shares (“ADSs”), each representing three ordinary shares of Melco Resorts (“Melco Resorts Shares”), and 81,995,799 Melco Resorts Shares.

   On completion of the Offering, 81,995,799 Melco Resorts Shares were delivered to Melco Leisure and Entertainment Group Limited (“Melco Leisure”), a wholly-owned subsidiary of the Company, to satisfy the obligations of the three dealers and/or their respective affiliates (the “Borrowers”) under the stock loan agreements dated 15 December 2016 entered into between Melco Leisure and the Borrowers to return the 81,995,799 Melco Resorts Shares loaned to the Borrowers in conjunction with certain cash-settled swap transactions entered into in December 2016. As a result, the total number of Melco Resorts Shares held by Melco Leisure was increased to 757,229,043.

   Melco Resorts also repurchased 165,303,544 Melco Resorts Shares from Crown Asia Investments Pty. Ltd. (the “Repurchase Transaction”) by using the net proceeds of the Offering for the Repurchase Transaction.

   By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 757,229,043 Melco Resorts Shares which are being held by Melco Leisure as a result of his interest in approximately 53.19% of the total issued shares of the Company.

5. Details of stock options granted to the Directors by Melco Resorts are set out in the “Share Option Schemes” section of this report.

6. Details of restricted shares granted to the Directors by Melco Resorts are set out in the “Share Award Schemes” section of this report.

(B) Melco Resorts and Entertainment (Philippines) Corporation (“Melco Resorts Philippines”) *(a listed subsidiary of the Company)*

(a) Common shares of Melco Resorts Philippines

Name of Director	Number of common shares held[2]	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	7,803,638	0.14%
Mr. Chung Yuk Man, Clarence	7,049,729	0.12%

(b) Restricted shares granted by Melco Resorts Philippines

Name of Director	Number of restricted shares held[2 & 3]	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	5,462,546	0.10%
Mr. Chung Yuk Man, Clarence	5,939,848	0.10%

Notes:

1. As at 31 December 2017, the total number of issued shares of Melco Resorts Philippines was 5,666,764,407.

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

3. Details of restricted shares granted to the Directors by Melco Resorts Philippines are set out in the “Share Award Schemes” section of this report.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company and their respective associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

(I) The Company

On 8 March 2002, the shareholders of the Company adopted a share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme expired on 7 March 2012 and no further options could thereafter be granted. 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.

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 which the Directors may, at their discretion, grant to any eligible participants (as defined below) share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

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

(1) Directors or any of its subsidiaries or associated companies (companies in which the Company directly or indirectly holds not less than 20% and not more than 50% of its shareholding); and (2) executives and employees of and consultants, professional and other advisers to the Company or any of its subsidiaries or associated companies.

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

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval of the Company's shareholders.

Following the expiry of the 2002 Share Option Scheme, no further share options could be granted thereunder. As at the date of this annual report, a total of 3,320,000 shares of the Company may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme, representing 0.22% of the shares in issue.

As at the date of this annual report, the total number of shares available for issue under the 2012 Share Option Scheme is 82,579,538 shares, representing 5.37% of the shares in issue.

(iv) Maximum entitlement of each participant under the schemes

The total number of shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the Company's shareholders in general meeting.

In addition, any grant of share options to a substantial shareholder and/or an independent non-executive Director or any of their respective associates that would result in 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 exceeding 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 is 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 in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

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

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

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

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

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

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

The exercise price 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 schemes shall be valid and effective for a period of 10 years from the date of adoption. The 2002 Share Option Scheme which was adopted on 8 March 2002 expired on 7 March 2012. The 2012 Share Option Scheme which was adopted on 30 May 2012 will expire on 29 May 2022.

Movements of share options granted under the schemes during the year ended 31 December 2017 are as follows:

Under the 2002 Share Option Scheme

	Number of share options								
Category of participants	As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2017	Date of grant	Exercise price HK$	Exercise period (Note)
Directors									
Mr. Chung Yuk Man, Clarence	170,000	–	–	–	–	170,000	07.04.2010	3.76	5
	330,000	–	–	–	–	330,000	27.01.2012	7.1	7
Mr. Tsui Che Yin, Frank	170,000	–	(170,000)	–	–	–	07.04.2010	3.76	5
	1,200,000	–	(1,200,000)	–	–	–	27.01.2012	7.1	7
Mr. Ng Ching Wo	51,000	–	(51,000)	–	–	–	28.02.2008	11.5	8
	91,000	–	–	–	–	91,000	03.04.2009	2.99	4
	60,000	–	–	–	–	60,000	07.04.2010	3.76	9
	350,000	–	–	–	–	350,000	08.04.2011	5.75	6
	210,000	–	–	–	–	210,000	27.01.2012	7.1	7
Mr. Sham Sui Leung, Daniel	51,000	–	(51,000)	–	–	–	28.02.2008	11.5	8
	91,000	–	(91,000)	–	–	–	03.04.2009	2.99	4
	60,000	–	(60,000)	–	–	–	07.04.2010	3.76	9
	350,000	–	(350,000)	–	–	–	08.04.2011	5.75	6
	210,000	–	(210,000)	–	–	–	27.01.2012	7.1	7
Dr. Tyen Kan Hee, Anthony	350,000	–	–	–	–	350,000	08.04.2011	5.75	6
	210,000	–	–	–	–	210,000	27.01.2012	7.1	7
Sub-total	3,954,000	–	(2,183,000)	–	–	1,771,000			
Employees	91,300	–	(68,500)	–	–	22,800	01.04.2008	10.804	3
	111,000	–	(32,000)	–	–	79,000	03.04.2009	2.99	4
	399,000	–	(293,000)	–	–	106,000	07.04.2010	3.76	5
	1,032,000	–	(563,000)	–	–	469,000	08.04.2011	5.75	6
	2,133,400	–	(1,773,700)	–	–	359,700	27.01.2012	7.1	7
Sub-total	3,766,700	–	(2,730,200)	–	–	1,036,500			
Others (16)	102,000	–	(51,000)	–	–	51,000	28.02.2008	11.5	8
	110,200	–	(15,000)	(900)	–	94,300	01.04.2008	10.804	3
	211,000	–	(91,000)	–	–	120,000	03.04.2009	2.99	4
	445,000	–	(235,000)	–	–	210,000	07.04.2010	3.76	5
	536,000	–	(412,000)	–	–	124,000	08.04.2011	5.75	6
	951,000	–	(764,000)	–	–	187,000	27.01.2012	7.1	7
Sub-total	2,355,200	–	(1,568,000)	(900)	–	786,300			
Total	**10,075,900**	**–**	**(6,481,200)**	**(900)**	**–**	**3,593,800**			

Under the 2012 Share Option Scheme

Category of participants	Number of share options: As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2017	Date of grant	Exercise price HK$	Exercise period (Note)
Directors									
Mr. Ho, Lawrence Yau Lung	1,500,000	–	(1,500,000)	–	–	–	08.04.2016	10.24	11
	–	1,500,000	(750,000)	–	–	750,000	10.04.2017	15.00	13
Mr. Evan Andrew Winkler	2,968,000	–	–	–	–	2,968,000	01.09.2016	8.69	12
	–	852,000	–	–	–	852,000	10.04.2017	15.00	14
	–	2,126,000	–	–	–	2,126,000	07.06.2017	20.066	15
Mr. Chung Yuk Man, Clarence	2,219,000	–	–	–	–	2,219,000	08.04.2016	10.24	10
	–	237,000	–	–	–	237,000	10.04.2017	15.00	14
Mr. Tsui Che Yin, Frank	2,080,000	–	(1,040,000)	–	–	1,040,000	08.04.2016	10.24	10
Mr. Ng Ching Wo	395,000	–	–	–	–	395,000	08.04.2016	10.24	10
	–	48,000	–	–	–	48,000	10.04.2017	15.00	14
Mr. Chow Kwong Fai, Edward	14,000	–	–	–	–	14,000	08.04.2016	10.24	10
	–	33,000	–	–	–	33,000	10.04.2017	15.00	14
Mr. Sham Sui Leung, Daniel	390,000	–	(196,000)	–	–	194,000	08.04.2016	10.24	10
	–	42,000	(11,000)	–	–	31,000	10.04.2017	15.00	14
Dr. Tyen Kan Hee, Anthony	392,000	–	–	–	–	392,000	08.04.2016	10.24	10
	–	48,000	–	–	–	48,000	10.04.2017	15.00	14
Sub-total	9,958,000	4,886,000	(3,497,000)	–	–	11,347,000			
Employees	5,691,000	–	(1,692,500)	(411,500)	(344,000)	3,243,000	08.04.2016	10.24	10
	–	630,000	(54,000)	–	(174,000)	402,000	10.04.2017	15.00	14
Sub-total	5,691,000	630,000	(1,746,500)	(411,500)	(518,000)	3,645,000			
Others[16]	2,604,000	–	(1,129,000)	(108,000)	344,000	1,711,000	08.04.2016	10.24	10
	–	–	–	–	174,000	174,000	10.04.2017	15.00	14
Sub-total	2,604,000	–	(1,129,000)	(108,000)	518,000	1,885,000			
Total	**18,253,000**	**5,516,000**	**(6,372,500)**	**(519,500)**	**–**	**16,877,000**			

Notes:

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

2. During the year, 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 the dates on which the share options were exercised was HK$20.33.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. The share options granted on 8 April 2016 are divided into 4 tranches exercisable from 8 April 2016, 8 April 2017, 8 April 2018 and 8 April 2019 respectively to 7 April 2026.

11. The share options granted on 8 April 2016 are divided into 2 tranches exercisable from 8 April 2016 and 8 April 2017 respectively to 7 April 2026.

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

13. The share options granted on 10 April 2017 are divided into 2 tranches exercisable from 10 April 2017 and 10 April 2018 respectively to 9 April 2027.

14. The share options granted on 10 April 2017 are divided into 4 tranches exercisable from 10 April 2017, 10 April 2018, 10 April 2019 and 10 April 2020 respectively to 9 April 2027.

15. The share options granted on 7 June 2017 are divided into 2 tranches exercisable from 2 August 2018 and 2 August 2019 respectively to 6 June 2027.

16. The category “Others” represents the former directors/employees or consultants of the Group.

On 10 April 2017, the Company granted a total of 3,390,000 share options to the Directors and certain employees of the Company under the 2012 Share Option Scheme. The validity period of the options granted is ten years, from 10 April 2017 to 9 April 2027. The options entitle the grantees to subscribe for a total of 3,390,000 shares of the Company at an exercise price of HK$15.00 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$14.30. The estimated fair value of the 3,390,000 share options granted was approximately HK$17,730,000. The fair value per option granted was HK$5.23.

On 7 June 2017, the Company granted a total of 2,126,000 share options to a Director under the 2012 Share Option Scheme. The validity period of the options granted is ten years, from 7 June 2017 to 6 June 2027. The options entitle the grantee to subscribe for a total of 2,126,000 shares of the Company at an exercise price of HK$20.066 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$19.44. The estimated fair value of the 2,126,000 share options granted was approximately HK$14,648,000. The fair value per option granted was HK$6.89.

The Black-Scholes valuation model has been used to estimate the fair value of the options. For details, please refer to note 38 to the consolidated financial statements.

(II) Melco Resorts

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

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

Options over new Melco Resorts Shares are subject to Chapter 17 of the Listing Rules. All other types of awards (being options over Melco Resorts Shares that are not new shares, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units) are not subject to Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the Melco Resorts Amended 2011 Share Incentive Plan:

(i) Purpose of the plan

To promote the success and enhance the value of Melco Resorts, by linking the personal interests of the members of its board, employees and consultants, its parents, its subsidiaries and its related entities to those of Melco Resorts' shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Melco Resorts' shareholders.

(ii) Types of awards

The awards that may be granted under the Melco Resorts Amended 2011 Share Incentive Plan include options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

(iii) Participants of the plan

Persons eligible to participate include members of Melco Resorts' board, employees and consultants, any parent or subsidiary or any related entity of Melco Resorts that the board designates as a related entity for the purposes of the plan.

(iv) Total number of Melco Resorts Shares available for issue under the plan

The total number of Melco Resorts Shares which may be issued upon exercise of all stock options to be granted under the Melco Resorts Amended 2011 Share Incentive Plan and any other share incentive plans or other schemes of Melco Resorts must not in aggregate exceed 10% of Melco Resorts Shares in issue on the date of approval of each of the plans. The 10% limit may be refreshed with the approval by the Company's shareholders and Melco Resorts' shareholders.

The maximum number of Melco Resorts Shares which may be issued pursuant to all Melco Resorts awards under the Melco Resorts Amended 2011 Share Incentive Plan is 100,000,000 Melco Resorts Shares. Under the Listing Rules, as at the date of this annual report, the total number of Melco Resorts Shares available for issue under the Melco Resorts Amended 2011 Share Incentive Plan is 138,667,149 Melco Resorts Shares, representing approximately 9.35% of the total number of Melco Resorts Shares in issue.

(v) ***Maximum entitlement of each participant under the plan***
The total number of Melco Resorts Shares issued and to be issued upon exercise of the stock options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Melco Resorts Shares in issue unless the Company issues circular to the Company's shareholders which complies with the Listing Rules and the same is approved by the Company's shareholders in general meeting.

In addition, any grant of stock options to a substantial shareholder and/or an independent non-executive Director or any of their respective associates that would result in the total number of Melco Resorts Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the Melco Resorts Shares in issue and with an aggregate value (based on the official closing price of the Melco Resorts Shares as stated in the daily quotation sheets of the NASDAQ Global Select or NASDAQ Global Market on the date of grant) in excess of an amount in United States Dollars which is equivalent to HK$5 million is subject to the approval of the Company's shareholders in general meeting.

(vi) ***The period within which the Melco Resorts Shares must be taken up under an option***
The period during which an option may be exercised is determined by the compensation committee of Melco Resorts ("Melco Resorts Compensation Committee") in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

(vii) ***The minimum period for which an option must be held before it can be exercised***
As determined by the Melco Resorts Compensation Committee upon the grant of an option.

(viii) ***The amount payable on acceptance of an option and the period within which payments shall be made***
As determined by the Melco Resorts Compensation Committee upon the grant of an option.

(ix) ***The basis of determining the exercise price***
The Melco Resorts Compensation Committee may determine the exercise price, grant price or purchase price, if any, of any option.

(x) ***The remaining life of the plan***
The Melco Resorts Amended 2011 Share Incentive Plan will expire on 7 December 2021.

Movements of stock options granted under the plans during the year ended 31 December 2017 are set out below:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of grant	Exercise price US$	Exercise period (Note(s))
Under the Melco Resorts 2006 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	2,898,774	–	–	–	–	2,898,774	17.03.2009	0.32	3, 23
	755,058	–	(755,058)	–	–	–	25.11.2009	0.66	4, 23
	1,446,498	–	–	–	–	1,446,498	23.03.2011	1.75	5, 23
Mr. Chung Yuk Man, Clarence	56,628	–	–	–	–	56,628	18.03.2008	3.24	6, 23
	138,036	–	–	–	–	138,036	17.03.2009	0.32	3, 23
Total	**5,294,994**	**–**	**(755,058)**	**–**	**–**	**4,539,936**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	474,399	–	–	–	–	474,399	29.03.2012	3.93	7, 23
	362,610	–	–	–	–	362,610	10.05.2013	5.32	8, 23
	320,343	–	–	–	–	320,343	28.03.2014	5.32	9, 23
	690,291	–	–	–	–	690,291	30.03.2015	5.32	10, 23
	1,302,840	–	–	–	–	1,302,840	18.03.2016	5.32	11, 23
	–	1,470,000	–	–	–	1,470,000	31.03.2017	6.18	19
Total	**3,150,483**	**1,470,000**	**–**	**–**	**–**	**4,620,483**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of grant	Exercise price US$	Exercise period (Note(s))
Under the Melco Resorts 2006 Share Incentive Plan									
Other eligible participants[24]	95,757	–	(95,757)	–	–	–	10.09.2007	4.29	13, 23
	113,256	–	(113,256)	–	–	–	18.03.2008	3.24	6, 23
	2,008,686	–	(642,795)	–	–	1,365,891	25.11.2008	0.24	14, 23
	276,072	–	(276,072)	–	–	–	17.03.2009	0.32	3, 23
	264,888	–	(264,888)	–	–	–	25.11.2009	0.66	15, 23
	263,028	–	(90,963)	–	–	172,065	25.11.2009	0.66	4, 23
	140,400	–	(140,400)	–	–	–	25.11.2009	0.66	16, 23
	80,286	–	–	–	–	80,286	26.05.2010	0.48	17, 23
	300,000	–	(300,000)	–	–	–	16.08.2010	0.56	18, 23
	1,076,427	–	(305,067)	–	–	771,360	23.03.2011	1.75	5, 23
Total	**4,618,800**	**–**	**(2,229,198)**	**–**	**–**	**2,389,602**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Other eligible participants[24]	973,368	–	(527,211)	–	–	446,157	29.03.2012	3.93	7, 23
	748,920	–	–	–	(302,019)	446,901	10.05.2013	5.32	8, 23
	757,429	–	–	–	(268,287)	489,142	28.03.2014	5.32	9, 23
	1,644,009	–	–	–	(517,704)	1,126,305	30.03.2015	5.32	10, 23
	3,386,814	–	–	–	(995,406)	2,391,408	18.03.2016	5.32	11, 23
	191,328	–	–	–	–	191,328	23.12.2016	4.79	12, 23
	–	196,218	–	–	–	196,218	21.02.2017	5.59	20
	–	3,591,171	–	–	(175,755)	3,415,416	31.03.2017	6.18	19
	–	88,635	–	–	–	88,635	30.05.2017	7.30	21
	–	34,518	–	–	–	34,518	08.09.2017	7.61	22
Total	**7,701,868**	**3,910,542**	**(527,211)**	**–**	**(2,259,171)**	**8,826,028**			

Notes:

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

2. In respect of the stock options exercised during the year, the weighted average closing price of the Melco Resorts Shares immediately before the dates on which the stock options were exercised was US$20.62.

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

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

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

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

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

8. The stock options granted on 10 May 2013 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 9 May 2023.

9. The stock options granted on 28 March 2014 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 27 March 2024.

10. The stock options granted on 30 March 2015 are divided into 2 tranches exercisable from 18 March 2018 and 18 March 2019 respectively to 29 March 2025.

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

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

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

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

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

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

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

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

19. The stock options granted on 31 March 2017 are exercisable from 30 March 2020 to 30 March 2027.

20. The stock options granted on 21 February 2017 are exercisable from 8 January 2020 to 20 February 2027.

21. The stock options granted on 30 May 2017 are exercisable from 30 May 2020 to 29 May 2027.

22. The stock options granted on 8 September 2017 are exercisable from 8 September 2019 to 7 September 2027.

23. On 10 February 2017, Melco Resorts reduced the exercise price of all outstanding and unexercised stock options granted prior to 19 January 2017 by approximately US$0.4404 per share (equivalent to approximately US$1.3212 per ADS as a result of its declaration of special dividend in January 2017. On 31 March 2017, Melco Resorts further reduced the exercise price of certain stock options outstanding as of such date by approximately US$0.3293 per share (equivalent to approximately US$0.988 per ADS) reflecting prior special dividends. The adjustments to the exercise prices in 2017 were made as required by the Melco Resorts 2006 Share Incentive Plan and Melco Resorts Amended 2011 Share Incentive Plan.

24. The category “Other eligible participants” represents the directors (other than the Directors), employees or consultants of Melco Resorts.

On 21 February 2017, Melco Resorts granted a total of 196,218 stock options to eligible participants under the Melco Resorts Amended 2011 Share Incentive Plan. The validity period of the stock options granted is ten years, from 21 February 2017 to 20 February 2027. The stock options entitle the grantees to subscribe for a total of 196,218 Melco Resorts Shares at an exercise price of US$5.59 per share. The closing price of the Melco Resorts Shares immediately before the date on which the stock options were granted was US$5.66. The estimated fair value of the 196,218 stock options granted was approximately US$431,679.60. The fair value per stock option granted was US$2.20.

On 31 March 2017, Melco Resorts granted a total of 5,061,171 stock options to eligible participants under the Melco Resorts Amended 2011 Share Incentive Plan. The validity period of the stock options granted is ten years, from 31 March 2017 to 30 March 2027. The stock options entitle the grantees to subscribe for a total of 5,061,171 Melco Resorts Shares at an exercise price of US$6.18 per share. The closing price of the Melco Resorts Shares immediately before the date on which the stock options were granted was US$6.16. The estimated fair value of the 5,061,171 stock options granted was approximately US$12,399,868.95. The fair value per stock option granted was US$2.45.

On 30 May 2017, Melco Resorts granted a total of 88,635 stock options to eligible participants under the Melco Resorts Amended 2011 Share Incentive Plan. The validity period of the options granted is ten years, from 30 May 2017 to 29 May 2027. The options entitle the grantees to subscribe for a total of 88,635 Melco Resorts Shares at an exercise price of US$7.30 per share. The closing price of the Melco Resorts Shares immediately before the date on which the options were granted was US$7.32. The estimated fair value of the 88,635 stock options granted was approximately US$249,950.70. The fair value per option granted was US$2.82.

On 8 September 2017, Melco Resorts granted a total of 34,518 stock options to eligible participants under the Melco Resorts Amended 2011 Share Incentive Plan. The validity period of the options granted is ten years, from 8 September 2017 to 7 September 2027. The options entitle the grantees to subscribe for a total of 34,518 Melco Resorts Shares at an exercise price of US$7.61 per share. The closing price of the Melco Resorts Shares immediately before the date on which the options were granted was US$7.65. The estimated fair value of the 34,518 stock options granted was approximately US$83,188.38. The fair value per option granted was US$2.41.

The Black-Scholes Option valuation model was used to estimate the fair value of the stock options. For more details, please refer to note 38 to the consolidated financial statements.

(III) Melco Resorts Philippines

Melco Resorts Philippines adopted a share incentive plan in 2013 (the “MRP Share Incentive Plan”), which will expire 10 years after 24 June 2013. Under the MRP Share Incentive Plan, Melco Resorts Philippines may grant either options to purchase Melco Resorts Philippines’ ordinary shares or restricted shares.

As Melco Resorts Philippines is a subsidiary of the Company, its share incentive plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules. In order to comply with the applicable requirements of the Listing Rules, Melco Resorts Philippines amended the MRP Share Incentive Plan (the “MRP Amended Share Incentive Plan”) and such plan was approved by both the shareholders of Melco Resorts Philippines and the Company, and became effective on 15 March 2017.

Options over new shares of Melco Resorts Philippines (the “MRP Shares”) are subject to Chapter 17 of the Listing Rules. All other types of awards (being options over MRP Shares that are not new shares, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units) are not subject to Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the MRP Amended Share Incentive Plan:

(i) Purpose of the plan

To promote the success and enhance the value of Melco Resorts Philippines, by linking the personal interests of the members of its board, employees and consultants, its parents, its subsidiaries and its related entities by providing such individuals with an incentive for outstanding performance to generate superior returns to Melco Resorts Philippines’ shareholders.

(ii) Types of awards

The awards that may be granted under the MRP Amended Share Incentive Plan include options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

(iii) Participants of the plan

Persons eligible to participate include members of Melco Resorts Philippines’ directors, employees and consultants as may be determined by the compensation committee of Melco Resorts Philippines (“MRP Compensation Committee”).

(iv) ***Total number of MRP Shares available for issue under the plan***

The total number of MRP Shares which may be issued upon exercise of all share options to be granted under the MRP Amended Share Incentive Plan and any other share incentive plans or other schemes of Melco Resorts Philippines must not in aggregate exceed 10% of MRP Shares in issue on the date of approval of the plan. The 10% limit may be refreshed with the approval of the Company's shareholders and Melco Resorts Philippines' shareholders.

The maximum aggregate number of MRP Shares which may be issued pursuant to all awards under the plan is 442,630,330 MRP Shares, and in no event the number of MRP Shares which may be issued upon exercise of all outstanding awards granted and yet to be exercised under the plan and any other share incentive plans or other schemes exceed 5% of the MRP Shares in issue from time to time. Under the Listing Rules, as at the date of this annual report, the total number of MRP Shares available for issue under the MRP Amended Share Incentive Plan is 560,398,207 MRP Shares, representing approximately 9.89% of the total number of MRP Shares in issue.

(v) ***Maximum entitlement of each participant under the plan***

The total number of MRP 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 MRP Shares in issue unless the Company issues circular to the Company's shareholders which complies with the Listing Rules, any applicable law and any other exchange rules from time to time and the same is approved by the Company's shareholders in general meeting.

In addition, any grant of share options to a substantial shareholder and/or an independent non-executive Director or any of their respective associates that would result in the total number of MRP Shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the MRP Shares in issue and with the aggregate value (based on the official closing price of the MRP Shares as stated in the daily quotation sheets of The Philippine Stock Exchange, Inc. on the date of grant) in excess of an amount in Peso which is equivalent to HK$5 million is subject to the approval of the Company's shareholders in general meeting.

(vi) ***The period within which the MRP Shares must be taken up under an option***

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

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

As determined by the MRP Compensation Committee upon the grant of an option.

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

As determined by the MRP Compensation Committee upon the grant of an option.

(ix) ***The basis of determining the exercise price***

The MRP Compensation Committee may determine the exercise price, grant price or purchase price, if any, of any option.

(x) ***The remaining life of the plan***

The MRP Amended Share Incentive Plan will expire on 24 June 2023.

Movements of share options granted under the MRP Amended Share Incentive Plan during the year ended 31 December 2017 are as follows:

	Number of share options								
	As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of grant	Exercise price PHP	Exercise period (Note)
Under the MRP Amended Share Incentive Plan									
Eligible participants[9]	4,682,182	–	(1,040,485)	(2,514,505)	–	1,127,192	28.06.2013	8.30	3
	693,656	–	–	(693,656)	–	–	27.03.2014	8.30	4
	202,340	–	–	(202,340)	–	–	30.05.2014	13.26	5
	6,796,532	–	–	–	–	6,796,532	16.11.2015	3.46	6
	–	1,531,112	–	–	–	1,531,112	15.03.2017	5.66	7
	–	5,612,357	–	–	–	5,612,357	01.08.2017	8.98	8
Total	**12,374,710**	**7,143,469**	**(1,040,485)**	**(3,410,501)**	**-**	**15,067,193**			

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 ended 31 December 2017, the weighted average closing price of the MRP Shares immediately before the dates on which the share options were exercised was PHP9.35.
3. The share options granted on 28 June 2013 are divided into 3 tranches exercisable from 4 March 2015, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.
4. The share options granted on 27 March 2014 are divided into 3 tranches exercisable from 29 April 2015, 29 April 2016 and 29 April 2017 respectively to 26 March 2024.
5. The share options granted on 30 May 2014 are divided into 3 tranches exercisable from 30 May 2015, 30 May 2016 and 30 May 2017 respectively to 29 May 2024.
6. The share options granted on 16 November 2015 are divided into 3 tranches exercisable from 16 November 2016, 16 November 2017 and 16 November 2018 respectively to 15 November 2025.
7. The share options granted on 15 March 2017 are exercisable from 29 April 2019 to 14 March 2027.
8. The share options granted on 1 August 2017 are exercisable from 1 August 2020 to 31 July 2027.
9. The category “Eligible participants” represents the directors (other than the Directors), employees or consultants of Melco Resorts Philippines.

On 15 March 2017, Melco Resorts Philippines granted a total of 1,531,112 share options to eligible participants under the MRP Amended Share Incentive Plan. The validity period of the share options granted is ten years, from 15 March 2017 to 14 March 2027. The share options entitle the grantees to subscribe for a total of 1,531,112 MRP Shares at an exercise price of PHP5.66 per share. The closing price of the MRP Shares immediately before the date on which the share options were granted was PHP5.70. The estimated fair value of the 1,531,112 share options granted was approximately PHP4,011,513.44. The fair value per share option granted was PHP2.62.

On 1 August 2017, Melco Resorts Philippines granted a total of 5,612,357 share options to eligible participants under the MRP Amended Share Incentive Plan. The validity period of the share options granted is ten years, from 1 August 2017 to 31 July 2027. The share options entitle the grantees to subscribe for a total of 5,612,357 MRP Shares at an exercise price of PHP8.98 per share. The closing price of the MRP Shares immediately before the date on which the share options were granted was PHP9.00. The estimated fair value of the 5,612,357 share options granted was approximately PHP25,199,482.93. The fair value per share option granted was PHP4.49.

The Black-Scholes Option valuation model has been used to estimate the fair value of the share options. For details, please refer to note 38 to the consolidated financial statements.

SHARE AWARD SCHEMES

(I) The Company

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"). Certain rules of such schemes were amended on 28 August 2014 and 12 June 2015.

The purpose of the Share Purchase Scheme and the Share Subscription Scheme is to recognize the contributions of the directors, employees and consultants of the Group and provide them with incentives so as to retain them for the continual operation and development of the Group and to attract suitable personnel for the future development of the Group. The shares of the Company to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time. The shares awarded to the grantees under the Share Purchase Scheme will be settled by the shares of the Company purchased in the market whereas the shares awarded to the grantees under the Share Subscription Scheme will be settled by allotment of new shares of the Company.

A summary of the principal terms of each of the Share Purchase Scheme and Share Subscription Scheme is 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 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.

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 2017 are set out below:

	Number of awarded shares							
Category of participants	As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed/ cancelled during the year	Reclassified during the year	As at 31 December 2017	Date of award	Vesting date
Directors								
Mr. Ho, Lawrence Yau Lung	870,000	–	(870,000)	–	–	–	08.04.2016	08.04.2017
	1,100,000	–	(1,100,000)	–	–	–	08.04.2016	08.04.2017
	–	2,200,000	(2,200,000)	–	–	–	10.04.2017	10.04.2017
	–	2,200,000	–	–	–	2,200,000	10.04.2017	10.04.2018
	1,970,000	4,400,000	(4,170,000)	–	–	2,200,000		
Mr. Evan Andrew Winkler	849,000	–	–	–	–	849,000	01.09.2016	02.08.2018
	849,000	–	–	–	–	849,000	01.09.2016	02.08.2019
	–	71,000	(71,000)	–	–	–	10.04.2017	10.04.2017
	–	71,000	–	–	–	71,000	10.04.2017	10.04.2018
	–	71,000	–	–	–	71,000	10.04.2017	10.04.2019
	–	71,000	–	–	–	71,000	10.04.2017	10.04.2020
	–	592,000	–	–	–	592,000	07.06.2017	02.08.2018
	–	592,000	–	–	–	592,000	07.06.2017	02.08.2019
	1,698,000	1,468,000	(71,000)	–	–	3,095,000		
Mr. Chung Yuk Man, Clarence	33,000	–	(33,000)	–	–	–	08.04.2015	08.04.2017
	32,000	–	–	–	–	32,000	08.04.2015	08.04.2018
	37,000	–	(37,000)	–	–	–	08.04.2016	08.04.2017
	37,000	–	–	–	–	37,000	08.04.2016	08.04.2018
	37,000	–	–	–	–	37,000	08.04.2016	08.04.2019
	–	20,000	(20,000)	–	–	–	10.04.2017	10.04.2017
	–	20,000	–	–	–	20,000	10.04.2017	10.04.2018
	–	20,000	–	–	–	20,000	10.04.2017	10.04.2019
	–	19,000	–	–	–	19,000	10.04.2017	10.04.2020
	176,000	79,000	(90,000)	–	–	165,000		
Mr. Tsui Che Yin, Frank	32,000	–	(32,000)	–	–	–	08.04.2015	08.04.2017
	32,000	–	–	–	–	32,000	08.04.2015	08.04.2018
	18,000	–	(18,000)	–	–	–	08.04.2016	08.04.2017
	18,000	–	–	–	–	18,000	08.04.2016	08.04.2018
	18,000	–	–	–	–	18,000	08.04.2016	08.04.2019
	118,000	–	(50,000)	–	–	68,000		
Mr. Ng Ching Wo	4,000	–	(4,000)	–	–	–	08.04.2015	08.04.2017
	3,000	–	–	–	–	3,000	08.04.2015	08.04.2018
	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2017
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2018
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2019
	–	4,000	(4,000)	–	–	–	10.04.2017	10.04.2017
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2018
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2019
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2020
	13,000	16,000	(10,000)	–	–	19,000		

Category of participants	Number of awarded shares: As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed/ cancelled during the year	Reclassified during the year	As at 31 December 2017	Date of award	Vesting date
Mr. Chow Kwong Fai, Edward	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2017
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2018
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2019
	–	3,000	(3,000)	–	–	–	10.04.2017	10.04.2017
	–	3,000	–	–	–	3,000	10.04.2017	10.04.2018
	–	3,000	–	–	–	3,000	10.04.2017	10.04.2019
	–	2,000	–	–	–	2,000	10.04.2017	10.04.2020
	6,000	11,000	(5,000)	–	–	12,000		
Mr. Sham Sui Leung, Daniel	3,000	–	(3,000)	–	–	–	08.04.2015	08.04.2017
	3,000	–	–	–	–	3,000	08.04.2015	08.04.2018
	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2017
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2018
	1,000	–	–	–	–	1,000	08.04.2016	08.04.2019
	–	4,000	(4,000)	–	–	–	10.04.2017	10.04.2017
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2018
	–	3,000	–	–	–	3,000	10.04.2017	10.04.2019
	–	3,000	–	–	–	3,000	10.04.2017	10.04.2020
	11,000	14,000	(9,000)	–	–	16,000		
Dr. Tyen Kan Hee, Anthony	3,000	–	(3,000)	–	–	–	08.04.2015	08.04.2017
	3,000	–	–	–	–	3,000	08.04.2015	08.04.2018
	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2017
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2018
	2,000	–	–	–	–	2,000	08.04.2016	08.04.2019
	–	4,000	(4,000)	–	–	–	10.04.2017	10.04.2017
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2018
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2019
	–	4,000	–	–	–	4,000	10.04.2017	10.04.2020
	12,000	16,000	(9,000)	–	–	19,000		
Sub-total	4,004,000	6,004,000	(4,414,000)	–	–	5,594,000		
Employees	86,400	–	(86,400)	–	–	–	08.04.2015	08.04.2017
	82,400	–	–	(15,700)	(6,000)	60,700	08.04.2015	08.04.2018
	84,000	–	(84,000)	–	–	–	08.04.2016	08.04.2017
	79,000	–	–	(12,000)	(13,000)	54,000	08.04.2016	08.04.2018
	78,000	–	–	(4,000)	(13,000)	61,000	08.04.2016	08.04.2019
	–	54,000	(54,000)	–	–	–	10.04.2017	10.04.2017
	–	53,000	–	–	(15,000)	38,000	10.04.2017	10.04.2018
	–	52,000	–	–	(14,000)	38,000	10.04.2017	10.04.2019
	–	51,000	–	–	(14,000)	37,000	10.04.2017	10.04.2020
Sub-total	409,800	210,000	(224,400)	(31,700)	(75,000)	288,700		
Consultants	33,000	–	(33,000)	–	–	–	08.04.2015	08.04.2017
	32,000	–	–	–	6,000	38,000	08.04.2015	08.04.2018
	7,000	–	(7,000)	–	–	–	08.04.2016	08.04.2017
	7,000	–	–	–	13,000	20,000	08.04.2016	08.04.2018
	5,000	–	–	–	13,000	18,000	08.04.2016	08.04.2019
	–	–	–	–	15,000	15,000	10.04.2017	10.04.2018
	–	–	–	–	14,000	14,000	10.04.2017	10.04.2019
	–	–	–	–	14,000	14,000	10.04.2017	10.04.2020
Sub-total	84,000	–	(40,000)	–	75,000	119,000		
Total	**4,497,800**	**6,214,000**	**(4,678,400)**	**(31,700)**	**–**	**6,001,700**		

(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 of the Company 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 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 Subscription Scheme.

No award was granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2017.

(II) Melco Resorts

Movements of the restricted shares, which were granted under the Melco Resorts Amended 2011 Share Incentive Plan during the year ended 31 December 2017, are set out below:

(i) Restricted shares granted to the Directors

	Number of restricted shares							
Name of Director	As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	160,171	–	(160,171)	–	–	–	28.03.2014	28.03.2017
	345,144	–	–	–	–	345,144	30.03.2015	30.03.2018
	217,140	–	–	–	–	217,140	18.03.2016	18.03.2018
	217,140	–	–	–	–	217,140	18.03.2016	18.03.2019
	–	631,470	–	–	–	631,470	31.03.2017	30.03.2020
	–	137,979	–	–	–	137,979	08.09.2017	08.09.2019
	939,595	769,449	(160,171)	–	–	1,548,873		
Mr. Evan Andrew Winkler	–	8,091	–	–	–	8,091	31.03.2017	30.03.2018
	–	8,091	–	–	–	8,091	31.03.2017	30.03.2019
	–	8,091	–	–	–	8,091	31.03.2017	30.03.2020
	–	24,273	–	–	–	24,273		
Mr. Chung Yuk Man, Clarence	3,204	–	(3,204)	–	–	–	28.03.2014	28.03.2017
	5,523	–	(5,523)	–	–	–	30.03.2015	30.03.2017
	5,523	–	–	–	–	5,523	30.03.2015	30.03.2018
	6,948	–	(6,948)	–	–	–	18.03.2016	18.03.2017
	6,948	–	–	–	–	6,948	18.03.2016	18.03.2018
	6,948	–	–	–	–	6,948	18.03.2016	18.03.2019
	–	8,091	–	–	–	8,091	31.03.2017	30.03.2018
	–	8,091	–	–	–	8,091	31.03.2017	30.03.2019
	–	8,091	–	–	–	8,091	31.03.2017	30.03.2020
	35,094	24,273	(15,675)	–	–	43,692		
Total	**974,689**	**817,995**	**(175,846)**	**–**	**–**	**1,616,838**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares							
	As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of award	Vesting date
Other eligible participants[8]	1,047	–	(1,047)	–	–	–	10.05.2013	07.06.2017
	11,093	–	–	–	–	11,093	28.03.2014	04.01.2018[2]
	2,190	–	(2,190)	–	–	–	28.03.2014	07.06.2017
	386,066	–	(359,760)	–	(26,306)	–	28.03.2014	28.03.2017
	19,122	–	–	–	–	19,122	30.03.2015	04.01.2018[5]
	9,492	–	(9,492)	–	–	–	30.03.2015	07.06.2017
	82,836	–	(82,836)	–	–	–	30.03.2015	08.05.2017[4]
	9,204	–	(9,204)	–	–	–	30.03.2015	20.08.2017[3]
	45,909	–	(45,909)	–	–	–	30.03.2015	30.03.2017
	744,099	–	–	–	(144,015)	600,084	30.03.2015	30.03.2018
	24,060	–	–	–	–	24,060	18.03.2016	04.01.2018[7]
	208,452	–	(208,452)	–	–	–	18.03.2016	08.05.2017[6]
	55,584	–	(55,584)	–	–	–	18.03.2016	18.03.2017
	1,110,795	–	–	–	(193,287)	917,508	18.03.2016	18.03.2018
	1,110,795	–	–	–	(193,287)	917,508	18.03.2016	18.03.2019
	95,664	–	–	–	–	95,664	23.12.2016	26.12.2019
	–	98,109	–	–	–	98,109	21.02.2017	08.01.2020
	–	32,364	–	–	–	32,364	31.03.2017	30.03.2018
	–	32,364	–	–	–	32,364	31.03.2017	30.03.2019
	–	1,454,469	–	–	(69,600)	1,384,869	31.03.2017	30.03.2020
	–	34,248	–	–	–	34,248	30.05.2017	30.05.2020
	–	81,057	–	–	–	81,057	08.09.2017	08.09.2019
Total	**3,916,408**	**1,732,611**	**(774,474)**	**–**	**(626,495)**	**4,248,050**		

Notes:

1. Melco Resorts has become a subsidiary of the Company with effect from 9 May 2016.
2. The vesting date of these restricted shares was modified from 28 March 2017 to 4 January 2018 with effect from 5 January 2017.
3. The vesting date of these restricted shares was modified from 30 March 2017 to 20 August 2017 with effect from 28 September 2016.
4. The vesting date of these restricted shares was modified from 30 March 2018 to 8 May 2017 with effect from 26 January 2017.
5. The vesting date of these restricted shares was modified from 30 March 2018 to 4 January 2018 with effect from 5 January 2017.
6. The vesting dates of these restricted shares were modified from 18 March 2018 and 18 March 2019 to 8 May 2017 with effect from 26 January 2017.
7. The vesting dates of these restricted shares were modified from 18 March 2018 and 18 March 2019 to 4 January 2018 with effect from 5 January 2017.
8. The category "Other eligible participants" represents the directors (other than the Directors), employees or consultants of Melco Resorts.

(III) Melco Resorts Philippines

Movements of the restricted shares, which were granted under the MRP Amended Share Incentive Plan during the year ended 31 December 2017, are set out below:

(i) Restricted shares granted to the Directors

	Number of restricted shares							
Name of Director	As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	2,731,273	–	–	–	–	2,731,273	30.09.2016	30.09.2018
	2,731,273	–	–	–	–	2,731,273	30.09.2016	30.09.2019
	5,462,546	–	–	–	–	5,462,546		
Mr. Chung Yuk Clarence	224,642	–	(224,642)	–	–	–	30.05.2014	30.05.2017
	586,691	–	(586,691)	–	–	–	29.09.2015	29.09.2017
	1,173,385	–	–	–	–	1,173,385	29.09.2015	29.09.2018
	1,820,848	–	–	–	–	1,820,848	30.09.2016	30.09.2018
	1,820,849	–	–	–	–	1,820,849	30.09.2016	30.09.2019
	–	374,922	–	–	–	374,922	01.08.2017	01.08.2018
	–	374,922	–	–	–	374,922	01.08.2017	01.08.2019
	–	374,922	–	–	–	374,922	01.08.2017	01.08.2020
	5,626,415	1,124,766	(811,333)	–	–	5,939,848		
Total	**11,088,961**	**1,124,766**	**(811,333)**	**–**	**–**	**11,402,394**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares							
	As at 1 January 2017	Awarded during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Date of award	Vesting date
Other eligible participants[(2)]	173,415	–	(173,415)	–	–	–	28.06.2013	07.06.2017
	260,121	–	(260,121)	–	–	–	17.02.2014	29.04.2017
	770,723	–	(732,209)	–	(38,514)	–	30.05.2014	30.05.2017
	849,566	–	(849,566)	–	–	–	16.11.2015	16.11.2017
	1,699,134	–	–	–	–	1,699,134	16.11.2015	16.11.2018
	17,206,871	–	–	–	(2,521,279)	14,685,592	30.09.2016	30.09.2018
	17,206,917	–	–	–	(2,521,280)	14,685,637	30.09.2016	30.09.2019
	–	1,674,485	–	–	–	1,674,485	15.03.2017	24.04.2019
	–	562,383	–	–	–	562,383	01.08.2017	01.08.2018
	–	562,383	–	–	–	562,383	01.08.2017	01.08.2019
	–	3,374,355	–	–	–	3,374,355	01.08.2017	01.08.2020
Total	**38,166,747**	**6,173,606**	**(2,015,311)**	**–**	**(5,081,073)**	**37,243,969**		

Notes:

1. Melco Resorts Philippines has become a subsidiary of the Company with effect from 9 May 2016.

2. The category of "Other eligible participants" represents the directors (other than the Directors), employees or consultants of Melco Resorts Philippines.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2017, the Group entered into the following connected transactions and continuing connected transactions, which are subject to announcement and reporting requirements but are exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules:

(I) Connected Transactions

(a) Grant of Restricted Shares to a Connected Person by Melco Resorts

On 31 March 2017, Melco Resorts granted restricted shares in respect of 210,490 ADSs (equivalent to 631,470 Melco Resorts Shares) (the "Restricted Shares") to Mr. Ho, Lawrence Yau Lung under its share incentive plan. The Restricted Shares granted represent approximately 0.04% of Melco Resorts' issued share capital and will be allotted and issued to Mr. Ho on the vesting date, 30 March 2020.

Based on the closing price of US$18.54 per ADS as quoted on the NASDAQ Global Select Market on 31 March 2017, the market value of the Restricted Shares granted to Mr. Ho was approximately US$3.90 million (equivalent to approximately HK$30.23 million). The purpose of the grant of Restricted Shares to Mr. Ho, is to recognize his contribution to the success and development of Melco Resorts and its subsidiaries ("Melco Resorts Group") and to incentivize and motivate him to continue to strive for the future development of Melco Resorts Group and its business.

Mr. Ho is a substantial shareholder and the Chairman and Chief Executive Officer of the Company. He is also the Chairman and Chief Executive Officer of Melco Resorts. As such, Mr. Ho is a connected person of the Company, and the grant of Restricted Shares to Mr. Ho constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details of the above transaction are set out in the announcement of the Company dated 3 April 2017.

(b) Disposal by Crown Asia Investments Pty. Ltd. of its remaining shareholding in Melco Resorts and Return of Stock under the Stock Loan Agreements to the Company

In December 2016, Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly-owned subsidiary of the Company, purchased 198,000,000 Melco Resorts Shares, representing approximately 13.4% of the issued share capital of Melco Resorts, from Crown Asia Investments Pty. Ltd. ("Crown Asia"), a wholly-owned subsidiary of Crown Resorts Limited ("Crown") and lent stock loans of 27,331,933 ADSs, representing approximately 5.6% of the issued share capital of Melco Resorts to certain borrowers in connection with the monetization by Crown of part of its shareholding in Melco Resorts (the "Stock Loans").

In May 2017, Crown Asia agreed to dispose of its remaining 165,303,544 Melco Resorts Shares, representing approximately 11.2% of Melco Resorts' issued share capital (the "Crown Disposal") and, on completion of the Crown Disposal, 81,995,799 Melco Resorts Shares equal to the number of Melco Resorts Shares lent by Melco Leisure to the borrowers under the Stock Loans would be returned to Melco Leisure (the "Stock Return").

The Crown Disposal and the Stock Return were effected by Melco Resorts issuing and selling ADSs and Melco Resorts Shares in an underwritten offering (the "Offering") and the net proceeds of the Offering were used to repurchase the 165,303,544 Melco Resorts Shares (equal to the aggregate number of Melco Resorts Shares issued under the Offering) from Crown Asia (the "Share Repurchase"). In respect of the Share Repurchase, Melco Resorts entered into a share repurchase agreement with Crown and Crown Asia on 8 May 2017 (the "Share Repurchase Agreement"). The completion of the Share Repurchase and the Offering took place simultaneously (the "Transaction").

The aggregate consideration payable by Melco Resorts under the Share Repurchase Agreement for the Share Repurchase was equal to the proceeds of the Offering (being US$1,163,185,938 (equivalent to approximately HK$9,014,691,020) less the amount of fees, costs and expenses incurred by Melco Resorts in connection with the Offering).

The Transaction facilitated the disposal by Crown Asia of its remaining interest in Melco Resorts by means of a process which, with the active involvement of Melco Resorts, was intended to ensure an orderly disposal of Crown Asia's remaining interest and eliminate or minimize any potential negative impact of the disposal on the market for, or trading in, the publicly listed securities of Melco Resorts. Having regard to its then approximately 51.2% interest in Melco Resorts, the Company was expected to benefit from the Transaction accordingly.

Melco Resorts is a subsidiary of the Company. On the date of the Transaction, Crown Asia was a substantial shareholder of Melco Resorts. Therefore, Crown Asia was a connected person of the Company at the subsidiary level and the Transaction constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Completion of the Transaction took place on 15 May 2017, which had no effect on the Company's economic or voting interest in Melco Resorts. After the completion of the Crown Disposal and the Stock Return, Crown Asia was no longer a shareholder of Melco Resorts and the Company remained interested in approximately 51.2% of the Melco Resorts Shares in issue on completion of the Transaction.

Further details of the Transaction are set out in the announcement of the Company dated 8 May 2017.

(II) Continuing Connected Transactions

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

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

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

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

The aggregate amount of the transactions under the Framework Agreement is subject to annual cap for three years ending 31 December 2018. Annual cap of HK$8,000,000 was set for the period from 7 October 2016 to 31 December 2016 and annual caps of HK$41,000,000 and HK$45,000,000 were set for the year ended 31 December 2017 and for the year ending 31 December 2018 respectively. For the year ended 31 December 2017, the total amount of fee paid by Melco Resorts Group to STCT under the Framework Agreement was approximately HK$31,473,000 (the "Continuing Connected Transactions"), which is within the cap of HK$41,000,000.

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

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

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

(ii) on normal commercial terms; and

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

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2017, which do not constitute connected transactions under the Listing Rules, are disclosed in note 48 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, 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	–	19.17%	2
Lasting Legend Ltd.	Beneficial owner	119,303,024	–	7.77%	2
Great Respect Limited	Beneficial owner	306,382,187	–	19.94%	4
Vistra Trust (BVI) Limited	Trustee	306,382,187	–	19.94%	4
	Trustee	413,830,630	–	26.94%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	37,189,132	2,950,000	2.61%	7
	Interest of controlled corporations	473,521,077	–	30.83%	3
	Beneficiary of a trust	306,382,187	–	19.94%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	817,092,396	2,950,000	53.38%	6, 7
Southeastern Asset Management, Inc.	Investment manager	91,709,077	–	5.97%	–

Notes:

1. As at 31 December 2017, the total number of issued shares of the Company was 1,536,158,255.

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

3. The 473,521,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 50,830,447 shares, 7,294,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust and Maple Peak Investments Inc. respectively, representing approximately 19.17%, 7.77%, 3.31%, 0.47% and 0.10% of the total issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.

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

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

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

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

Save as disclosed above, as at 31 December 2017, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed in note 38 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 2017, the Company repurchased a total of 20,480,000 shares of the Company at an aggregate consideration of HK$370,349,900 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases during the year are as follows:

Month of share repurchase	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (before expenses) HK$
May	16,325,000	17.50	15.06	281,854,700
September	1,159,000	18.74	18.28	21,503,600
November	2,996,000	22.75	21.95	66,991,600
Total	**20,480,000**			**370,349,900**

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

In addition, during the year ended 31 December 2017, the trustee of the Share Purchase Scheme has, under the scheme, purchased on the Hong Kong Stock Exchange a total of 5,058,000 shares of the Company. The total amount paid to acquire these shares was approximately HK$91,562,000.

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 54 to 62 of this annual report.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards. Particulars of the emoluments of Directors on a named basis for the year are set out in note 12 to the consolidated financial statements.

The Company operates two share option schemes and two share incentive award schemes as an incentive to Directors and employees. Details of the schemes are set out in this report and in note 38 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$34,151,000 (2016: HK$3,342,000).

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has resigned as auditor of the Company with effect from 25 July 2017. The Board, with the recommendation from the Company's Audit Committee, has resolved to appoint Messrs. Ernst & Young ("EY") as new auditor of the Company to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by EY, who will 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, 29 March 2018

INDEPENDENT AUDITOR'S REPORT

EY 安永

To the members of Melco International Development Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 206, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Useful lives of trademarks	
Referring to note 22 to the Group's consolidated financial statements for the useful lives of trademarks, we identified the useful lives of trademarks as a key audit matter because the determination of whether the trademarks have indefinite or finite lives requires significant judgement, including considering the nature of the renewal process and the economic factors, when renewing the trademarks. If the useful lives of the trademarks are determined to be finite, the trademarks are amortized over their estimated useful lives. If the useful lives of the trademarks are determined to be indefinite, the trademarks are not amortized and are tested for impairment annually. The Group's trademarks in respect of Studio City, City of Dreams, City of Dreams Manila and Mocha Clubs, which have legal lives of seven to ten years and are renewable for same consecutive period upon expiry at minimal cost. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so. As a result, the trademarks were considered by the management of the Group to have indefinite useful lives. Further disclosures are included in notes 3 and 22 to the consolidated financial statements.	We reviewed registration documents and contracts of the key trademarks to assess their legal and estimated useful lives. We obtained an understanding of and assessed the management's basis for their conclusion that the useful lives of trademarks are indefinite, which also included obtaining an understanding of the requirements to renew the trademarks upon their expiration.
Recoverability of casino trade receivables	
Referring to note 28 to the Group's consolidated financial statements, an impairment of casino trade receivables was recorded to reduce the Group's receivables to the estimated recoverable amounts. The Group has made provision for doubtful casino trade receivables of HK$304,807,000 as at 31 December 2017. The Group is exposed to credit risk with its gaming promoters. Any significant adverse changes in the business environment and financial condition of these gaming promoters may impact the recoverability of the casino trade receivables. Changes in a region's economy or legal system can also provide a significant change in estimate between periods. Further disclosures are included in notes 3 and 28 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of the controls over the Group's assessment of the collectability of casino trade receivables. In addition to assessing the effectiveness of the control activities for collection of casino trade receivables, we evaluated the appropriateness of the provision policy and provision amounts. We tested the Group's provision by examining the evidence supporting payment history, aging profile, subsequent settlements, security such as front monies and deposits, and other background information in order to assess the adequacy of the provision made by the management for doubtful casino trade receivables.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and trademarks	
Referring to note 24 to the Group's consolidated financial statements for impairment testing on goodwill and trademarks, the Group carried an amount of goodwill and trademarks of HK$5,299,451,000 and HK$16,992,458,000, respectively, as at 31 December 2017, which mainly arose from the acquisition of obtaining control over Melco Resorts & Entertainment Limited ("Melco Resorts") in prior year. Management performs impairment test annually at the end of each financial year, and the recoverable amounts of the Group's cash-generating units ("CGUs") or group of CGUs as at 31 December 2017 were determined by a value-in-use calculation. We identified impairment of goodwill and trademarks as a key audit matter because the impairment test and assessment were largely based on management's expectations and estimates of future results of CGUs or group of CGUs in the casino and hospitality operations of the Group. The assumptions used in impairment test were based on management's estimates of variables such as budgeted revenue and gross margin. Further disclosures are included in notes 3 and 24 to the consolidated financial statements.	We obtained an understanding of the process and testing the internal controls over the annual impairment assessment including the preparation of the cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We evaluated the reasonableness of the inputs and assumptions used to determine the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans. We also involved our valuation specialists to assess the appropriateness of the discount rates and methodologies used; and re-performed the underlying calculations used in the Group's assessment and performed sensitivity testing of the inputs used.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Paul Kai Lung, Go.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	41,180,086	23,852,811
Other income, gains and losses	6	332,564	129,574
Employee benefits expenses	7	(6,572,118)	(4,427,451)
Depreciation and amortization		(4,919,602)	(3,325,477)
Gaming tax and license fees	8	(17,303,171)	(9,501,712)
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest	42	–	10,440,376
– Reclassification of previously accumulated exchange reserve upon deemed disposal	42	–	(54,912)
Gain on disposal of a subsidiary	40	161,228	–
Other expenses	9	(9,059,634)	(5,576,773)
Finance costs	11	(2,688,898)	(1,786,199)
Share of profits and losses of joint ventures		–	(1,966)
Share of profits and losses of associates		(904)	180,697
PROFIT BEFORE TAX	10	1,129,551	9,928,968
Income tax expense	14	(67,017)	(38,189)
PROFIT FOR THE YEAR		1,062,534	9,890,779

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 HK$'000	2016 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(13,905)	(5,093)
Reclassification adjustment for losses to profit or loss upon disposal of investments		10,052	–
Cash flow hedges:			
Effective portion of changes in fair value of interest rate swap agreements arising during the year		–	1,107
Exchange differences:			
Exchange differences on translation of foreign operations		(6,642)	(51,958)
Reclassification of exchange reserve upon disposal of interest in a subsidiary		813	–
Reclassification of exchange reserve upon deemed disposal of interest in an associate		–	54,912
Share of exchange differences of joint ventures		–	(9)
Share of exchange differences of associates		–	1,052
		(9,682)	11
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Actuarial loss arising from defined benefit obligations		(502)	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(10,184)	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,052,350	9,890,790
Profit/(loss) for the year attributable to:			
Owners of the Company		474,136	10,365,940
Non-controlling interests		588,398	(475,161)
		1,062,534	9,890,779
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		471,433	10,407,793
Non-controlling interests		580,917	(517,003)
		1,052,350	9,890,790
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		HK$0.31	HK$6.74
Diluted		HK$0.30	HK$6.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	47,994,966	47,041,603
Investment properties	18	274,000	190,000
Land use rights	19	5,553,924	5,719,981
Gaming license and subconcession	20	4,902,889	5,991,892
Goodwill	21	5,299,451	5,299,451
Trademarks	22	16,992,458	16,992,458
Other intangible assets	23	14,533	15,864
Investments in joint ventures	25	–	230
Investments in associates	26	14,946	17,988
Trade receivables	28	28,970	44,803
Prepayments, deposits and other receivables	29	1,440,006	1,370,141
Other financial assets	31	192,512	138,527
Deferred tax assets	36	543	1,640
Total non-current assets		82,709,198	82,824,578
CURRENT ASSETS			
Land use rights	19	166,057	166,057
Inventories	27	273,989	255,724
Trade receivables	28	1,247,940	1,757,370
Prepayments, deposits and other receivables	29	702,308	1,397,381
Tax recoverable		156	406
Other financial assets	31	1,053,586	359,794
Bank deposits with original maturities over three months	30	348,741	3,161,902
Cash and bank balances	30	11,768,251	13,727,720
Total current assets		15,561,028	20,826,354
CURRENT LIABILITIES			
Trade payables	32	127,720	148,328
Other payables, accruals and deposits received	33	12,617,523	10,866,662
Tax payable		36,848	74,328
Interest-bearing borrowings	34	2,003,109	398,960
Obligations under finance leases	35	259,754	239,079
Total current liabilities		15,044,954	11,727,357
NET CURRENT ASSETS		516,074	9,098,997
TOTAL ASSETS LESS CURRENT LIABILITIES		83,225,272	91,923,575

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	33	384,636	389,951
Interest-bearing borrowings	34	32,463,626	30,011,421
Obligations under finance leases	35	2,068,669	2,041,140
Deferred tax liabilities	36	2,456,295	2,437,570
Total non-current liabilities		37,373,226	34,880,082
Net assets		45,852,046	57,043,493
EQUITY			
Share capital	37	5,624,135	5,437,303
Reserves		13,364,752	16,910,443
Equity attributable to owners of the Company		18,988,887	22,347,746
Non-controlling interests		26,863,159	34,695,747
Total equity		45,852,046	57,043,493

The consolidated financial statements on pages 98 to 206 were approved and authorized for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Ho, Lawrence Yau Lung
Director

Evan Andrew Winkler
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	(Note 37)	(Note a)	(Note b)		(Note c)					(Note d)			
At 1 January 2016	5,436,556	7,053	461,671	5,796	201,273	(77,247)	250,647	(84,625)	15,187	6,169,526	12,385,837	392,615	12,778,452
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(9,260)	–	–	–	–	(9,260)	(42,698)	(51,958)
Change in fair value of available-for-sale investments	–	–	–	–	(5,093)	–	–	–	–	–	(5,093)	–	(5,093)
Effective portion of changes in fair value of interest rate swap agreements arising during the year	–	–	–	–	–	–	–	–	–	251	251	856	1,107
Share of exchange differences of joint ventures	–	–	–	–	–	(9)	–	–	–	–	(9)	–	(9)
Share of exchange differences of an associate	–	–	–	–	–	1,052	–	–	–	–	1,052	–	1,052
Reclassification of exchange reserve upon deemed disposal of interest in an associate	–	–	–	–	–	54,912	–	–	–	–	54,912	–	54,912
Other comprehensive income/(loss) for the year	–	–	–	–	(5,093)	46,695	–	–	–	251	41,853	(41,842)	11
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	10,365,940	10,365,940	(475,161)	9,890,779
Total comprehensive income/(loss) for the year	–	–	–	–	(5,093)	46,695	–	–	–	10,366,191	10,407,793	(517,003)	9,890,790
Exercise of share options	747	–	–	–	–	–	(292)	–	–	–	455	–	455
Recognition of equity-settled share-based payments	–	–	–	–	–	–	44,326	–	47,119	–	91,445	246,319	337,764
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(62,184)	–	–	62,184	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	45,308	(39,752)	(5,556)	–	–	–
Purchase of shares for unvested shares under the share award schemes (note 37)	–	–	–	–	–	–	–	(99,149)	–	–	(99,149)	–	(99,149)
Dividend paid (note 15)	–	–	–	–	–	–	–	–	–	(54,133)	(54,133)	–	(54,133)
Share of special reserve of an associate	–	–	(2,190)	–	–	–	–	–	–	–	(2,190)	–	(2,190)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(132,972)	(132,972)
Acquisition of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(6,780)	(6,780)
Reclassification of special reserve and other revaluation reserve upon deemed disposal of interest in an associate	–	–	(148,174)	–	(201,273)	–	–	–	–	–	(349,447)	–	(349,447)
Deemed acquisition of a subsidiary (note 42)	–	–	–	–	–	–	–	–	–	–	–	34,713,568	34,713,568
Repurchase of shares (note 37)	–	–	–	–	–	–	–	–	–	(32,865)	(32,865)	–	(32,865)
	747	–	(150,364)	–	(201,273)	–	(18,150)	(53,841)	7,367	(30,370)	(445,884)	34,820,135	34,374,251
At 31 December 2016	5,437,303	7,053*	311,307*	5,796*	(5,093)*	(30,552)*	232,497*	(138,466)*	22,554*	16,505,347*	22,347,746	34,695,747	57,043,493

	Attributable to owners of the Company												
	Share capital HK$'000 (Note 37)	Capital reserve HK$'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 option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000 (Note d)	Sub-total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	5,437,303	7,053	311,307	5,796	(5,093)	(30,552)	232,497	(138,466)	22,554	16,505,347	22,347,746	34,695,747	57,043,493
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(3,703)	–	–	–	–	(3,703)	(2,939)	(6,642)
Reclassification of exchange reserve upon disposal of interest in a subsidiary (note 40)	–	–	–	–	–	813	–	–	–	–	813	–	813
Reclassification adjustment relating to disposal of available-for-sale investments	–	–	–	–	10,052	–	–	–	–	–	10,052	–	10,052
Change in fair value of available-for-sale investments	–	–	–	–	(9,542)	–	–	–	–	–	(9,542)	(4,363)	(13,905)
Actuarial loss arising from defined benefit obligations	–	–	–	–	(323)	–	–	–	–	–	(323)	(179)	(502)
Other comprehensive income/(loss) for the year	–	–	–	–	187	(2,890)	–	–	–	–	(2,703)	(7,481)	(10,184)
Profit for the year	–	–	–	–	–	–	–	–	–	474,136	474,136	588,398	1,062,534
Total comprehensive income/(loss) for the year	–	–	–	–	187	(2,890)	–	–	–	474,136	471,433	580,917	1,052,350
Exercise of share options	186,832	–	–	–	–	–	(75,898)	–	–	–	110,934	–	110,934
Recognition of equity settled share-based payments	–	–	–	–	–	–	15,540	–	85,113	–	100,653	284,211	384,864
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(2,772)	–	–	2,772	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	61,842	(59,770)	(2,072)	–	–	–
Purchase of shares for unvested shares under the share award schemes (note 37)	–	–	–	–	–	–	–	(91,562)	–	–	(91,562)	–	(91,562)
Dividend paid (note 15)	–	–	–	–	–	–	–	–	–	(64,298)	(64,298)	–	(64,298)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(3,088,487)	(3,088,487)
Share of special reserve of an associate	–	–	(2,135)	–	–	–	–	–	–	–	(2,135)	–	(2,135)
Acquisition of partial interests in subsidiaries	–	–	(3,495,880)	–	–	–	–	–	–	–	(3,495,880)	(5,784,510)	(9,280,390)
Privatization of a subsidiary	–	–	(16,085)	–	–	–	(615)	–	–	–	(16,700)	(76,290)	(92,990)
Disposal of a subsidiary	–	–	–	–	–	–	(31,598)	–	–	31,598	–	(248,580)	(248,580)
Repurchase of shares (note 37)	–	–	–	–	–	–	–	–	–	(371,304)	(371,304)	–	(371,304)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	500,151	500,151
	186,832	–	(3,514,100)	–	–	–	(95,343)	(29,720)	25,343	(403,304)	(3,830,292)	(8,413,505)	(12,243,797)
At 31 December 2017	5,624,135	7,053*	(3,202,793)*	5,796*	(4,906)*	(33,442)*	137,154*	(168,186)*	47,897*	16,576,179*	18,988,887	26,863,159	45,852,046

* These reserve accounts comprise the consolidated reserves of HK$13,364,752,000 (2016: HK$16,910,443,000) in the consolidated statement of financial position.

Notes:

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

(b) The special reserve represents (1) the difference between the consideration paid and the aggregate of goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in a former subsidiary, which subsequently became an associate of the Group acquired in previous years; (2) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in a subsidiary; (3) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of a partial interest of a subsidiary; (4) the deemed disposal of a partial interest in a subsidiary in relation to the exercise of share options by non-controlling interests; (5) share of net assets changes of a former associate in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries; (6) share of net asset changes of a former associate resulting from the share repurchase and cancellation by a former associate, which increased the Group's effective ownership therein; (7) share of net assets changes of a joint venture in relation to the deemed contribution from shareholders as a result of the provision of a non-interest-bearing loan to the joint venture; (8) share of special reserve of an associate; and (9) the difference between the cash consideration and net assets acquired for privatization of a subsidiary.

(c) Other revaluation reserve as at 1 January 2016 represents the share of a joint venture's revaluation reserve. In October 2009, a joint venture distributed certain equity investments to the Group as dividends in specie. The accumulated gain of approximately HK$201,273,000 on the holding of those equity investments as available-for-sale investments by the joint venture was therefore shared by the Group and included in other revaluation reserve. In May 2016, the entire balance of such gain was reclassified upon the deemed disposal of interest in an associate. The remaining balance of other revaluation reserve as at 31 December 2017 mainly represents the fair value change of available-for-sale investments held by the Group of HK$4,583,000 (2016: HK$5,093,000).

(d) All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the board of directors of the relevant subsidiaries. As of 31 December 2017, the aggregate balance of the reserves amounted to HK$242,806,000 (2016: HK$242,752,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before tax		1,129,551	9,928,968
Adjustments for:			
Share of profits and losses of associates		904	(180,697)
Share of losses of joint ventures		–	1,966
Finance costs	11	2,688,898	1,786,199
Gain on fair value change of investment properties	6	(84,000)	(11,695)
Share-based compensation	7	392,015	317,714
Gain on deemed disposal of partial interest in an associate	6	–	(591)
Depreciation of property, plant and equipment	10	3,666,857	2,506,626
Amortization of intangible assets	10	1,252,745	818,851
Loss/(gain) on disposal of property, plant and equipment	6	44,096	(2,797)
Impairment losses on property, plant and equipment	17	188,880	9,925
Interest income		(36,865)	(61,423)
Allowance for doubtful debts	9	112,799	219,097
Write-off of trade receivables	9	–	20,103
Loss on fair value change of held-for-trading investments	6	15	4
Loss on disposal of held-for-trading investments	6	4	–
Loss on disposal of available-for-sale investments	6	10,052	–
Gain on disposal of a subsidiary	40	(161,228)	–
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest	42	–	(10,440,376)
– Reclassification of exchange reserve upon deemed disposal	42	–	54,912
		9,204,723	4,966,786
(Increase)/decrease in inventories		(18,265)	22,491
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits		(43,995)	1,176,355
Increase in amounts due from joint ventures		(55)	–
Increase in amounts due to/(from) related companies		42,669	(4,015)
Decrease in amounts due to associates		–	(2,167)
Increase in trade payables, other payables and accruals		1,377,697	2,039,771
Cash generated from operations		10,562,774	8,199,221
Income tax paid		(49,346)	(6,544)
Net cash flows from operating activities		10,513,428	8,192,677

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 HK$'000	2016 HK$'000
Net cash flows from operating activities		10,513,428	8,192,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired through deemed acquisition of a subsidiary	42	–	9,910,250
Redemption of bank deposits with original maturities over three months upon maturity		3,571,960	1,729,049
Dividend received from an associate		–	965,444
Proceeds from disposal of property, plant and equipment		8,203	96,241
Proceeds from disposal of available-for-sale investments		28,948	–
Proceeds from disposal of held-for-trading investment		7	–
Repayment from loan to an associate		6,613	–
Placement of bank deposits with original maturities over three months		(758,799)	(3,161,902)
(Increase)/decrease in restricted cash		(192,858)	1,488,300
Purchase of property, plant and equipment		(1,324,349)	(557,827)
Payment and deposits for construction costs		(2,535,899)	(1,775,878)
Purchase of structured notes		–	(50,000)
Purchase of other intangible assets		(1,654)	(11,420)
Purchase of available-for-sale investments		(708,168)	–
Additions to investment properties		–	(305)
Payment for entertainment production costs		–	(257)
Net proceeds from disposal of a subsidiary	40	4,003	–
Interest received		42,276	61,338
Net cash flows (used in)/from investing activities		(1,859,717)	8,693,033
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing borrowings		(6,978,043)	(10,296,116)
Interest paid		(2,212,797)	(1,028,211)
Payments of obligations under finance leases		(254,873)	(308,433)
Dividend paid		(64,382)	(186,932)
Dividend paid to non-controlling shareholders		(3,088,487)	–
Purchase of shares for the share award schemes		(91,562)	(99,149)
Acquisition of partial interest in subsidiaries		(8,479,050)	(6,780)
Privatization of a subsidiary		(94,903)	–
Proceeds from interest-bearing borrowings		10,912,423	9,243,640
Proceeds from exercise of share options		110,934	455
Repurchase of shares		(371,304)	(32,865)
Return of earnest money to a project partner		–	(56,496)
Payment for proposed acquisition of additional interest in a subsidiary		–	(778,000)
Net cash flows used in financing activities		(10,612,044)	(3,548,887)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,958,333)	13,336,823
Cash and cash equivalents at beginning of year		13,727,720	467,250
Effect of foreign exchange rate changes, net		(1,136)	(76,353)
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,768,251	13,727,720
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,768,251	13,727,720

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

Melco International Development Limited (the "Company") is a public company with limited liability incorporated in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") as an investment holding company. The address of the registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of international network of casino gaming and entertainment casino resorts. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited ("Melco Resorts"), a then associate of the Group, with its American depositary shares ("ADS") listed on the NASDAQ Global Select Market in the United States of America (the "U.S."). Upon completion of the Share Repurchase transaction and the Supplemental Shareholders' Deed with effect from 9 May 2016 as defined in note 42, Melco Resorts become an accounting subsidiary of the Group. Melco Resorts currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. Melco Resorts' business also includes Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. Melco Resorts also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Resorts and Entertainment (Philippines) Corporation ("MRP") (formerly known as Melco Crown (Philippines) Resorts Corporation), a majority-owned subsidiary of Melco Resorts whose common shares are listed on The Philippine Stock Exchange, Inc. (the "PSE"), through MRP's subsidiary, Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure") (formerly known as MCE Leisure (Philippines) Corporation), currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Cyprus, upon completion of a corporate restructuring transaction in December 2017, the Group, through a majority owned subsidiary in Cyprus which holds a casino resort license granted by the Cyprus government in June 2017, is developing its first European integrated resort in Cyprus.

The principal activities of the Group are divided into two operating and reportable segments, namely (i) the Casino and Hospitality segment; and (ii) the Others segment. See note 4 for additional information about the Group's segments.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016
Melco Resorts	Cayman Islands	Investment holding	Ordinary shares – United States dollar ("US$")14,784,292 (2016: US$14,759,245)	–	–	51.22%	37.89%
COD Resorts Limited (formerly known as Melco Crown (COD) Developments Limited)	Macau	Integrated entertainment resort development and related operations	Quota capital – Macau Pataca ("MOP") 1,050,000 (2016: MOP1,000,000)	–	–	51.22%	37.89%
MCE Cotai Investments Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	51.22%	37.89%
MCO Holdings Limited (formerly known as MCE Holdings Limited)	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	51.22%	37.89%

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2017	2016	2017	2016
MCO International Limited (formerly known as MPEL International Limited)	Cayman Islands	Investment holding	Ordinary shares – US$4	–	–	51.22%	37.89%
MCO Investments Limited (formerly known as MPEL Investments Limited)	Cayman Islands	Investment holding	Ordinary shares – US$2.02	–	–	51.22%	37.89%
MCO Nominee One Limited (formerly known as MPEL Nominee One Limited)	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	51.22%	37.89%
Melco Resorts (Macau) Limited ("Melco Resorts Macau" formerly known as Melco Crown (Macau) Limited)	Macau	Casino operations and investment holding	Ordinary shares – Class A shares: MOP282,800,000 (2016: MOP280,000,000) Class B shares: MOP727,200,000 (2016: MOP 720,000,000)	–	–	51.22%	37.89%
MRP	The Philippines	Investment holding	Common shares – the Philippine Peso ("PHP")5,666,764,407 (2016: PHP5,662,897,278)	–	–	37.28%	27.60%
Melco Resorts Finance Limited ("Melco Resorts Finance", formerly known as MCE Finance Limited)	Cayman Islands	Financing	Ordinary shares – US$12.02	–	–	51.22%	37.89%
Melco Resorts Leisure	The Philippines	Integrated casino and entertainment resort development and related operations	Common shares – PHP2,281,894,500	–	–	37.28%	27.60%
MPHIL Holdings No. 1 Corporation (formerly known as MCE Holdings (Philippines) Corporation)	The Philippines	Investment holding	Common shares – PHP2,281,894,500	–	–	37.28%	27.60%
MPHIL Holdings No. 2 Corporation (formerly known as MCE Holdings No. 2 (Philippines) Corporation)	The Philippines	Investment holding	Common shares – PHP2,281,894,500	–	–	37.28%	27.60%

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016
SCP Holdings Limited	British Virgin Islands ("BVI")	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
SCP One Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
SCP Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
Studio City Company Limited ("Studio City Company")	BVI	Financing	Ordinary shares – US$3	–	–	30.73%	22.73%
Studio City Developments Limited	Macau	Integrated entertainment resort development	Quota capital – MOP6,001,000	–	–	30.73%	22.73%
Studio City Entertainment Limited	Macau	Management service provider	Quota capital – MOP101,000	–	–	30.73%	22.73%
Studio City Finance Limited ("Studio City Finance")	BVI	Financing	Ordinary shares – US$3	–	–	30.73%	22.73%
Studio City Holdings Four Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
Studio City Holdings Limited	BVI	Investment holding	Ordinary share – US$1	–	–	30.73%	22.73%
Studio City Holdings Three Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
Studio City Holdings Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.73%	22.73%
Studio City Hotels Limited	Macau	Hotel related business	Quota capital – MOP26,000	–	–	30.73%	22.73%
Studio City International Holdings Limited	BVI	Investment holding	Ordinary shares – US$18,127.94	–	–	30.73%	22.73%
Studio City Investments Limited	BVI	Investment holding	Ordinary shares – US$3	–	–	30.73%	22.73%
ICR Cyprus Holdings Limited	Republic of Cyprus ("Cyprus")	Investment holding	Ordinary shares – Euro ("EUR") 1,000,000	75%	–	–	–
Integrated Casino Resorts Cyprus Limited	Cyprus	Operation of an integrated casino resort	Ordinary shares – EUR11,000	–	–	75%	–

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2017	2016	2017	2016
ICR Cyprus Resort Development Co Limited	Cyprus	Development, construction, equipment ownership and supervision of an integrated casino resort	Ordinary shares – EUR11,000	–	–	75%	–
Melco Leisure and Entertainment Group Limited	BVI	Investment holding	Ordinary share – US$1	100%	100%	–	–
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment	Ordinary shares – Class A shares: Hong Kong dollar ("HK$") 8,060,000 Class B shares: HK$17,015,000	–	–	86.68%	86.68%
Melco Technology Group Limited	Hong Kong	Investment holding	Ordinary shares – HK$2	100%	100%	–	–
EGT Entertainment Holding Limited	Hong Kong	Investment holding	Ordinary shares – HK$999,999	–	–	100%	100%
Melco Services Limited	BVI	Provision of management and network support services to group companies	Ordinary share – US$1	100%	100%	–	–
Melco Finance Limited	BVI	Financing	Ordinary share – US$1	–	–	100%	100%
Giant Growth Limited	BVI	Investment holding	Ordinary share – US$1	–	–	100%	100%
Entertainment Gaming Asia Inc. ("EGT")	the United States of America	Leasing of electronic gaming machines in the Philippines and development and operation of social gaming platforms	Common shares – US$14,464	–	–	100%	64.84%

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Melco Finance Limited, Melco Resorts Finance, Studio City Finance, Studio City Company and Melco Resorts Leisure, subsidiaries of the Company, had issued debt securities of HK$760,000,000, HK$7,628,337,000, HK$9,268,799,000, HK$6,342,672,000 and HK$1,162,509,000, respectively at the end of the year, as disclosed in note 34, in which the Group has no interest.

* A share has no voting right

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value. These consolidated financial statements are presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) other components of equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to HKFRS 12 Included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the periods presented in the consolidated financial statements. The Group has provided the information in the consolidated financial statements for the year ended 31 December 2017 upon the adoption of amendments to HKAS 7 (note 43), which require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 *Business Combinations*[2] – HKFRS 11 *Joint Arrangements*[2] – HKAS 12 *Income Taxes*[2] – HKAS 23 *Borrowing Costs*[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January 2018. The Group expects the impacts from adopting HKFRS 9 relate to the classification and measurement and the impairment requirements and are summarized as follows. However, the Group is still finalizing the assessment of the impact of adopting HKFRS 9 on the Group's consolidated financial statements.

(a) Classification and measurement

The Group expects to change the accounting for equity investments held as available for sale. Currently, these investments are measured at fair value with unrealized changes in fair value recorded as a component of other comprehensive income. Upon adoption of HKFRS 9, the Group will record unrealized changes in fair value in profit and loss. At the adoption date, the Group expects to reclassify the previously accumulated unrealized losses of HK$4,583,000 on these investments to the opening balance of retained profits. The Group anticipates that the adoption of HKFRS 9 will primarily increase the volatility of the Group's other gains or losses as a result of the remeasurement of these equity investments.

(b) Impairment

HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Accordingly, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers ("New Revenue Standard". Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue.

The New Revenue Standard is applicable to all entities and will supersede all current revenue recognition requirements under HKFRS. Either a full retrospective adoption or a modified retrospective adoption is required for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group expects to adopt the New Revenue Standard using the modified retrospective approach and expects the following significant impacts from adopting the New Revenue Standard.

- The retail value of complimentary services (including rooms, catering service, and other services) that are provided to casino guests as incentives related to gaming play ("promotional allowances") is currently excluded from the revenues related to the respective goods or services. As a result of the adoption of the New Revenue Standard, the promotional allowances will be netted against casino revenues in primarily all cases. The promotional allowances will be measured based on stand-alone selling prices. These changes will primarily result in a decrease in casino revenue and an increase in the revenues related to the respective goods or services.

- A portion of commissions paid to gaming promoters, representing the estimated incentives that were returned to customers, are currently reported as a reduction in revenue, with the balance of commissions expense reflected as a casino expense. As a result of the adoption of the New Revenue Standard, all commissions paid to gaming promoters will be reflected as a reduction in casino revenue. This change will primarily result in a decrease in casino expense and a corresponding decrease in casino revenue.

The Group does not anticipate any significant implementation issues from the adoption of the New Revenue Standard and is continuing its assessment of potential changes to the disclosures under the New Revenue Standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int *27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 45(a) to the consolidated financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,198,833,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognized as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is recognized in profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation
Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Estimated useful lives are as follows:

Freehold land	Not depreciated
Buildings	4 to 40 years
Gaming equipment	3 to 5 years
Restaurant vessels, ferries and pontoons	10 to 20 years
Leasehold improvements	Over the shorter of the lease terms or 3 to 10 years
Furniture, fixtures and equipment	2 to 15 years
Machinery and equipment	3 to 5 years
Transportation	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in properties (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The estimated useful lives for internal-use software is 4 years.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGUs level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the estimated terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value included in other income, gains and losses in the profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the other revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, gains and losses in profit or loss or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the other revaluation reserve to profit or loss in other income, gains and losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Shares held under share award schemes

Own equity instruments which are reacquired and held by the Company or the Group are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out, weighted average and specific identification methods. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

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

(c) Rooms, catering service, entertainment, retail and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer;

(d) Revenue from the 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;

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

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

(g) 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;

(h) Dividend income from investments is recognized when the shareholders' rights to receive payment have been established; and

(i) Rental income is recognized on a time proportion basis over the lease terms.

Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties to encourage repeat business mainly from loyal slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The Group recognized the award points as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognized as deferred income at their fair value. Revenue from the award points is recognized when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Share options/share awards granted to employees

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. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the consolidated financial statements.

The cost of equity-settled transactions is recognized in employee benefits expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and awarded shares is reflected as additional share dilution in the computation of earnings per share.

Share options/share awards granted to consultants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Short-term and other long-term employee benefits

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful lives of trademarks

Certain trademarks of the Group were acquired through the deemed acquisition of Melco Resorts on 9 May 2016 (note 42) which have legal lives of seven to ten years and are renewable for same consecutive period upon expiry at minimal cost. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so. Such trademarks are considered by the management of the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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, are described below.

Impairment of trade receivables

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

As at 31 December 2017, the carrying amount of trade receivables was approximately HK$1,276,910,000 (2016: HK$1,802,173,000), net of allowances for doubtful debts of HK$304,807,000 (2016: HK$219,097,000).

Assessment of economic useful lives

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

The carrying amounts of property, plant and equipment and other intangible assets (other than gaming license and subconcession, goodwill and trademarks) as at 31 December 2017 were HK$47,994,966,000 (2016: HK$47,041,603,000) and HK$14,533,000 (2016: HK$15,864,000), respectively.

Impairment of goodwill and trademarks

Determining whether goodwill and trademarks are impaired requires an estimation of the recoverable amounts of the CGUs or group of CGUs to which goodwill and trademarks have been allocated, which is the higher of the value-in-use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs or group of CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances result in a downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amounts of goodwill and trademarks were HK$5,299,451,000 (2016: HK$5,299,451,000) and HK$16,992,458,000 (2016: HK$16,992,458,000), respectively. Details of the recoverable amount calculation are disclosed in note 24.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two operating and reportable segments as follows:

(a) the "Casino and Hospitality" segment, which comprises operation of casino and provision of hospitality through Melco Resorts; and

(b) the "Others" segment comprises, principally, other gaming, leisure and entertainment, and property investments.

The Group is principally engaged in the gaming, leisure and entertainment and property investments and upon completion of the deemed acquisition of Melco Resorts, the Casino and Hospitality businesses has become the new operating segment of the Group in the annual consolidated financial statements since the year ended 31 December 2016.

Management monitors the results of the Group's operating and reportable segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share option expenses, share award expenses, payments to the Philippine Parties (as defined in note 44), land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses, gain on disposal of a subsidiary, gain on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Not all companies calculate Adjusted EBITDA in the same manner. As a result, Adjusted EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.

Segment assets exclude deferred tax assets and other corporate unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude certain borrowings, which are for corporate use, dividend payable, deferred tax liabilities and other corporate unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made and services provided to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

Segment revenue and results
Year ended 31 December 2017

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	41,071,882	108,204	41,180,086
Intersegment sales	23,699	–	23,699
	41,095,581	108,204	41,203,785
Elimination of intersegment sales			(23,699)
Total revenue			41,180,086
Adjusted EBITDA	9,814,492	(2,947)	9,811,545
Adjusted items for Adjusted EBITDA:			
Share option expenses			(203,655)
Share award expenses			(188,360)
Depreciation and amortization			(4,919,602)
Pre-opening costs			(17,692)
Development costs			(242,078)
Property charges and other			(254,379)
Payments to the Philippine Parties			(401,926)
Land rent to Belle Corporation			(24,453)
Gain on disposal of a subsidiary			161,228
Interest income			36,865
Other income, gains and losses			211,699
Finance costs			(2,688,898)
Corporate expenses			(150,743)
Profit before tax			1,129,551

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)
Year ended 31 December 2016

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

4. SEGMENT INFORMATION (continued)

31 December 2017

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	96,042,425	2,183,245	98,225,670
Corporate and other unallocated assets			44,556
Total assets			98,270,226
Segment liabilities	43,026,470	103,736	43,130,206
Corporate and other unallocated liabilities			9,287,974
Total liabilities			52,418,180

31 December 2016

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	101,100,921	2,467,705	103,568,626
Corporate and other unallocated assets			82,306
Total assets			103,650,932
Segment liabilities	42,672,897	85,842	42,758,739
Corporate and other unallocated liabilities			3,848,700
Total liabilities			46,607,439

Year ended 31 December 2017

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	4,270,275	504,928	4,775,203
Year ended 31 December 2016			
Capital expenditures			
– arising from deemed acquisition of a subsidiary	83,399,245	–	83,399,245
– other additions	2,333,339	1,819	2,335,158

4. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Non-current segment assets	
	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Macau	36,020,512	20,888,112	76,705,140	76,921,251
Hong Kong	89,429	96,910	420,568	248,999
The PRC	9,982	60,281	–	179
Cambodia	–	42,863	–	6,211
The Philippines	5,060,163	2,764,645	4,744,575	5,350,388
Cyprus	–	–	500,123	–
Total	41,180,086	23,852,811	82,370,406	82,527,028

Revenue from major products and services

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

Information about major customers

During the years ended 31 December 2017 and 2016, no individual customer contributed over 10% of the total revenue of the Group.

5. REVENUE

	2017	2016
	HK$'000	HK$'000
Casino revenue	38,394,161	21,792,685
Entertainment and resort facilities revenue:		
Entertainment, retail and other	1,468,233	1,194,657
Catering service income	720,014	562,719
Rooms	573,295	167,896
Lottery business:		
Provision of services and solutions for distribution of lottery products	396	880
Trading of lottery terminals and parts	9,586	59,401
Electronic gaming machines participation	8,793	57,766
Manufacture and distribution of gaming chips and plaques	–	12,543
Property rental income	4,450	4,204
Others	1,158	60
	41,180,086	23,852,811

6. OTHER INCOME, GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Interest income on bank deposits	35,605	60,621
Interest income on structure notes	1,260	802
Service fees from the provision of consultancy services	13,000	7,301
Service fees from associates	1,353	2,062
Service fees from a related company	238	240
Gain on fair value change of investment properties	84,000	11,695
Gain on deemed disposal of partial interest in an associate	–	591
Loss on disposal of held-for-trading investments	(4)	–
Loss on fair value change of held-for-trading investments	(15)	(4)
Loss on disposal of available-for-sale investments	(10,052)	–
(Loss)/gain on disposal of property, plant and equipment	(44,096)	2,797
Insurance recovery	95,800	–
Foreign exchange gain, net	110,261	21,818
Others	45,214	21,651
	332,564	129,574

7. EMPLOYEE BENEFITS EXPENSES

	2017 HK$'000	2016 HK$'000
Wages, salaries and staff welfare	4,658,819	2,960,396
Discretionary bonus	1,022,369	647,746
Pension costs – defined contribution plans	172,536	103,661
Share-based compensation	392,015	317,714
Others	326,379	397,934
Total employee benefits expenses including directors' emoluments	6,572,118	4,427,451

8. GAMING TAX AND LICENSE FEES

According to the gaming subconcession agreement for the gaming business in Macau as disclosed in note 20, the Group is required to pay to the Macau government a 35% gaming tax on gross revenues of the gaming operation in Macau. The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau government based on the number and type of gaming tables and gaming machines in operation.

According to the gaming license for the gaming business in the Philippines as disclosed in note 20, Licensees under the Regular License (as defined in note 44) are required to pay license fees to the Philippine Amusement and Gaming Corporation ("PAGCOR") ranging from 15% to 25% of its gross revenues of the gaming operation in the Philippines on a monthly basis. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from 1 April 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). The parties agreed to revert to the original license fee structure under the Regular License, in the event the Bureau of Internal Revenue's ("BIR") action to collect corporate income taxes from PAGCOR licensees was permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. Such license fees include the 5% franchise tax on actual gross gaming revenues generated by the casino. The Group is also subject to fees based on 5% of certain non-gaming revenue and 2% of casino revenues generated from non-junket operation tables as further discussed in note 47. On 15 August 2016, the reallocation of the 10% of the license fees was discontinued by PAGCOR and the Group was required to resume the ordinary license fee regime in accordance with the terms of the Regular License.

On 26 June 2017, the Cyprus government granted a gaming license (the "Cyprus License") to a company, which is majority owned by the Group as of 31 December 2017 (the "Cyprus Subsidiary"), to develop, operate and maintain an integrated casino resort in Limassol, Cyprus and up to four satellite casino premises in Cyprus, for a term of 30 years with exclusive right in the first 15 years of the term. The Cyprus Subsidiary is required to pay casino tax at the rate of 15% of the gross gaming revenues generated by the Cyprus Subsidiary on a monthly basis and shall not be increased during the period of exclusivity of the Cyprus License and an annual license fee to the Cyprus government of EUR2,500,000 (equivalent to HK$23,443,000) for the first four years, and EUR5,000,000 (equivalent to HK$46,887,000) for the next four years. Upon the completion of the eight years and thereafter every four years during the term of the Cyprus License, the Cyprus government may review the annual license fee, with a minimum of EUR5,000,000 (equivalent to HK$46,887,000) and any increase in the annual license fee may not exceed 20% of the annual license fee paid during the previous four-year period.

9. OTHER EXPENSES

	2017 HK$'000	2016 HK$'000
Gaming promoters' commission and other gaming operations expenses	4,009,460	2,092,742
Advertising and promotions	657,027	541,440
Costs of inventories	633,378	618,374
Utilities and fuel	552,828	399,970
Repairs and maintenance	449,580	274,509
Payments to the Philippine Parties	401,926	191,535
Operating supplies	398,529	139,396
Rental expenses	370,823	218,835
Impairment losses on property, plant and equipment	188,880	9,925
Allowance for doubtful debts	112,799	219,097
Write-off of trade receivables	–	20,103
Others	1,284,404	850,847
	9,059,634	5,576,773

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2017 HK$'000	2016 HK$'000
Depreciation of property, plant and equipment	17	3,666,857	2,506,626
Amortization of gaming license and subconcession	20	1,089,003	710,423
Amortization of land use rights	19	166,057	110,706
Amortization of other intangible assets	23	2,985	1,256
Less: capitalized in construction in progress ("CIP")		(5,300)	(3,534)
		4,919,602	3,325,477
Gross rental income from investment properties	5	(4,450)	(4,204)
Less: direct operating expenses incurred for investment properties that generated rental during the year		422	298
		(4,028)	(3,906)
Auditor's remuneration#		16,255	10,738

Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

11. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on:		
– interest-bearing borrowings	1,991,675	1,148,140
– obligations under finance leases	307,436	210,636
Amortization of debt financing costs	213,321	243,439
Loss on modification or extinguishment of debts	429,650	296,074
Other financing costs	50,690	39,303
	2,992,772	1,937,592
Less: capitalized in CIP (note)	(303,874)	(151,393)
	2,688,898	1,786,199

Note: Borrowing costs capitalized during the year are calculated by applying a capitalization rate of 4.96% (2016: 5.04%) to expenditure on qualifying assets.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the eight (2016: eight) directors were as follows:

2017

	Mr. Ho, Lawrence Yau Lung HK$'000 (Note c)	Mr. Evan Andrew Winkler HK$'000 (Notes b & c)	Mr. Tsui Che Yin, Frank HK$'000 (Notes c, d and e)	Mr. Chung Yuk Man, Clarence HK$'000 (Note c)	Mr. Ng Ching Wo HK$'000 (Note e)	Mr. Chow Kwong Fai, Edward HK$'000 (Note f)	Mr. Sham Sui Leung, Daniel HK$'000 (Note f)	Dr. Tyen Kan Hee, Anthony HK$'000 (Note f)	Total HK$'000
Fees	–	–	100	–	420	258	380	420	1,578
Other emoluments:									
Salaries and other benefits	79,565	11,572	2,350	8,134	–	–	–	210	101,831
Discretionary bonus (Note a)	–	9,944	1,947	2,505	–	–	–	–	14,396
Pension costs – defined contribution plans	19	–	10	19	–	–	–	–	48
Share-based compensation	120,060	32,858	1,992	7,032	603	247	623	701	164,116
Total emoluments	199,644	54,374	6,399	17,690	1,023	505	1,003	1,331	281,969

2016

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

Notes:

(a) The discretionary bonus is determined based on the Group's financial performance for the years ended 31 December 2017 and 2016.

(b) Mr. Evan Andrew Winkler was appointed on 2 August 2016 as the managing director of the Company. He is entitled to a special hire-on-bonus of US$1,000,000 (equivalent to approximately HK$7,780,000) and a special hire-on equity grant of US$3,500,000 (equivalent to approximately HK$27,230,000) during the year ended 31 December 2016.

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

(d) Mr. Tsui Che Yin, Frank has been re-designated from an executive director to a non-executive director of the Company with effect from 1 July 2017.

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

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

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

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 (2016: HK$1,200,000), no other directors waived any emoluments in the year ended 31 December 2017.

During the year ended 31 December 2017, 4,886,000 share options under the share option scheme of the Company, 1,470,000 share options under the share incentive plan of Melco Resorts, 6,004,000 awarded shares under the share award scheme of the Company, 817,995 awarded shares under the share incentive plan of Melco Resorts and 1,124,766 awarded shares under the share incentive plan of MRP (2016: 4,905,000, nil, 5,890,000, nil and 9,104,243, 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 38.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2016: four) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2016: one) highest paid employee(s) who are neither a director nor the Chief Executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	22,951	3,134
Discretionary bonus	23,006	–
Pension costs – defined contribution plans	1,425	622
Share-based compensation	16,388	10,380
	63,770	14,136

The number of the highest paid employee(s) (excluding directors and the Chief Executive) whose remuneration fell within the following bands are as follows:

	Number of employees 2017	 2016
HK$14,000,001 to HK$14,500,000	–	1
HK$18,000,001 to HK$18,500,000	1	–
HK$20,500,001 to HK$21,000,000	1	–
HK$24,500,001 to HK$25,000,000	1	–
	3	1

During both years, highest paid employee(s) (excluding directors and the Chief Executive) were granted share options and awarded shares, in respect of their services to the Group under the long term incentive schemes set out in note 38.

14. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

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

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

The casino operations of Melco Resorts Leisure, the operator of City of Dreams Manila, were previously subject to Philippine Corporate Income Tax at the rate of 30% on the estimated taxable income earned in or derived from the Philippines during the year, based on Revenue Memorandum Circular No. 33-2013 issued by the BIR in April 2013. On 10 August 2016, the Supreme Court of the Philippines (the "Supreme Court") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the PAGCOR, should be exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision, which was denied by the Supreme Court with finality in its resolution dated 28 November 2016. Based on the Supreme Court decision, management believes that Melco Resorts Leisure's gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of PAGCOR charter, are paid.

In January 2014, Melco Resorts Macau entered into an agreement with the Macau government that provided for an annual payment of MOP22,400,000 (equivalent to HK$21,748,000), effective retroactively from 2012 through 2016 coinciding with the 5-year tax holiday, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. In August 2017, Melco Resorts Macau received an extension of the agreement for an additional five years applicable to tax years from 2017 through 2021. The extension agreement provides for an annual payment of MOP18,900,000 (equivalent to HK$18,350,000). Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year.

During the year ended 31 December 2017, the Company disposed of a subsidiary and according to the sale and purchase agreement, the Company is responsible for the taxes in relation to the Public Notice No. 7 issued by the State Administration of Taxation of the PRC. Capital Gains Tax provision of approximately HK$31,980,000 has been made in the current year. Particulars regarding the disposal of the subsidiary are disclosed in note 40.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

14. INCOME TAX EXPENSE (continued)

An analysis of the income tax charges for the period is as follows:

	2017 HK$'000	2016 HK$'000
Current tax:		
Macau Complementary Tax	99	17,183
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	14,499
Hong Kong Profits Tax	19,575	10,640
PRC Enterprise Income Tax	82	733
PRC Capital Gains Tax	31,980	–
Other jurisdictions	903	2,199
Sub-total	70,989	45,254
(Over)/underprovision in prior years:		
Macau Complementary Tax	(20,031)	(1,748)
Other jurisdictions	(3,657)	199
Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior years	–	(17,191)
Sub-total	(23,688)	(18,740)
Deferred tax (note 36)	19,716	11,675
Total	67,017	38,189

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

	2017 HK$'000	2016 HK$'000
Profit before tax	1,129,551	9,928,968
Tax at the Macau Complementary Tax rate of 12% (2016: 12%) (note)	135,546	1,191,476
Tax effect of share of results of associates and joint ventures	108	(21,448)
Tax effect of expenses not deductible for income tax purposes	367,189	325,592
Tax effect of income not taxable for income tax purposes	(223,070)	(1,301,782)
Utilization of tax losses previously not recognized	–	(116)
Tax effect of temporary difference not recognized	213,465	95,763
Tax effect of tax losses not recognized	546,253	309,501
Tax effect of tax exemption granted by the Macau government and the Philippine government	(996,964)	(549,514)
Overprovision in prior years	(23,688)	(1,549)
Reversal of capital gains tax on disposal of the PRC subsidiaries provided in prior year	–	(17,191)
Capital gain tax on disposal of the PRC subsidiaries	31,980	–
Effect of different tax rates in other jurisdictions	(2,152)	(7,042)
Lump sum in lieu of Macau Complementary tax on dividends	18,350	14,499
Income tax expense for the year	67,017	38,189

15. DIVIDENDS

Dividends recognized as distributions during the year:

	2017 HK$'000	2016 HK$'000
2017 Interim – HK2.2 cents (2016: 2016 Interim of HK1.5 cents) per share	33,724	23,200
2016 Final – HK2.0 cents (2016: 2015 Final of HK2.0 cents) per share	30,574	30,933
	64,298	54,133

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK4.0 cents (2016: a special final dividend of HK2.0 cents) per share, totaling approximately HK$61,455,000 (2016: HK$30,574,000), for the year ended 31 December 2017, to the shareholders of the Company. The final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	474,136	10,365,940*
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	(5,891)	–
Earnings for the purpose of diluted earnings per share	468,245	10,365,940

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,528,058	1,537,723
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	15,832	5,665
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,543,890	1,543,388

The number of shares adopted in the calculation of the basic and diluted earnings per share has been arrived at netting off with the shares of the Company held under trust arrangement for the Company's share award schemes.

During the years ended 31 December 2017 and 2016, the computation of diluted earnings per share does not assume the exercise of certain of the Company's share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes (note 38) because the adjusted exercise prices of those options and unvested awarded shares were higher than the average market price of the Company's shares during the relevant years. In addition, the potential ordinary shares of other subsidiaries of the Company had potential dilutive effect and adjusted the earnings for the purpose of diluted earnings per share.

* Earnings for the year ended 31 December 2016 attributable to owners of the Company included the gain on deemed disposal of previously held interest in an associate amounting to approximately HK$10,385,464,000.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Machinery and equipment HK$'000	Transportation HK$'000	Construction in progress ("CIP") HK$'000	Total HK$'000
Cost:										
At 1 January 2016	–	10,703	47,406	76,327	25,159	93,023	33,711	2,407	10,363	299,099
Exchange adjustments	–	(119,991)	(29,696)	–	(142,278)	(68,346)	(59)	(862)	(933)	(362,165)
Additions	–	206,635	75,145	–	297,661	174,562	349	329	–	754,681
Capitalized construction costs	–	–	–	–	–	–	–	–	1,584,869	1,584,869
Acquired on deemed acquisition of a subsidiary (note 42)	–	34,447,053	696,244	–	3,538,691	3,097,629	–	448,794	5,259,675	47,488,086
Reclassification	–	1,712,022	53,642	–	42,095	(2,589)	–	–	(1,805,170)	–
Disposals and write-off	–	(3,543)	(51,275)	–	(6,383)	(10,406)	(27,022)	(529)	–	(99,158)
At 31 December 2016	–	36,252,879	791,466	76,327	3,754,945	3,283,873	6,979	450,139	5,048,804	49,665,412
Exchange adjustments	–	(4,068)	(705)	–	(4,617)	(1,526)	102	24	(113)	(10,903)
Additions	500,123	100,151	87,493	4,409	707,580	424,125	–	81,996	–	1,905,877
Capitalized construction costs	–	–	–	–	–	–	–	–	2,970,318	2,970,318
Disposal of a subsidiary	–	–	–	–	–	(86)	(3,906)	(193)	–	(4,185)
Reclassification	–	(2,694)	(1,044)	–	12,477	6,643	–	–	(15,382)	–
Disposals and write-off	–	–	(9,284)	(100)	(78,842)	(38,764)	–	(1,169)	–	(128,159)
At 31 December 2017	500,123	36,346,268	867,926	80,636	4,391,543	3,674,265	3,175	530,797	8,003,627	54,398,360
Accumulated depreciation and impairment:										
At 1 January 2016	–	8,282	24,184	72,710	19,117	77,418	8,383	1,990	4,163	216,247
Exchange adjustments	–	(11,489)	(10,613)	–	(26,345)	(29,196)	(30)	(360)	–	(78,033)
Provided for the year	–	1,158,738	186,087	1,313	484,805	627,027	1,965	46,691	–	2,506,626
Impairment losses recognized in profit or loss	–	–	–	–	4,442	2,981	2,502	–	–	9,925
Eliminated on disposals and write-off	–	(2,180)	(17,845)	–	(523)	(3,983)	(6,001)	(424)	–	(30,956)
At 31 December 2016	–	1,153,351	181,813	74,023	481,496	674,247	6,819	47,897	4,163	2,623,809
Exchange adjustments	–	542	526	–	1,212	1,262	100	51	–	3,693
Provided for the year	–	1,742,461	250,030	1,024	692,481	912,614	13	68,234	–	3,666,857
Impairment losses recognized in profit or loss	–	108,587	–	–	33,318	46,975	–	–	–	188,880
Disposal of a subsidiary	–	–	–	–	–	(40)	(3,757)	(190)	–	(3,987)
Eliminated on disposals and write-off	–	–	(6,919)	(100)	(37,264)	(31,140)	–	(435)	–	(75,858)
At 31 December 2017	–	3,004,941	425,450	74,947	1,171,243	1,603,918	3,175	115,557	4,163	6,403,394
Carrying values:										
At 31 December 2017	500,123	33,341,327	442,476	5,689	3,220,300	2,070,347	–	415,240	7,999,464	47,994,966
At 31 December 2016	–	35,099,528	609,653	2,304	3,273,449	2,609,626	160	402,242	5,044,641	47,041,603

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amount of property, plant and equipment pledged to secure interest-bearing borrowings as at 31 December 2017 was HK$43,167,140,000 (2016: HK$42,198,209,000) (note 34).

The net carrying amount of the Group's property, plant and equipment held under finance leases mainly included in buildings as at 31 December 2017 was HK$1,722,273,000 (2016: HK$1,851,288,000) (note 35).

During the year ended 31 December 2017, total impairment losses amounted to HK$188,880,000 were recognized against buildings, leasehold improvements and furniture, fixtures and equipment which belong to the Casino and Hospitality segment due to reconfigurations and renovations at Group's operating properties. The recoverable amounts of those impaired buildings, leasehold improvements and furniture, fixtures and equipment were based on value-in-use amounted to HK$18,197,109,000, HK$932,000 and HK$15,361,000, respectively.

18. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At 1 January	190,000	178,000
Additions	–	305
Net increase in fair value recognized in profit or loss	84,000	11,695
At 31 December	274,000	190,000
Unrealized gain on fair value change of investment properties included in other income, gains and losses (note 6)	84,000	11,695

All of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes, measured using the fair value model and are classified and accounted for as investment properties. All of the Group's investment properties have been pledged to secure the interest-bearing borrowings granted to the Group (note 34).

Fair value measurements and valuation processes

In estimating the fair value of investment properties, the Group engages 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 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group.

The fair value was determined based on the income capitalization method. Income capitalization method is by making reference to the rental income of the subject property and discounted by the market yield expected by the investors for this type of properties. The market yield is derived from analyzing the sales transactions and rental of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the investment properties. The bulk discount rate, which approximates to 30% to reflect the fact that the car parking spaces have to be disposed of in the market as a whole and should not be on an individual basis.

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

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

18. INVESTMENT PROPERTIES (continued)

Level 3 fair value measurement

Description	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Fair value 2017 HK$'000	Fair value 2016 HK$'000
Car parking spaces	Income capitalization method				
	(1) Monthly rental income	Monthly rental income, taking into account the average monthly rental of HK$566,000 (2016: HK$542,000).	An increase in the monthly rental income used would result in an increase in fair value, and vice versa	274,000	190,000
	(2) Bulk discount rate	Bulk discount rate approximates to 30% (2016: 30%) of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

19. LAND USE RIGHTS

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 January	5,996,744	–
Arising from deemed acquisition (note 42)	–	5,996,744
At 31 December	5,996,744	5,996,744
Accumulated amortization:		
At 1 January	(110,706)	–
Charge for the year	(166,057)	(110,706)
At 31 December	(276,763)	(110,706)
Net carrying values	5,719,981	5,886,038
Current portion	(166,057)	(166,057)
Non-current portion	5,553,924	5,719,981

Land use rights were acquired through the deemed acquisition of Melco Resorts on 9 May 2016 which are amortized over the estimated terms of the land use rights of approximately 31 to 40 years on a straight-line basis.

As at 31 December 2017 and 2016, the land use rights are pledged to secure the interest-bearing borrowings (note 34).

20. GAMING LICENSE AND SUBCONCESSION

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 January	6,702,315	–
Arising from deemed acquisition (note 42)	–	6,702,315
At 31 December	6,702,315	6,702,315
Accumulated amortization:		
At 1 January	(710,423)	–
Charge for the year	(1,089,003)	(710,423)
At 31 December	(1,799,426)	(710,423)
Net carrying values	4,902,889	5,991,892

Gaming license and subconcession were acquired through the deemed acquisition of Melco Resorts on 9 May 2016 and comprise (i) the gaming subconcession granted by the Macau government to Melco Resorts Macau on 8 September 2006 for the gaming business in Macau and (ii) the Regular License (as defined in note 44) issued by PAGCOR on 29 April 2015 for the gaming business in the Philippines. The amounts were determined based on the acquisition-date fair values of the gaming license and subconcession. The gaming subconcession in Macau and the gaming license in the Philippines are amortized on a straight-line basis over the term of the gaming subconcession and the license agreements which expire in 2022 and 2033, respectively.

21. GOODWILL

	2017 HK$'000	2016 HK$'000
At 1 January	5,299,451	–
Arising from deemed acquisition (note 42)	–	5,299,451
At 31 December	5,299,451	5,299,451

Particulars regarding impairment testing on goodwill are disclosed in note 24.

22. TRADEMARKS

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 January	16,992,458	–
Arising from deemed acquisition (note 42)	–	16,992,458
At 31 December	16,992,458	16,992,458

Certain trademarks of the Group were acquired through the deemed acquisition of Melco Resorts on 9 May 2016 which have legal lives of seven to ten years and are renewable for same consecutive period upon expiry at minimal cost. Such trademarks are considered by the management of the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of trademarks are disclosed in note 24.

23. OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Internal-use software HK$'000	Total HK$'000
Cost:			
At 1 January 2016	5,700	–	5,700
Additions	–	11,420	11,420
At 31 December 2016 and at 1 January 2017	5,700	11,420	17,120
Additions	–	1,654	1,654
At 31 December 2017	5,700	13,074	18,774
Accumulated amortization:			
At 1 January 2016	–	–	–
Charge for the year	–	1,256	1,256
At 31 December 2016 and at 1 January 2017	–	1,256	1,256
Charge for the year	–	2,985	2,985
At 31 December 2017	–	4,241	4,241
Carrying values:			
At 31 December 2017	5,700	8,833	14,533
At 31 December 2016	5,700	10,164	15,864

The club memberships have indefinite useful lives because the memberships have no expiry dates and the internal-use software which have finite useful lives of 4 years are amortized on a straight-line basis.

During the year ended 31 December 2017, the management of the Group determined that there is no impairment in other intangible assets.

24. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS

Goodwill

The Group obtained the control over Melco Resorts upon the completion of deemed acquisition in 2016 (note 42). This transaction had been accounted for using the acquisition method of accounting. Goodwill acquired in a business combination was allocated, at acquisition date, to a group of CGUs under Melco Resorts that was expected to benefit from that business combination. As at 31 December 2017, the carrying amount of the goodwill was HK$5,299,451,000 (2016: HK$5,299,451,000).

For the purpose of impairment testing on goodwill, the recoverable amount of the group of CGUs has been determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 8.86% (2016: 11.90%). The discount rate used is pre-tax and reflects specific risks relating to the group of CGUs. The cash flows beyond the five-year period are extrapolated with implied growth rates ranging from 0% to 8% (2016: 0% to 3%).

24. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS (continued)

Trademarks

For the purpose of impairment testing, trademarks as set out in note 22, have been allocated to four individual CGUs, operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2017 allocated to these units are as follows:

	2017 HK$'000	2016 HK$'000
Studio City	5,088,329	5,088,329
City of Dreams	11,184,643	11,184,643
City of Dreams Manila	455,473	455,473
Mocha Clubs	264,013	264,013
	16,992,458	16,992,458

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

The recoverable amounts of each of the CGUs as above have been determined on the basis of value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions. All value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow projections beyond the five-year period are extrapolated with implied growth rate from 0% to 8% (2016: 0% to 3%). The rates used to discount the forecast cash flows from Studio City, City of Dreams, City of Dreams Manila and Mocha Clubs are 9.43%, 9.82%, 15.74% and 9.82% (2016: 12.92%, 12.37%, 15.36% and 11.25%) respectively. The discount rates used are pre-tax and reflected specific risks relating to the CGUs.

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

During the year ended 31 December 2017, management determined that there is no impairment of its CGUs or group of CGUs containing goodwill and trademarks.

25. INVESTMENTS IN JOINT VENTURES

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

	2017 HK$'000	2016 HK$'000
Cost of unlisted investments in joint ventures	–	311
Share of post-acquisition results and other comprehensive income, net of dividends received	–	(81)
	–	230

25. INVESTMENTS IN JOINT VENTURES (continued)

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

Name of entity	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2017	2016	Principal activities
Power Way Group Limited ("Power Way") (note a)	British Virgin Islands/ Hong Kong	67.03%	67.03%	Inactive
PALTECH Company Limited ("PALTECH") (note b)	Hong Kong	N/A	60.00%	Inactive
BCN Integrated Resorts 2, S. A.U. ("BCN") (note c)	Spain	N/A	50.00%	N/A

Notes:

(a) 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 accounted for as a joint venture of the Group.

(b) PALTECH was held by MelcoLot Limited ("MelcoLot"). Immediately before the completion of disposal of MelcoLot on 6 June 2017 as disclosed in note 40, the Group indirectly owned a 60% equity interest in PALTECH. Pursuant to certain terms and conditions given in the shareholders' agreement, the relevant activities of PALTECH required approval from 75% of the equity holders. PALTECH was jointly controlled by the Group and another shareholder, and as such, it was accounted for as a joint venture of the Group.

(c) Immediately before the completion of winding up of BCN on 8 May 2017, the Group indirectly owned a 50% equity interest in BCN through MelcoLot. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of BCN required unanimous consent of all shareholders and, accordingly, BCN was accounted for as a joint venture of the Group.

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

	2017 HK$'000	2016 HK$'000
The Group's share of losses for the year	–	(6)
The Group's share of other comprehensive loss for the year	–	(9)
The Group's share of total comprehensive loss for the year	–	(15)
Unrecognized share of profits/(losses) of joint ventures for the year	19	(17)
Cumulative unrecognized share of losses of joint ventures	(41)	(60)

26. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Cost of investments in associates		
Listed in Canada	339,601	339,601
Unlisted	18,598	18,598
Net changes in investments in associates	54,370	54,370
Impairment losses recognized	(320,695)	(320,695)
Share of changes in net assets and exchange reserves	5,478	7,616
Share of post-acquisition results, net of dividends received	(82,406)	(81,502)
	14,946	17,988
Fair value of a listed investment (note a)	7,246	3,362
Carrying amount of investment in an associate with shares listed	–	–

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

Name	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2017	2016	Principal activities
Mountain China Resorts (Holding) Limited ("MCR") (notes a)	Canada/the PRC	16.69%	16.69%	Operating of ski resorts
Oriental Regent Limited ("Oriental Regent") (note b)	Hong Kong	5.00%	5.00%	Investment holding
ChariLot Company Limited ("ChariLot") (note c)	Hong Kong	N/A	40.00%	Provision of services for distribution of lottery products

Notes:

(a) The shares of MCR are listed on TSX Venture Exchange of Canada (the "Canada Stock Exchange"). Fair value of such listed investment was determined at the market price of listed shares as of the year end on the Canada Stock Exchange (Level 1 fair value measurement). The Group is entitled to appoint one director to the board of MCR provided that any part of the loans to the associate (note 31(d)) remains outstanding in accordance with the terms of the agreement signed with MCR in April 2010. Accordingly, MCR continued to be an associate of the Group as at 31 December 2017 and 2016.

(b) The Group, through New Crescent Investments Limited ("New Crescent"), a wholly-owned subsidiary of the Company, indirectly owns 5% equity interest in Oriental Regent. Oriental Regent is engaged in a gaming and resort business in the Russia Federation. Pursuant to certain terms and conditions of an investment agreement (the "Investment Agreement") entered by New Crescent and the remaining shareholders of Oriental Regent in 2013 and immediately before 14 April 2016, the relevant activities of Oriental Regent required unanimous approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent, and New Crescent has the right to appoint one director of Oriental Regent, accordingly, Oriental Regent was accounted for as a joint venture of the Group. On 14 April 2016, the Investment Agreement was subsequently amended to remove the requirement of unanimous approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent on the relevant activities of Oriental Regent, accordingly, the Group's investment in Oriental Regent was no longer accounted for as a joint venture and it became an associate of the Group. Since then, the Group is still entitled to appoint one director to the board of Oriental Regent, which governs the financial and operating policy decisions of Oriental Regent.

(c) This associate was held by MelcoLot. Immediately before the disposal of MelcoLot on 6 June 2017 as disclosed in note 40, the Group indirectly owned a 40% equity interest in ChariLot.

26. INVESTMENTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of losses for the year	(904)	(193)
The Group's share of other comprehensive income for the year	–	–
The Group's share of total comprehensive losses for the year	(904)	(193)
Aggregate carrying amount of the Group's investments in associates	14,946	17,988
Unrecognized share of losses of the associates for the year	(9,474)	(7,761)
Cumulative unrecognized share of losses of the associates	(486,334)	(477,150)

Summarized financial information of former material associate (Melco Resorts) in 2016

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

27. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	173,593	151,680
Food and beverages	100,396	104,044
	273,989	255,724

28. TRADE RECEIVABLES

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

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

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables where it intends to settle on a net basis. As of 31 December 2017, the gross amounts of casino receivables are HK$3,040,314,000 (2016: HK$3,546,685,000); and the aggregated amounts of the commissions payable and front money deposits are HK$1,525,994,000 (2016: HK$1,637,171,000) respectively.

The Group's trade receivables related to the rooms, catering service, entertainment and retail from the Casino and Hospitality segment and Others segment are largely operated on cash on delivery or due immediately on the date of billing, except for those well-established customers to whom credit terms of 30 days (2016: 30 to 120 days) would be granted.

The Group allows credit periods ranging from 30 to 180 days (2016: 30 to 180 days) to its trade customers related to the lottery business from Others segment.

The Group allows credit periods of 15 to 30 days (2016: 15 to 30 days) to its trade customers related to the electronic gaming machines participation and gaming chips and plaques business from Others segment.

An aging analysis of trade receivables as at the end of the reporting period, based on the due date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	1,160,968	1,666,139
More than 1 month but within 3 months	176,433	191,780
More than 3 months but within 6 months	8,922	62,690
More than 6 months	235,394	100,661
	1,581,717	2,021,270
Provision for impairment	(304,807)	(219,097)
	1,276,910	1,802,173
Non-current portion	(28,970)	(44,803)
Current portion	1,247,940	1,757,370

28. TRADE RECEIVABLES (continued)

Before extending credit to approved customers and gaming promoters from the Casino and Hospitality segment, the Group would carry out background checks and investigations of creditworthiness. The Group also maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimize any credit risk associated with these trade debtors. Included in the Group's trade receivable balances were debtors with an aggregate carrying amount of HK$311,475,000 (2016: HK$651,271,000) 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.

An aging analysis of trade receivables as at the end of the reporting period which are past due but not impaired, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	154,772	296,140
More than 1 month but within 3 months	113,438	191,780
More than 3 months but within 6 months	4,435	62,690
More than 6 months	38,830	100,661
Total	311,475	651,271

Movement in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
At 1 January	219,097	–
Allowance for doubtful debts	96,074	219,097
Write-off	(10,364)	–
At 31 December	304,807	219,097

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to HK$304,807,000 (2016: HK$219,097,000) which management considered the outstanding balances from these gaming promoters or customers were uncollectible.

For the year ended 31 December 2017, allowance for doubtful debts of trade receivables of HK$96,074,000 (2016: HK$219,097,000) was recognized in profit or loss and included in the Casino and Hospitality segment.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Current assets		
Prepayments	202,321	161,162
Deposits	37,697	839,018
Other receivables (note)	462,290	397,201
	702,308	1,397,381
Non-current assets		
Long-term prepayments and other assets	622,524	849,795
Rental, utilities and other deposits	114,942	103,535
Deposits for acquisition of property, plant and equipment	101,832	14,277
Other receivables (note)	600,708	402,534
	1,440,006	1,370,141

Note: Other receivables classified under current assets mainly include rental receivables of HK$142,558,000 (2016: HK$109,540,000) and interest receivables of HK$1,885,000 (2016: HK$22,515,000).

Other receivables classified under non-current assets mainly include value-added tax receivables of HK$163,424,000 (2016: HK$150,872,000) and deferred rental assets of HK$413,974,000 (2016: HK$228,875,000).

For the year ended 31 December 2017, allowance for doubtful debts of other receivables of HK$16,725,000 (2016: nil) was recognized in profit or loss and included in the Casino and Hospitality segment.

30. CASH AND BANK BALANCES AND BANK DEPOSITS WITH ORIGINAL MATURITIES OVER THREE MONTHS

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with original maturities of three months or less, carry prevailing deposit interest rate.

As at 31 December 2017, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$800,000 (2016: HK$22,045,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. OTHER FINANCIAL ASSETS

	Notes	2017 HK$'000	2016 HK$'000
Current assets			
Held-for-trading investments	(a)	–	26
Structured notes	(b)	–	50,065
Available-for-sale investments	(c)	699,222	–
Amounts due from related companies	(d)	112	4,156
Restricted cash	(e)	354,252	305,547
		1,053,586	359,794
Non-current assets			
Structured notes	(b)	–	50,045
Available-for-sale investments	(c)	–	33,907
Amount due from an associate	(d)	46,949	53,562
Restricted cash	(e)	145,563	1,013
		192,512	138,527

Notes:

(a) Held-for-trading investments as at 31 December 2016 represented an investment in equity securities listed in Hong Kong.

(b) On 25 June 2015, the Group through MelcoLot subscribed, at par, for 24-month puttable step-up coupon notes in the principal amount of HK$50,000,000 (the "2015 Structured Notes") from an investment bank (the "Issuer"). The 2015 Structured Notes were interest-bearing at progressive rates ranging from 0.97% to 1.45% payable at the end of each quarter and matured on 30 June 2017.

On 27 June 2016, the Group further subscribed, at par, for 24-month puttable step-up coupon notes issued by the Issuer in a principal amount of HK$50,000,000 (the "2016 Structured Notes", together with the 2015 Notes collectively referred as the "Structured Notes"). The 2016 Structured Notes are interest-bearing at progressive rates ranging from 0.87% to 1.73% payable at the end of each quarter, with a maturity date on 29 June 2018.

As at the disposal date of MelcoLot on 6 June 2017 as disclosed in note 40, the fair value of the Structured Notes were amounted to HK$100,129,000.

31. OTHER FINANCIAL ASSETS (continued)

Notes: (continued)

(c) As at 31 December 2017, the current available-for-sale investments represent investments in mutual funds that mainly invest in bonds and fixed interest securities which are considered as marketable equity securities. The fair values of the investments as at 31 December 2017 amounted to HK$699,222,000. For the year ended 31 December 2017, a decrease in fair value of HK$8,946,000 was recognized in other comprehensive income.

As at 31 December 2016, non-current available-for-sale investments represented an investment in equity securities listed in Hong Kong. The fair value of the investment as at 31 December 2016 amounted to HK$33,907,000. For the year ended 31 December 2017, a decrease in fair value of HK$4,959,000 (2016: HK$5,093,000) was recognized in other comprehensive income. The investment was disposed of to an independent third party during the year ended 31 December 2017 at a total consideration of HK$28,948,000. A loss on disposal of HK$10,052,000 was recognized in profit or loss for the year ended 31 December 2017.

(d) Amount due from an associate is unsecured, non-interest-bearing and repayable on 15 July 2020.

As at 31 December 2017, an amount due from a related company is unsecured, non-interest-bearing and repayable on demand. The related company is a non-controlling interest entity of a subsidiary of the Company.

As at 31 December 2016, an amount due from a related company was unsecured, non-interest-bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a director, chairman and chief executive officer of the Company, had a substantial shareholding in the related company.

(e) The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects those funds will be released or utilized in accordance with terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents those funds that will not be released or utilized within the next twelve months.

Restricted cash mainly consists of (i) bank accounts that are restricted for withdrawal and for payment of project costs or debt servicing associated with interest-bearing borrowings and other associated agreements; and (ii) collateral bank accounts associated with borrowings under credit facilities.

32. TRADE PAYABLES

An aging analysis of trade payables as at the end of the reporting period, based on the due date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	119,358	123,092
More than 1 month but within 3 months	7,073	15,999
More than 3 months but within 6 months	1,289	9,237
	127,720	148,328

The trade payables are non-interest bearing and are normally settled on credit terms of 30 to 45 days.

33. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017 HK$'000	2016 HK$'000
Current liabilities		
Outstanding gaming chips and tokens liabilities	3,614,688	3,077,549
Customer deposits and ticket sales	3,346,701	2,022,372
Gaming tax and license fees payables	1,466,695	1,243,258
Accrued employee benefits expenses	1,143,970	1,556,242
Construction costs payable	1,122,655	1,102,282
Accrued operating expenses	838,857	640,582
Accrued gaming promoter commission and other gaming related accruals	466,770	601,736
Payable for acquisition of property, plant and equipment	351,697	321,794
Interest payable	150,213	299,707
Dividend payable	1,056	1,140
Amounts due to related companies (note)	114,221	–
	12,617,523	10,866,662
Non-current liabilities		
Deferred rental income	142,432	119,478
Deposits received	58,393	57,566
Accrued employee benefits expenses	41,491	110,386
Amounts due to related companies (note)	7,148	–
Other liabilities	135,172	102,521
	384,636	389,951

Note: Except for the amounts due to related companies of HK$7,148,000 classified as non-current liabilities are unsecured, non-interest-bearing and repayable after one year, other amounts due to related companies are unsecured, non-interest-bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a director, chairman and chief executive officer of the Company, has shareholdings in these related companies.

34. INTEREST-BEARING BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured notes (note (i))	16,773,980	17,889,980
Secured bank loans (note (ii))	9,304,418	4,359,394
Unsecured notes (note (iii))	7,628,337	7,401,007
Unsecured bond (note (iv))	760,000	760,000
	34,466,735	30,410,381
Non-current portion	(32,463,626)	(30,011,421)
Current portion	2,003,109	398,960

	2017 HK$'000	2016 HK$'000
Analyzed into:		
Borrowings repayable:		
Within one year or on demand	2,040,367	405,562
In the second year	4,710,926	1,713,424
In the third to fifth years, inclusive	20,401,910	28,943,333
After five years	7,780,000	4,390
	34,933,203	31,066,709
Less: debt financing costs and original issue premium	(466,468)	(656,328)
	34,466,735	30,410,381

The interest rate exposure of the Group's interest-bearing borrowings is as follows:

	2017 HK$'000	2016 HK$'000
Fixed-rate borrowings	25,162,317	26,050,987
Variable-rate borrowings	9,304,418	4,359,394
	34,466,735	30,410,381

34. INTEREST-BEARING BORROWINGS (continued)

The carrying amounts of the Group's interest-bearing borrowings are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	4,654,481	4,990,737
US$	28,649,745	23,100,544
PHP	1,162,509	2,319,100
	34,466,735	30,410,381

During the year ended 31 December 2017, the Group obtained new interest-bearing borrowings of HK$10,912,423,000 (2016: HK$9,243,640,000) and repaid interest-bearing borrowings of HK$6,978,043,000 (2016: HK$10,296,116,000).

Notes:

(i) The secured notes bear interest rates ranging from 5.875% to 8.25% per annum and are payable semi-annually in arrears. The secured notes are denominated in US$ or PHP and due within a period of 3 to 8 years. The secured notes are guaranteed by certain subsidiaries of the Group.

Certain indentures or agreements governing the secured notes, as the case may be, contain covenants that, subject to certain exceptions and conditions, limit the ability of respective borrowing groups to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) issue or sell capital stock; (iv) transfer, lease or sell assets; (v) create or incur certain liens; (vi) impair the security interests in the collateral; (vii) enter into agreements that restrict the ability of the restricted subsidiaries of relevant borrowing groups to pay dividends, transfer assets or make intercompany loans; (viii) change the nature of the business of the relevant group; (ix) enter into transactions with shareholders or affiliates; and (x) effect a consolidation or merger. The indentures or agreements governing the secured notes also contain conditions and events of default customary for such financings.

On 9 October 2017, the Group partially redeemed PHP15 billion 5% senior notes due 2019 in an aggregate principal amount of PHP7.5 billion (equivalent to HK$1,126,500,000), together with accrued interest. Accordingly, the Group recorded a HK$7,305,000 loss on extinguishment of debt during the year ended 31 December 2017.

(ii) The secured bank loans bear interest at Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus applicable margin ranging from 1.25% to 4.00% per annum. The secured bank loans are denominated in HK$ or US$ and are repayable in instalments or at maturity over a period of 3 to 12 years. Certain of the secured bank loans consisted of term loan facilities and revolving credit facilities and as of 31 December 2017 and 2016, all term loan facilities were fully drawn and none of the revolving credit facilities were drawn. As at 31 December 2017, secured bank loans amounted to HK$12,317,000,000 (2016: HK$9,750,000,000) were available for future drawdown, subject to satisfaction of certain conditions precedent. The secured bank loans are guaranteed by certain subsidiaries of the Group.

On 8 February 2017, the Group obtained a banking facility amounting to US$1,000,000,000 (equivalent to HK$7,780,000,000), consisted of a term loan facility of US$700,000,000 (equivalent to HK$5,446,000,000) and a revolving credit facility of US$300,000,000 (equivalent to HK$2,334,000,000). In February 2017, the Group drew down the term loan facility of US$700,000,000 (equivalent to HK$5,446,000,000) to finance part of the consideration of the acquisition of 13.4% additional interest in Melco Resorts. Subsequent to 31 December 2017, the Group drew down the revolving credit facility of US$168,000,000 (equivalent to HK$1,307,040,000) to fund the full repayments of the unsecured bond of HK$760,000,000 (as described below) and one of the secured bank loans of HK$546,000,000 at their maturities.

Certain agreements governing the secured bank loans, as the case may be, contain covenants that, subject to certain exceptions and conditions, limit the ability of respective borrowing groups to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) issue or sell capital stock; (iv) transfer, lease or sell assets; (v) create or incur certain liens; (vi) impair the security interests in the collateral; (vii) enter into agreements that restrict the ability of the restricted subsidiaries of relevant borrowing groups to pay dividends, transfer assets or make intercompany loans; (viii) change the nature of the business of the relevant group; (ix) enter into transactions with shareholders or affiliates; and (x) effect a consolidation or merger. The agreements governing the secured bank loans also contain conditions and events of default customary for such financings. Certain secured bank loans also contain financial covenants including, leverage ratios, gearing ratios, interest cover ratio and minimum net assets requirements.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(iii) As of 31 December 2016, the unsecured notes represented the US$1,000,000,000 (equivalent to HK$7,780,000,000) in aggregate principal amount of 5% senior notes due 2021 (the "2013 Unsecured Notes"). The 2013 Unsecured Notes would have matured on 15 February 2021 and the interest on the 2013 Unsecured Notes was accrued at a rate of 5% per annum and was payable semi-annually in arrears.

On 6 June 2017, the Group issued US$650,000,000 (equivalent to HK$5,057,000,000) in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100% (the "First 2017 Unsecured Notes"); and on 3 July 2017, the Group further issued US$350,000,000 (equivalent to HK$2,723,000,000) in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100.75% (the "Second 2017 Unsecured Notes" and together with the First 2017 Unsecured Notes, collectively referred to as the "2017 Unsecured Notes"). The 2017 Unsecured Notes mature on 6 June 2025 and the interest on the 2017 Unsecured Notes is accrued at a rate of 4.875% per annum and is payable semi-annually in arrears.

On 14 June 2017, the Group used the net proceeds from the offering of the First 2017 Unsecured Notes, along with the proceeds in the amount of US$350,000,000 (equivalent to HK$2,723,000,000) from a partial drawdown of a revolving credit facility under an existing credit facility ("Drawn Revolving Credit Facility") and cash on hand to fund the redemption of the 2013 Unsecured Notes; and on 10 July 2017, the Group used the net proceeds from the offering of the Second 2017 Unsecured Notes to fund the full repayment of the Drawn Revolving Credit Facility. Accordingly, the Group recorded a HK$400,613,000 loss on extinguishment of debt and a HK$21,732,000 loss on modification of debt during the year ended 31 December 2017.

The indenture governing the 2017 Unsecured Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of the issuer of the 2017 Unsecured Notes to, among other things, effect a consolidation or merger or sell assets. The indenture governing the 2017 Unsecured Notes also contains conditions and events of default customary for such financings.

(iv) The unsecured bond bears interest rate at 4.15% per annum and is payable quarterly in arrears. The unsecured bond is denominated in HK$ with a maturity date of 5 March 2018 and guaranteed by the Company. As of the date of this report, the unsecured bond was fully repaid which was funded by a partial drawdown of a revolving credit facility of secured bank loans.

(v) As of 31 December 2017, an unsecured credit facility amount to PHP2,350,000,000 (equivalent to HK$366,130,000) (2016: PHP2,350,000,000 (equivalent to HK$367,070,000)) was available for future drawdown, subject to satisfaction of certain conditions precedent.

(vi) Borrowings amounting to HK$26,078,398,000 (2016: HK$22,249,374,000) as at 31 December 2017 are secured by the following assets of the Group:

(i) certain property, plant and equipment (note 17);

(ii) investment properties (note 18);

(iii) land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent) (note 19);

(iv) certain bank deposits;

(v) chattels, receivables and other assets including certain inter-group loans and promissory note; and

(vi) issued shares of certain subsidiaries of the Group.

35. OBLIGATIONS UNDER FINANCE LEASES

	2017 HK$'000	2016 HK$'000
Analyzed for reporting purposes as:		
Current liabilities	259,754	239,079
Non-current liabilities	2,068,669	2,041,140
	2,328,423	2,280,219

On 13 March 2013, a lease agreement, as amended from time to time (the "MRP Lease Agreement") for lease of certain of the building structures for City of Dreams Manila and is expected to expire on 11 July 2033, became effective.

In addition to the MRP Lease Agreement, the Group has entered into other lease agreements with third parties for the lease of certain property, plant and equipment under finance leases (note 17).

No arrangements had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Obligations under finance leases payable:				
Within one year	279,166	256,939	259,754	239,079
In the second year	305,892	281,164	248,915	228,537
In the third to fifth years, inclusive	1,088,156	1,018,882	677,074	631,503
After five years	4,223,493	4,622,182	1,142,680	1,181,100
Total minimum finance lease payments	5,896,707	6,179,167	2,328,423	2,280,219
Less: future finance charges	(3,568,284)	(3,898,948)	–	–
Total net finance lease payments	2,328,423	2,280,219	2,328,423	2,280,219
Current portion			(259,754)	(239,079)
Non-current portion			2,068,669	2,041,140

The carrying amounts of the Group's finance lease obligations that are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	1,147	2,062
PHP	2,327,276	2,278,157
	2,328,423	2,280,219

36. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	543	1,640
Deferred tax liabilities	(2,456,295)	(2,437,570)
	(2,455,752)	(2,435,930)

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

	Fair value adjustment on property, plant and equipment, land use rights, gaming licenses and subconcession and trademarks HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	–	(12,517)	8,149	2,133	(2,235)
Additions through deemed acquisition (note 42)	(2,396,361)	(26,141)	–	400	(2,422,102)
Credit/(charge) to profit or loss for the year (note 14)	8,148	(18,930)	–	(893)	(11,675)
Exchange adjustments	–	82	–	–	82
At 31 December 2016 and 1 January 2017	(2,388,213)	(57,506)	8,149	1,640	(2,435,930)
Credit/(charge) to profit or loss for the year (note 14)	12,232	8,441	84	(40,473)	(19,716)
Exchange adjustments	–	(106)	–	–	(106)
At 31 December 2017	(2,375,981)	(49,171)	8,233	(36,833)	(2,455,752)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$10,046,199,000 (2016: HK$10,547,640,000). A deferred tax asset has been recognized in respect of HK$49,874,000 (2016: HK$49,378,000) of 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 losses of HK$9,996,325,000 (2016: HK$10,498,262,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$6,349,499,000 (2016: HK$7,302,675,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 3 years (2016: 3 to 5 years). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$982,055,000 (2016: HK$797,945,000) in respect of the accelerated accounting depreciation. No deferred tax asset has been recognized in relation to this deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

37. SHARE CAPITAL

Shares

	Number of ordinary shares		Amount	
	2017	2016	2017 HK$'000	2016 HK$'000
Issued and fully paid:				
At 1 January	1,543,784,555	1,546,663,555	5,437,303	5,436,556
Repurchase of shares	(20,480,000)	(3,000,000)	–	–
Exercise of share options	12,853,700	121,000	186,832	747
At 31 December	1,536,158,255	1,543,784,555	5,624,135	5,437,303

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

During the year ended 31 December 2017, the Company repurchased a total of 20,480,000 (2016: 3,000,000) shares of the Company at an aggregate consideration of HK$370,349,900 (2016: HK$32,780,000) (before expenses) on the Hong Kong Stock Exchange. The repurchase was made with a view to enhancing the net assets and earnings per share of the Company. All the repurchased shares were subsequently cancelled.

Particulars of the repurchase during the year are as follows:

Months of share repurchase	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid HK$
May	16,325,000	17.50	15.06	281,854,700
September	1,159,000	18.74	18.28	21,503,600
November	2,996,000	22.75	21.95	66,991,600
Total	20,480,000			370,349,900

During the year ended 31 December 2017, the trustee of the Share Purchase Scheme as defined in note 38 under the Company's share award scheme purchased 5,058,000 (2016: 10,021,000) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$91,562,000 (2016: HK$99,149,000) which are for future vesting of unvested shares under the Company's Share Purchase Scheme.

As at 31 December 2017, 10,923,785 (2016: 10,473,185) and 75,000 (2016: 75,000) issued shares of the Company were held by the Company's Share Purchase Scheme and Share Subscription Scheme as defined in note 38 under the Company's Share Award Scheme, respectively.

38. LONG TERM INCENTIVE SCHEMES

(I) The Company

Share option schemes

The Company operates two share option schemes, one adopted by the Company on 8 March 2002 (the "2002 Share Option Scheme") and a new one adopted by the Company on 30 May 2012 (the "2012 Share Option Scheme") following the expiry of the 2002 Share Option Scheme on 7 March 2012, for grants of options, subject to certain criteria as defined in the share option schemes, to eligible participants including directors, employees and consultants of the Group and its affiliates to purchase the Company's ordinary shares. The purpose of the share option schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The 2002 Share Option Scheme and the 2012 Share Option Scheme both have a term of 10 years. Following the expiry of the 2002 Share Option Scheme as mentioned above, no further share options can be granted thereunder but the share options which had been granted during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue. The maximum term of a share option is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for share options to be granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme is up to 10 % of the Company's ordinary shares in issue on the respective dates of approval of each of the schemes, the 10% limit may be refreshed with the Company's shareholders approval. As at 31 December 2017, the total number of shares available for issue under the 2012 Share Option Scheme is 82,579,538 shares (representing approximately 5.38% of the Company's shares in issue).

The exercise price of a share option grant is determined at the higher of (i) the closing price of the Company's ordinary shares trading on the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing prices of the Company's shares trading on the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant. The outstanding share options generally vest over vesting period of two to three years.

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted and/or modified, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ordinary shares trading on the Hong Kong Stock Exchange. Expected life for share options granted during the year 2016 was based on management's best estimate and adjusted for the effects of non-transferability, exercise restrictions and behavioral considerations, and the expected life for share options granted during the year 2017 was based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the Hong Kong Government Bond rate at the time of grant for the period equal to the expected term.

The fair values of share options granted and/or modified under the 2012 Share Option Scheme were estimated on the dates of grant and/or modification using the following assumptions:

	Grant and/or modification date of the share options				
	7 June 2017	10 April 2017	1 September 2016	Replacement Options and new options granted on 8 April 2016	Previously Granted Options modified on 8 April 2016
Share price at date of grant of share options	HK$19.9	HK$15.00	HK$8.69	HK$9.99	HK$9.99
Exercise price	HK$20.07	HK$15.00	HK$8.69	HK$10.24	HK$13.40-HK$26.65
Expected volatility	41%-42%	40%-44%	56%	59%	51%-60%
Expected life	4.25 years – 5.25 years	3.1 years – 6.1 years	9.4 years – 9.5 years	8.6 years – 9.4 years	6.6 years – 8.7years
Risk-free rate	0.83%-0.92%	1.1%-1.3%	0.97%-0.97%	1.17%-1.23%	1.03%-1.18%
Expected dividend yield	0.4%	0.4%	0.74%	0.74%	0.74%
Average fair value of share options at date of grant	HK$6.89	HK$5.23	HK$4.98	HK$5.88-5.91	HK$4.09

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

On 8 April 2016, the Company modified certain outstanding underwater share options held by its directors, employees and consultants (the "Grantees") to lower the exercise prices and extend the vesting periods. Share options eligible for modification were those that were granted during the years ended 31 December 2013, 2014 and 2015 under the 2012 Share Option Scheme, including those unvested, or vested but not exercised. The total of 15,722,000 eligible share options (the "Previously Granted Options") were cancelled and/or modified; and a total of 12,722,000 new share options at an exercise price of HK$10.24 per share (the "Replacement Options") and 1,740,000 new share award (the "Replacement Share Award") pursuant to the Share Purchase Scheme were granted to the Grantees in replacement of the Previously Granted Options. The estimated fair value of the 12,722,000 original share options was approximately HK$51,971,000 at the date of modification on 8 April 2016. The estimated fair value of the 12,722,000 modified share options on 8 April 2016 was approximately HK$74,821,000.

During the year ended 31 December 2017, HK$22,776,000 was reversed in "Share option reserves" and included under "Reserves" on the face of consolidated statement of financial position due to the termination of employees of the Company during 2017, which their share options were cancelled in 2018.

(a) 2002 Share Option Scheme

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

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2016	14,695,900	8.19
Exercised	(121,000)	3.76
Lapsed	(4,499,000)	12.61
Outstanding at 31 December 2016 and 1 January 2017	10,075,900	6.27
Exercised	(6,481,200)	6.45
Forfeited	(900)	10.80
Outstanding at 31 December 2017	3,593,800	5.96
Exercisable at 31 December 2017	3,593,800	5.96
Exercisable at 31 December 2016	10,075,900	6.27

The weighted average share price at the date of exercise was HK$20.69 (2016: HK$11.38) during the year ended 31 December 2017.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(a) 2002 Share Option Scheme (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

Range of exercise prices HK$	2017 Number of share options outstanding	2017 Weighted average remaining contractual life (years)	2016 Number of share options outstanding	2016 Weighted average remaining contractual life (years)
2.01 – 3.00	290,000	1.25	504,000	2.25
3.01 – 4.00	546,000	2.27	1,304,000	3.27
5.01 – 6.00	1,293,000	3.27	2,618,000	4.27
7.01 – 8.00	1,296,700	4.08	5,244,400	5.08
10.01 – 11.00	117,100	0.25	201,500	1.25
11.01 – 12.00	51,000	0.16	204,000	1.16
	3,593,800		10,075,900	

(b) 2012 Share Option Scheme

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

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2016	15,722,000	19.20
Granted	5,531,000	9.41
Granted under modification	12,722,000	10.24
Cancelled under modification	(12,722,000)	18.91
Forfeited	(3,000,000)	20.45
Outstanding at 31 December 2016 and 1 January 2017	18,253,000	9.99
Granted	5,516,000	16.95
Exercised	(6,372,500)	10.85
Forfeited	(519,500)	10.24
Outstanding at 31 December 2017	16,877,000	11.93
Exercisable at 31 December 2017	3,277,500	10.84
Exercisable at 31 December 2016	4,218,500	10.24

The weighted average share price at the date of exercise was HK$20.05 during the year ended 31 December 2017.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(b) 2012 Share Option Scheme (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	2017		2016	
Range of exercise prices HK$	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
8.01 – 9.00	2,968,000	8.67	2,968,000	9.67
10.01 – 11.00	9,208,000	8.27	15,285,000	9.27
14.01 – 15.00	2,575,000	9.28	–	–
20.01 – 21.00	2,126,000	9.44	–	–
	16,877,000		18,253,000	

Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, which has been subsequently amended, namely The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") and The Melco Share Award Scheme Trust (the "Share Subscription Scheme") under trust arrangement pursuant to the trust deed, for grants of shares award, subject to certain criteria as defined in the share incentive award schemes, to eligible participants including directors, employees, and consultants of the Group. The purpose of the Share Purchase Scheme and the Share Subscription Scheme is to recognize the contributions of the eligible participants 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 awarded to the grantees under the Share Purchase Scheme will be settled by the shares of the Company purchased in the market by an independent trustee whereas the shares awarded to the grantees under the Share Subscription Scheme will be settled by allotment and issuance of new shares of the Company to an independent trustee. Such shares will be held in trust for the award holders until the vesting criteria and conditions have been satisfied. The Share Purchase Scheme and the Share Subscription Scheme both have a term of 20 years and the scheme limit under each of the scheme is 2% of the issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible participants on vesting).

The grant date fair value of the awarded shares is the share price of the ordinary shares of the Company at the respective dates of award.

During the year ended 31 December 2017, HK$1,645,000 was reversed in "Share award reserves" included under "Reserves" on the face of consolidated statement of financial position due to the termination of employees of the Company during 2017, which their share awards were cancelled in 2018.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme

Movements of the awarded shares granted under the Share Purchase Scheme are set out below:

	Number of awarded shares	Weighted average grant date fair value HK$
Unvested at 1 January 2016	1,678,400	14.24
Granted	6,247,000	9.64
Vested	(3,427,600)	11.60
Unvested at 31 December 2016 and 1 January 2017	4,497,800	9.86
Granted	6,214,000	15.93
Forfeited	(31,700)	12.09
Vested	(4,678,400)	12.69
Unvested at 31 December 2017	6,001,700	13.93

(b) Share Subscription Scheme

No award was granted or unvested under the Share Subscription Scheme during the years ended 31 December 2017 and 2016.

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016)

Melco Resorts share incentive plans

Melco Resorts operates two share incentive plans, one adopted by Melco Resorts in 2006 (the "Melco Resorts 2006 Share Incentive Plan"), as amended, and succeeded by a new one adopted by Melco Resorts on 7 December 2011 (the "Melco Resorts 2011 Share Incentive Plan"), which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options, restricted shares, share appreciation rights and other types of awards, subject to certain criteria as defined in the share incentive plans, to eligible participants including directors, employees and consultants of Melco Resorts and its subsidiaries and affiliates (including the Company). The purpose of the share incentive plans is to provide incentives and rewards to eligible participants who contribute to the success of Melco Resorts' operations and to encourage them to work towards enhancing value of Melco Resorts and its shares for the benefit of Melco Resorts and its shareholders as a whole.

The Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan both have a term of 10 years. Following the succession by the Melco Resorts 2011 Share Incentive Plan as mentioned above, no further awards can be granted thereunder the Melco Resorts 2006 Share Incentive Plan but the awards which had been granted during the life of the Melco Resorts 2006 Share Incentive Plan shall continue to be valid and exercisable in accordance with their terms of issue. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards to be granted under the Melco Resorts 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the Melco Resorts' ordinary shares in issue upon shareholders' approval of Melco Resorts, and shareholders' approval of Melco International (if required). As at 31 December 2017, the total number of shares available for issue under the Melco Resorts 2011 Share Incentive Plan is 73,676,357 Melco Resorts' ordinary shares (representing approximately 4.98% of the Melco Resorts' ordinary shares in issue).

The exercise price of a share option grant is determined at the market closing prices of Melco Resorts' ADS trading on the NASDAQ Global Select Market on the dates of grant. The outstanding share options generally vest over vesting periods of two to three years.

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)

Melco Resorts share incentive plans (continued)

Melco Resorts uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted and/or modified, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of Melco Resorts' ADS trading on the NASDAQ Global Select Market. Expected life is based upon the vesting term or the historical of expected life of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected life.

The fair value of the restricted shares is the share price of Melco Resorts' ADS trading on the NASDAQ Global Select Market at the respective dates of grant.

At the acquisition date of Melco Resorts on 9 May 2016, the outstanding share-based payment transactions of Melco Resorts were not exchanged by the Group and were measured at their market-based measure at that date.

The fair values of outstanding share options on 9 May 2016 were calculated using the Black-Scholes valuation model using the following assumptions:

	Outstanding share options of vested portion	Outstanding share options of unvested portion
Melco Resorts 2006 Share Incentive Plan		
Applicable share price	US$4.81	N/A
Exercise price	US$1.01 – US$5.06	N/A
Expected volatility	42% – 52%	N/A
Expected life (years)	1.33-5.42	N/A
Risk-free rate	0.51% – 1.77%	N/A
Expected dividend yield	0.8%	N/A
Total fair value on 9 May 2016	HK$320,207,000	N/A
Melco Resorts 2011 Share Incentive Plan		
Applicable share price per share	US$4.81	US$4.81-US$17.27
Exercise price	US$8.42 – US$12.98	US$7.48-US$12.98
Expected volatility	53% – 65%	46% – 65%
Expected life (years)	6.78 – 7.67	5.10 – 8.24
Risk-free rate	0.51% – 1.77%	0.51% – 1.77%
Expected dividend yield	0.8%	0.8% – 1.0%
Total fair value on 9 May 2016	HK$238,000	HK$498,022,000

The fair values of outstanding restricted shares on 9 May 2016 were determined with reference to the share market price of Melco Resorts on 9 May 2016.

	Outstanding awarded shares of vested portion	Outstanding awarded shares of unvested portion
Number of awarded shares	72,000	4,855,000
Share price per share as at 9 May 2016	US$4.81	US$4.81
Total fair value	HK$2,679,000	HK$181,686,000

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)

Melco Resorts share incentive plans (continued)

The fair values of share options granted under the Melco Resorts 2011 Share Incentive Plan were estimated on the dates of grant using the following assumptions:

	Grant date of the share options				
	8 September 2017	30 May 2017	31 March 2017	21 February 2017	23 December 2016
Share price at date of grant of share options	US$7.61	US$7.30	US$6.18	US$5.59	US$5.23
Exercise price	US$7.61	US$7.30	US$6.18	US$5.59	US$5.23
Expected volatility	41%	47%	48%	48%	48%
Expected life	5.1 years	6.1 years	6.1 years	5.98 years	5.9 years
Risk-free rate	1.65%	1.90%	2.1%	2.1%	2.17%
Expected dividend yield	2.0%	2.0%	2.0%	2.0%	1.0%
Fair value of share options at the date of grant	US$2.41	US$2.82	US$2.45	US$2.20	US$2.26

Share options

(a) Melco Resorts 2006 Share Incentive Plan

Movements of the share options granted under the Melco Resorts 2006 Share Incentive Plan during the year ended 31 December 2017 and during the period from 9 May 2016 to 31 December 2016 are set out below:

	Number of share options	Weighted average exercise price US$
Outstanding at 9 May 2016	11,612,283	1.60
Exercised	(1,698,489)	1.72
Outstanding at 31 December 2016 and 1 January 2017	9,913,794	1.58
Outstanding at 19 January 2017[(1)]	9,913,794	1.14
Exercised	(891,423)	1.13
Outstanding at 30 March 2017	9,022,371	1.14
Outstanding at 31 March 2017[(1)]	9,022,371	0.81
Exercised	(2,092,833)	0.88
Outstanding at 31 December 2017	6,929,538	0.80
Exercisable at 31 December 2017	6,929,538	0.80
Exercisable at 31 December 2016	9,913,794	1.58

38. **LONG TERM INCENTIVE SCHEMES (continued)**

(II) **Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)**

Melco Resorts share incentive plans (continued)

Share options (continued)

(a) Melco Resorts 2006 Share Incentive Plan (continued)

The weighted average share price at the date of exercise was US$6.98 (2016: US$5.21) during the year ended 31 December 2017.

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	2017		2016	
Range of exercise prices US$	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
0.01 – 1.00	4,655,052	1.10	–	–
1.01 – 2.00	2,217,858	3.23	7,125,228	1.98
2.01 – 3.00	–	–	2,522,925	4.23
3.01 – 4.00	56,628	0.21	–	–
4.01 – 5.00	–	–	169,884	1.21
5.01 – 6.00	–	–	95,757	0.69
	6,929,538		9,913,794	

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)

Melco Resorts share incentive plans (continued)

Share options (continued)

(b) Melco Resorts 2011 Share Incentive Plan

Movements of the share options granted under the Melco Resorts 2011 Share Incentive Plan during the year ended 31 December 2017 and during the period from 9 May 2016 to 31 December 2016 are set out below:

	Number of share options	Weighted average exercise price US$
Outstanding at 9 May 2016	10,878,816	5.64
Granted	191,328	5.23
Exercised	(22,215)	4.70
Forfeited	(185,234)	6.72
Lapsed	(10,344)	8.42
Outstanding at 31 December 2016 and 1 January 2017	10,852,351	5.61
Forfeited	(8,682)	5.76
Outstanding at 18 January 2017	10,843,669	5.61
Outstanding at 19 January 2017[(1)]	10,843,669	5.17
Granted	5,257,389	6.16
Exercised	(379,299)	4.26
Forfeited	(347,811)	5.32
Outstanding at 30 March 2017	15,373,948	5.52
Outstanding at 31 March 2017[(1)]	15,373,948	5.50
Granted	123,153	7.39
Exercised	(147,912)	3.93
Forfeited	(1,902,678)	5.40
Outstanding at 31 December 2017	13,446,511	5.55
Exercisable at 31 December 2017	920,556	3.93
Exercisable at 31 December 2016	1,447,767	4.70

The weighted average share price at the date of exercise was US$6.53 (2016: US$5.16) during the year ended 31 December 2017.

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)

Melco Resorts share incentive plans (continued)

Share options (continued)

(b) Melco Resorts 2011 Share Incentive Plan (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	2017		2016	
Range of exercise prices US$	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
3.01 – 4.00	920,556	4.24	–	–
4.01 – 5.00	191,328	8.98	1,447,767	5.24
5.01 – 6.00	7,326,058	7.47	9,404,584	8.43
6.01 – 7.00	4,885,416	9.25	–	–
7.01 – 8.00	123,153	9.49	–	–
	13,446,511		10,852,351	

Note:

(1) The exercise prices of all outstanding share options under the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan as of 19 January 2017 have been reduced by approximately US$0.4404 per share as a result of the declaration of a special dividend in January 2017. The exercise prices of all outstanding share options under the Melco Resorts 2006 Share Incentive Plan and certain share options under the Melco Resorts 2011 Share Incentive Plan as of 31 March 2017 have been reduced by approximately US$0.3293 per share reflecting the effect of the prior special dividend. The adjustments to the option exercise prices were made as required by the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan. Such adjustments are accounted for as modification of the affected share options requiring a comparison of the fair values of the modified share options with the respective fair values of the original share options immediately before the modification under the applicable accounting standards and the associated incremental compensation cost is not significant.

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (a listed subsidiary of the Company from 9 May 2016) (continued)

Melco Resorts share incentive plans (continued)

Restricted shares

Movements of the restricted shares granted under the Melco Resorts 2011 Share Incentive Plan during the year ended 31 December 2017 and during the period from 9 May 2016 to 31 December 2016 are set out below:

	Number of restricted shares	Weighted average grant date fair value US$
Unvested at 9 May 2016	5,159,201	6.99
Granted	95,664	5.23
Vested	(226,578)	8.27
Forfeited	(137,190)	6.51
Unvested at 31 December 2016 and 1 January 2017	4,891,097	6.91
Granted	2,550,606	6.30
Vested	(950,320)	9.72
Forfeited	(626,495)	6.46
Unvested at 31 December 2017	5,864,888	6.24

(III) MRP (a listed subsidiary of the Company from 9 May 2016)

MRP share incentive plan

MRP adopted a share incentive plan on 24 June 2013 (the "MRP Share Incentive Plan"), which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options, restricted shares, share appreciation rights and other types of awards, subject to certain criteria as defined in the MRP Share Incentive Plan, to eligible participants including directors, employees and consultants of MRP and its subsidiaries and affiliates (including the Company). The purpose of the share incentive plans is to provide incentives and rewards to eligible participants who contribute to the success of MRP's operations and to encourage them to work towards enhancing value of MRP and its shares for the benefit of MRP and its shareholders as a whole.

The MRP Share Incentive Plan has a term of 10 years. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of common shares to be available for all awards to be granted under the MRP Share Incentive Plan is 442,630,330 shares and up to 5% of MRP's common shares in issue from time to time over 10 years. As at 31 December 2017, the total number of shares available for issue under the MRP Share Incentive Plan is 154,430,056 MRP's common shares (representing approximately 2.73% of the MRP's common shares in issue).

The exercise price of a share option grant is determined with reference to the market closing prices of MRP's common shares trading on the PSE on the dates of grant. The outstanding share options generally vest over vesting periods of two to three years.

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (a listed subsidiary of the Company from 9 May 2016) (continued)

MRP share incentive plan (continued)

MRP uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted and/or modified, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of MRP's common shares trading on the PSE and a peer group of publicly traded companies. Expected life is based upon the vesting term or the historical of expected life of Melco Resorts. The risk-free interest rate used for each period presented is based on the Philippine government bond yield at the time of grant for the period equal to the expected life.

The fair value of the restricted shares is the share price of MRP's common shares trading on the PSE at the respective dates of grant.

At the acquisition date of MRP on 9 May 2016, the outstanding share-based payment transactions of MRP were not exchanged by the Group and were measured at their market-based measure at that date.

The fair values of outstanding share options on 9 May 2016 were calculated using the Black-Scholes valuation model using the following assumptions:

	Outstanding share options of vested portion	Outstanding share options of unvested portion
MRP Share Incentive Plan		
Applicable share price	PHP2.25	PHP2.25
Exercise price	PHP8.30 – PHP13.256	PHP3.46 – PHP13.256
Expected volatility	50%	50%
Expected life (years)	7.09-8.03	7.71-8.90
Risk-free rate	3.09% – 4.70%	3.09% – 4.70%
Expected dividend yield	–	–
Total fair value on 9 May 2016	HK$9,849,000	HK$1,639,000

The fair values of outstanding restricted shares were determined with reference to the share market price of MRP on 9 May 2016.

	Outstanding awarded shares of vested portion	Outstanding awarded shares of unvested portion
Number of awarded shares	2,138,000	6,315,000
Share price per share as at 9 May 2016	PHP2.25	PHP2.25
Total fair value	HK$351,000	HK$1,037,000

The fair values of share options granted under the MRP Share Incentive Plan were estimated on the dates of grant using the following assumptions:

	Grant date of the share options	
	1 August 2017	15 March 2017
Share price at date of grant of share options	PHP8.98	PHP5.66
Exercise price	PHP8.98	PHP5.66
Expected volatility	45%	45%
Expected life	6.1 years	5.2 years
Risk-free rate	4.52%	4.28%
Expected dividend yield	0%	0%
Fair value of share options at the date of grant	PHP4.49	PHP2.62

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (a listed subsidiary of the Company from 9 May 2016) (continued)

MRP share incentive plan (continued)

On 2 August 2016, the board of MRP approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended 31 December, 2013 and 2014 under the MRP Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the Philippine Securities and Exchange Commission on the Option Exchange Program was obtained by MRP on 30 September 2016. The exchange was subject to the eligible personnel's consent and became effective on 21 October 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. MRP granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of three years. A total incremental share-based compensation expense resulting from the Option Exchange Program was approximately HK$6,870,000, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the MRP's common shares at the effective date of the exchange.

Share options

Movements of share options granted under the MRP Share Incentive Plan during the year ended 31 December 2017 and during the period from 9 May 2016 to 31 December 2016 are set out below:

	Number of share options	Weighted average exercise price PHP
Outstanding at 9 May 2016	119,234,457	8.16
Forfeited	(3,293,216)	9.08
Lapsed	(6,972,902)	8.94
Cancelled under Option Exchange Program	(96,593,629)	8.39
Outstanding at 31 December 2016 and 1 January 2017	12,374,710	5.72
Granted	7,143,469	8.27
Exercised	(1,040,485)	8.30
Lapsed	(3,410,501)	8.59
Outstanding at 31 December 2017	15,067,193	6.10
Exercisable at 31 December 2017	4,525,458	4.67
Exercisable at 31 December 2016	7,277,311	7.31

The weighted average share price at the date of exercise was PHP8.6 during the year ended 31 December 2017.

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (a listed subsidiary of the Company from 9 May 2016) (continued)

MRP share incentive plan (continued)

Share options (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	2017		2016	
Range of exercise prices	Number of share options outstanding	Weighted average remaining contractual life	Number of share options outstanding	Weighted average remaining contractual life
PHP		(years)		(years)
3.01 – 4.00	6,796,532	7.88	6,796,532	8.88
5.01 – 6.00	1,531,112	9.21	–	–
8.01 – 9.00	6,739,549	8.90	5,375,838	6.59
13.01 – 14.00	–	–	202,340	7.42
	15,067,193		12,374,710	

During the year ended 31 December 2017, HK$1,702,000 was reversed in "Non-controlling interests" on the face of the consolidated statement of financial position due to the termination of employees of the Company during 2017, which their share options of MRP were cancelled in 2018.

Restricted shares

Movements of the restricted shares granted under the MRP Share Incentive Plan during the year ended 31 December 2017 and during the period from 9 May 2016 to 31 December 2016 are set out below:

	Number of restricted shares	Weighted average grant date fair value PHP
Unvested at 9 May 2016	9,693,059	6.98
Granted	43,700,116	4.38
Vested	(2,482,188)	7.61
Forfeited	(1,655,279)	9.08
Unvested at 31 December 2016 and 1 January 2017	49,255,708	4.57
Granted	7,298,372	8.22
Vested	(2,826,644)	8.02
Forfeited	(5,081,073)	4.45
Unvested at 31 December 2017	48,646,363	4.91

38. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company which was disposed on 6 June 2017)

Share option schemes

MelcoLot operates two share option schemes, one adopted by MelcoLot on 20 April 2002 (the "MelcoLot 2002 Share Option Scheme") and a new one adopted by MelcoLot on 18 May 2012 (the "MelcoLot 2012 Share Option Scheme") following the expiry of the MelcoLot 2002 Share Option Scheme on 20 April 2012, for grants of options, subject to certain criteria as defined in the share option schemes, to eligible participants including directors, employees, consultants of MelcoLot and its affiliates to purchase MelcoLot's ordinary shares. The purpose of the share option schemes was to provide incentives and rewards to eligible participants who contributed to the success of MelcoLot's operations and to encourage them to work towards enhancing value of MelcoLot and its shares for the benefit of MelcoLot and its shareholders as a whole. The MelcoLot 2002 Share Option Scheme and the MelcoLot 2012 Share Option Scheme both have a term of 10 years. Following the expiry of the MelcoLot 2002 Share Option Scheme as mentioned above, no further share options could be granted thereunder but the share options which had been granted during the life of the MelcoLot 2002 Share Option Scheme continued to be valid and exercisable in accordance with their terms of issue. The maximum term of a share option was 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for share options to be granted under the MelcoLot 2002 Share Option Scheme and the MelcoLot 2012 Share Option Scheme was up to 10 % of MelcoLot's ordinary shares in issue on the respective dates of approval of each of the schemes, the 10% limit might be refreshed with MelcoLot's shareholders' approval.

On 29 May 2017, Melco LottVentures Holdings Limited ("Melco LottVentures"), a wholly owned subsidiary of the Company, as a vendor, 500.com Limited as a purchaser and the Company as a guarantor entered into a sale and purchase agreement (the "Sales and Purchase Agreement"), pursuant to which, Melco LottVentures agreed to sell, and 500.com agreed to purchase, a total of 1,278,714,329 MelcoLot's shares, representing approximately 40.65% of the issued share capital of MelcoLot, at a price of HK$0.252 per MelcoLot's share for an aggregate consideration of HK$322,236,000. The completion of the Sales and Purchase Agreement took place on 6 June 2017 ("Completion"). Immediately after Completion, the Group ceased to have any interest in MelcoLot and MelcoLot ceased to be a subsidiary of the Company.

The exercise price of a share option grant is determined at the higher of (i) the closing price of MelcoLot's ordinary shares trading on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing prices of MelcoLot's shares trading on the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of MelcoLot's share. The outstanding share options generally vest over vesting periods of two to four years.

(a) MelcoLot 2002 Share Option Scheme

Movements of the share options granted under the MelcoLot 2002 Share Option Scheme during the period from 1 January 2017 to 6 June 2017 and the year ended 31 December 2016 are set out below:

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2016, 31 December 2016 and 1 January 2017	6,989,445	0.40
Lapsed	(3,301,910)	0.25
Outstanding at 6 June 2017	3,687,535	0.53

38. LONG TERM INCENTIVE SCHEMES (continued)

(IV) MelcoLot (a listed subsidiary of the Company which was disposed on 6 June 2017) (continued)

Share option schemes (continued)

(a) MelcoLot 2002 Share Option Scheme (continued)

	2017		2016	
Range of exercise prices HK$	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
0.01 – 1.00	3,687,535	0.70	6,989,445	1.85

(b) MelcoLot 2012 Share Option Scheme

Movements of the share options granted under the MelcoLot 2012 Share Option Scheme during the period from 1 January 2017 to 6 June 2017 and during the year ended 31 December 2016 are set out below:

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2016, 31 December 2016, 1 January 2017 and 6 June 2017	113,042,871	0.48

	2017		2016	
Range of exercise prices HK$	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
0.01 – 1.00	113,042,871	7.14	113,042,871	8.14

38. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a subsidiary of the Company which was privatized on 21 June 2017)

Stock incentive plans

EGT adopted a stock option plan on 1 January 2009 (the "EGT 2008 Stock Incentive Plan"), which replaced two previous plans, the Amended and Restated 1999 Stock Option Plan and the Amended and Restated 1999 Directors' Stock Option Plan (collectively referred to as the "EGT 1999 Stock Option Plans"). Although the EGT 1999 Stock Option Plans terminated on 31 December 2008, the stock options granted thereunder that were outstanding as of the date of termination remained outstanding and subject to termination according to their terms. On 18 July 2016, EGT amended the EGT 2008 Stock Incentive Plan (the "EGT 2016 Stock Incentive Plan"), for grants of various share-based awards, including but not limited to, options, restricted shares, and other types of awards, subject to certain criteria as defined in the stock incentive plan, to eligible participants including directors, employees and consultants of EGT and its affiliates to purchase EGT's ordinary shares. The purpose of the stock incentive plans was to provide incentives and rewards to eligible participants who contributed to the success of EGT's operations and to encourage them to work towards enhancing value of EGT and its shares for the benefit of EGT and its shareholders as a whole.

The EGT 1999 Stock Option Plans, the EGT 2008 Stock Incentive Plan and the EGT 2016 Stock Incentive Plan all had a term of 10 years. Following the termination of the EGT 1999 Stock Option Plans and the succession of the EGT 2008 Stock Incentive Plan by the EGT 2016 Stock Incentive Plan as mentioned above, no further stock options could be granted thereunder but the stock options which had been granted during the life of both the EGT 1999 Stock Option Plans and the EGT 2008 Stock Incentive Plan continued to be valid and exercisable in accordance with their terms of issue. The maximum term of a stock option was 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for stock options to be granted under the EGT 1999 Stock Option Plans, the EGT 2008 Stock Incentive Plan and the EGT 2016 Stock Incentive Plan was up to 10% of EGT's ordinary shares in issue on the respective dates of approval of each of the schemes, the 10% limit might be refreshed with EGT's shareholders' approval.

Following the completion of the tender offer on 13 June 2017, on 17 June 2017, EGT's Compensation Committee approved that all stock options granted under the various stock incentive plans that were outstanding and subject to vesting would vest in full and become exercisable. All the outstanding stock options with an exercise price of less than US$2.35 per share were cancelled in exchange for cash payments in amount equals to US$2.35 per share minus the exercise prices of such outstanding stock options. All outstanding stock options with an exercise price of US$2.35 per share or more were cancelled and received no consideration.

As a result of the short-form merger, EGT was delisted and removed from the NASDAQ Capital Market on 22 June 2017. All stock incentive plans were subsequently terminated with EGT's sole shareholder's approval.

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

The exercise price of a stock option grant is determined at the higher of (i) 100% of the Fair Market Value (as defined in the EGT 2016 Stock Incentive Plan) of one EGT Share on the date on which the EGT Committee approves the grant of the relevant stock option, which must be a business day in the United States of America; and (ii) the average Fair Market Value of one EGT Share for the five business days in the United States of America immediately preceding the date on which the EGT Committee approves the grant of the relevant stock option.

EGT uses the Black-Scholes valuation model to determine the estimated fair value for each stock option granted, with highly subjective assumptions based on the directors' best estimate, changes in which could materially affect the estimated fair value.

38. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a subsidiary of the Company which was privatized on 21 June 2017) (continued)

Stock incentive plans (continued)

(a) EGT 1999 Stock Option Plans

Movements of the stock options granted under the EGT 1999 Stock Option Plans during the period from 1 January 2017 to 21 June 2017 and during the year ended 31 December 2016 are set out below:

	Number of stock options	Weighted average exercise price US$
Outstanding at 1 January 2016	230,628	14.19
Lapsed	(625)	48.48
Forfeited	(156,563)	11.91
Outstanding at 31 December 2016 and 1 January 2017	73,440	37.30
Lapsed	(1,563)	38.77
Forfeited	(71,877)	18.32
Outstanding at 21 June 2017	–	–

	2017		2016	
Range of exercise prices US$	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options outstanding	Weighted average remaining contractual life (years)
1.01 – 10.00	–	–	53,126	1.94
30.01 – 40.00	–	–	1,563	0.17
40.01 – 50.00	–	–	1,000	0.68
50.01 – 60.00	–	–	3,750	1.05
60.01 – 70.00	–	–	7,813	1.11
70.01 – 80.00	–	–	6,188	1.11
	–		73,440	

38. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a subsidiary of the Company which was privatized on 21 June 2017) (continued)

Stock incentive plans (continued)

(b) EGT 2008 Stock Incentive Plan

Movements of the stock options granted under the EGT 2008 Stock Incentive Plan during the period from 1 January 2017 to 21 June 2017 and during the year ended 31 December 2016 are set out below:

	Number of stock options	Weighted average exercise price US$
Outstanding at 1 January 2016	536,848	5.19
Lapsed	(22,291)	5.12
Forfeited	(328,218)	5.43
Outstanding at 31 December 2016 and 1 January 2017	186,339	4.79
Forfeited	(186,339)	4.79
Outstanding at 21 June 2017	–	–

	2017		2016	
Range of exercise prices US$	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options outstanding	Weighted average remaining contractual life (years)
2.01 – 3.00	–	–	28,125	2.11
3.01 – 4.00	–	–	6,250	5.00
4.01 – 5.00	–	–	57,413	3.33
5.01 – 6.00	–	–	83,301	4.09
7.01 – 8.00	–	–	7,500	6.19
8.01 – 9.00	–	–	3,750	5.68
	–		186,339	

38. LONG TERM INCENTIVE SCHEMES (continued)

(V) EGT (a subsidiary of the Company which was privatized on 21 June 2017) (continued)

Stock incentive plans (continued)

(c) EGT 2016 Stock Incentive Plan

Movements of the stock options granted under the EGT 2016 Stock Incentive Plan during the period from 1 January 2017 to 21 June 2017 and during the year ended 31 December 2016 are set out below:

	Number of stock options	Weighted average exercise price US$
Outstanding at 1 January 2016	–	–
Granted	484,781	1.94
Forfeited	(25,626)	1.94
Outstanding at 31 December 2016 and 1 January 2017	459,155	1.94
Forfeited	(459,155)	1.94
Outstanding at 21 June 2017	–	–

	2017		2016	
Range of exercise prices US$	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options outstanding	Weighted average remaining contractual life (years)
1.01 – 2.00	–	–	459,155	9.33

39. RETIREMENT BENEFIT SCHEMES

The Group has obligations to make the required contributions with respect to the below defined contribution retirement benefits schemes.

The Group operates defined contribution fund scheme, which allows eligible employees to participate in a defined contribution plan (the "Defined Contribution Fund Scheme"). The Group either contributes a fixed percentage of the eligible employees' base salaries, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of base salaries to the Defined Contribution Fund Scheme. The Group's contributions to the Defined Contribution Fund Scheme are vested with employees in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Defined Contribution Fund Scheme was established under trust with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in Macau and the Philippines are members of government-managed social security fund scheme (the "Social Security Fund Scheme"), which is operated by the respective government. The Group is required to pay a monthly fixed contribution or certain percentage of the employees' relevant income and met the minimum mandatory requirements of the respective Social Security Fund Scheme to fund the benefits.

During the year ended 31 December 2017, the Group's contributions into the defined contribution retirement benefits schemes were HK$172,536,000 (2016: HK$103,661,000).

40. DISPOSAL OF A SUBSIDIARY

On 29 May 2017, the Company entered into an agreement with an independent third party to dispose of its entire interest in MelcoLot, representing approximately 40.65% of the issued share capital of MelcoLot, at a price of HK$0.252 per MelcoLot share for an aggregate consideration of approximately HK$322,236,000. The transaction was completed on 6 June 2017.

Information regarding the disposal of the subsidiary is as follows:

	2017 HK$'000
Net assets disposed of:	
Property, plant and equipment	198
Structured notes	100,129
Trade receivables	7,133
Prepayments, deposits and other receivables	3,359
Cash and bank balances	318,233
Trade payables	(6,346)
Accruals and other payables	(10,668)
Tax payable	(3,263)
Non-controlling interests	(248,580)
	160,195
Exchange reserve	813
	161,008
Gain on disposal of a subsidiary	161,228
Total cash consideration	322,236

40. DISPOSAL OF A SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2017 HK$'000
Cash consideration	322,236
Cash and bank balances disposed of	(318,233)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	4,003

41. ACQUISITION OF PARTIAL INTEREST IN A SUBSIDIARY

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.42% of Melco Resorts at a consideration of US$1,188,000,000 (equivalent to approximately HK$9,242,640,000) less the aggregate amount of the special dividend announced by Melco Resorts on 12 January 2017 paid in respect of the shares acquired on or around 10 February 2017, of US$87,199,200 (equivalent to approximately HK$678,410,000). The Group obtained a banking facility amounting to US$1,000,000,000 (equivalent to HK$7,780,000,000) and had drawn down US$700,000,000 (equivalent to HK$5,446,000,000) to finance part of the consideration of the acquisition.

As a result of the acquisition which was completed on 16 February 2017, the Group's shareholding in Melco Resorts has increased from 37.89% to 51.31%. An amount of HK$5,784,510,000 (being the proportionate share of the carrying amount of the net assets of Melco Resorts and its subsidiaries (collectively referred to as the "Melco Resorts Group") has been transferred from non-controlling interests. The difference of HK$3,457,017,000 between the decrease in the non-controlling interests and the consideration paid has been recognized in special reserve.

42. DEEMED ACQUISITION OF A SUBSIDIARY

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

Consideration transferred

As the business combination was achieved without transfer of consideration from the Group, the consideration transferred was deemed as the acquisition-date fair value of the Group's interest in Melco Resorts.

42. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognized at the date of deemed acquisition

	2016 HK$'000
Assets	
Property, plant and equipment (note 17)	47,488,086
Land use rights (note 19)	5,996,744
Gaming license and subconcession (note 20)	6,702,315
Trademarks (note 22)	16,992,458
Deferred tax assets (note 36)	400
Inventories	257,983
Trade and other receivables	5,212,357
Restricted cash	1,795,562
Cash and bank balances	9,910,250
Liabilities	
Trade and other payables	(9,387,804)
Deferred tax liabilities (note 36)	(2,422,502)
Borrowings	(29,840,861)
Obligations under finance leases	(2,378,016)
	50,326,972

The fair value was valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer, not connected to the Group.

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

Goodwill arising from deemed acquisition

	2016 HK$'000
Interest in an associate	
– Previously held interest (note (i))	20,912,855
Non-controlling interests:	
– Non-controlling interests' proportion in Melco Resorts Group (note (ii))	34,212,003
– Outstanding share options of Melco Resorts and MRP (note (iii))	
– Vested portion	331,070
– Unvested portion	119,461
– Outstanding restricted shares of Melco Resorts and MRP (note (iii))	
– Vested portion	384
– Unvested portion	50,650
Less: fair value of identified net assets acquired (100%)	(50,326,972)
Goodwill arising from deemed acquisition (note (iv))	5,299,451

42. DEEMED ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising from deemed acquisition (continued)

Notes:

(i) The difference between the fair value and the Group's carrying amount of its interest in Melco Resorts before the business combination of approximately HK$10,440,376,000 and the Group's cumulative share of the exchange reserve of Melco Resorts of approximately HK$54,912,000, were recognized in profit or loss as a gain on deemed disposal of the previously held interest in Melco Resorts as an associate.

(ii) The non-controlling interests in Melco Resorts Group recognized at the acquisition date were measured at the non-controlling interests' proportion of Melco Resorts Group's consolidated identifiable net assets.

(iii) The outstanding share options and restricted shares of Melco Resorts and MRP (including both vested and unvested portions) that are not replaced were measured at the acquisition date. Details of the share-based payment transaction and the basis of the valuation are set out in note 38.

(iv) Goodwill arose in the deemed acquisition of Melco Resorts because the deemed consideration transferred for the combination effectively included the benefit of future market development of Melco Resorts. These benefits were included in goodwill and not recognized separately because they did not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

(v) Acquisition-related costs amounting to HK$5,400,000 recognized as an expense within the other expenses line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

Cash inflow on deemed acquisition of Melco Resorts

	2016 HK$'000
Cash and bank balances acquired	9,910,250

Included in the profit for the year ended 31 December 2016 was a loss of HK$450,255,000 attributable to the additional business generated by Melco Resorts Group. Revenue for the year ended 31 December 2016 included HK$23,637,855,000 generated from Melco Resorts Group.

Had the acquisition been completed on 1 January 2016, the total Group's revenue and profit for the year ended 31 December 2016 would have been HK$35,359,687,000 and HK$9,938,860,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group had Melco Resorts been acquired at the beginning of 2016, the Directors calculated depreciation and amortization of land use rights, property, plant and equipment and intangible assets based on the recognized amounts of land use rights, property, plant and equipment and intangible assets at the date of acquisition, and recognized the share-based payments as remuneration cost for post-combination service based on their market-based measure at the acquisition date.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2017, the Group recognized property, plant and equipment amounted to HK$500,123,000 in connection with the contribution of freehold land from the non-controlling shareholder of the subsidiary to develop, operate and maintain an integrated casino resort in Limassol, Cyprus, which is non-cash in nature.

During the year ended 31 December 2017, property, plant and equipment amounting to HK$765,832,000 (2016: HK$357,133,000) were purchased from external parties and were unsettled as at 31 December 2017.

During the year ended 31 December 2017, property, plant and equipment amounting to HK$97,413,000 (2016: nil) were purchased from a related company and were unsettled as at 31 December 2017.

(b) Changes in liabilities arising from financing activities during the year ended 31 December 2017

	Interest-bearing borrowings HK$'000	Obligations under finance leases HK$'000
At 1 January 2017	30,410,381	2,280,219
Net changes of cash flows from financing activities	3,934,380	(254,873)
Foreign exchange movement	(47,069)	(3,981)
Other (note)	169,043	307,058
At 31 December 2017	34,466,735	2,328,423

Note: "Other" mainly represents the effect of movement of debt financing costs and interest incurred on obligations under finance leases during the year.

44. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

(a) Regular License

As of 13 March 2013, PAGCOR allowed the inclusion of, amongst others, Melco Resorts Leisure as a co-licensee, as well as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees including SM Investments Corporation ("SMIC"), PremiumLeisure and Amusement, Inc. ("PLAI") and Belle Corporation under the provisional license (the "Provisional License") in their dealings with PAGCOR. SMIC, PLAI and Belle Corporation are collectively referred to as the "Philippine Parties". As a result, MPHIL Holdings No.1 Corporation, a subsidiary of MRP, and its subsidiaries including Melco Resorts Leisure (collectively the "MPHIL Holdings Group") and the Philippine Parties together became co-licensees (the "Licensees") under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila.

On 30 January 2015, Melco Resorts Leisure applied to PAGCOR for the issuance of the regular casino gaming license (the "Regular License") for City of Dreams Manila as the Licensees satisfied the investment commitment under the terms of the Provisional License.

PAGCOR issued the Regular License dated 29 April 2015, as amended, in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License, and is valid until 11 July 2033.

Further details of the terms and commitments under the Regular License are included in note 47.

(b) Cooperation Agreement

On 13 March 2013, a cooperation agreement (the "Cooperation Agreement") and other related arrangements which were entered on 25 October 2012 among MPHIL Holdings Group, SMIC and certain of its subsidiaries (collectively the "SM Group"), Belle Corporation and PLAI became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions which were effective on signing).

The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, Melco Resorts Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and the operation and management of City of Dreams Manila until the expiry of the Regular License (currently expected to be on 11 July 2033 or unless terminated earlier in accordance with its terms). Further details of the commitments under the Cooperation Agreement are included in note 47.

44. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA (continued)

(c) Operating Agreement

On 13 March 2013, the Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by Melco Resorts Leisure. The Operating Agreement was effective on 13 March 2013 and ends on the date of expiry of the Regular License (as that Regular License is extended, restored or renewed) (currently expected to be on 11 July 2033 or, unless terminated earlier in accordance with the terms of the Operating Agreement). Under the Operating Agreement, Melco Resorts Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in "Payments to the Philippine Parties" in the consolidated statements of profit or loss and other comprehensive income, and Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(d) MRP Lease Agreement

The MRP Lease Agreement entered into between Melco Resorts Leisure and Belle Corporation, which has been subsequently amended from time to time, became effective on 13 March 2013. Under the MRP Lease Agreement, Belle Corporation agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The lease continues until termination of the Operating Agreement (currently expected to be on 11 July 2033 or unless terminated earlier in accordance with its terms). The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

45. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

The Group leased a portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating leases and right to use agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. These leases typically contain renewal or continuation clauses. During the year ended 31 December 2017, the Group incurred rental expenses amounting to HK$356,191,000 (2016: HK$210,824,000), which included contingent rental expenses of HK$118,652,000 (2016: HK$26,354,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases and right to use agreements which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	226,348	207,113
In the second to fifth years, inclusive	576,257	630,984
After five years	396,228	483,734
	1,198,833	1,321,831

Leases for properties are negotiated for terms ranging from 1 to 20 years.

45. OPERATING LEASE ARRANGEMENTS (continued)

(b) The Group as lessor

At the end of the reporting period, the Group entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for terms ranging from 1 to 3 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:

	2017 HK$'000	2016 HK$'000
Within one year	4,779	3,496
In the second to fifth years, inclusive	8,294	–
	13,073	3,496

(c) The Group as grantor of operating leases and right to use arrangement

The Group entered into non-cancellable operating leases and right to use agreements mainly for mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through May 2026. Certain of the operating leases and right to use agreements include minimum base fee with escalated contingent fee clauses. During the year ended 31 December 2017, the Group earned contingent fees of HK$213,615,000 (2016: HK$182,527,000).

At the end of the reporting period, future minimum fees to be received under all non-cancellable operating leases and right to use agreements were as follows:

	2017 HK$'000	2016 HK$'000
Within one year	424,874	108,438
In the second to fifth years, inclusive	1,343,910	490,155
After five years	1,052,042	–
	2,820,826	598,593

The total future minimum fees do not include any escalated contingent fee amounts.

46. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,134,876	2,733,163

47. OTHER COMMITMENTS

Except for other commitments arising from Cyprus's License, the other commitments of the Group set out below are arising from the deemed acquisition of Melco Resorts on 9 May 2016.

Gaming Subconcession

On 8 September 2006, the Macau government granted a gaming subconcession to Melco Resorts Macau to operate its gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

(i) A fixed annual premium of MOP30,000,000 (equivalent to HK$29,126,000).

47. OTHER COMMITMENTS (continued)

Gaming Subconcession (continued)

(ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- MOP300,000 (equivalent to HK$291,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;

- MOP150,000 (equivalent to HK$146,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and

- MOP1,000 (equivalent to HK$970) per year for each electrical or mechanical gaming machine, including the slot machine.

(iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

(iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

(v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favor of the Macau government in a maximum amount of MOP300,000,000 (equivalent to HK$291,262,000) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee given by the bank to the Macau government as disclosed above, a sum of 1.75% of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

Land Concession Contracts

The Group's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Group's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as land use right in the consolidated statement of financial position and a nominal annual government land use fee, which is recognized as other expenses and may be adjusted every five years; and (ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On 18 December 2013, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa land on which Altira Macau is located. According to the revised land amendment, the government land use fees were HK$1,445,000 per annum. As of 31 December 2017, the Group's total commitment for government land use fees for Altira Macau site to be paid during the remaining term of the land concession contract which expires in March 2031 was HK$19,026,000 (2016: HK$20,469,000).

City of Dreams

On 29 January 2014, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai land on which City of Dreams is located. According to the revised land amendment, the government land use fees were HK$9,217,000 per annum during the development period of additional hotel at City of Dreams; and HK$9,611,000 per annum after the completion of the development. In January 2018, the Macau government granted an extension of the development period under the land concession contract for Cotai land to 11 June 2018. As of 31 December 2017, the Group's total commitment for government land use fees for City of Dreams site to be paid during the remaining term of the land concession contract which expires in August 2033 was HK$149,590,000 (2016: HK$158,953,000).

47. OTHER COMMITMENTS (continued)

Land Concession Contracts (continued)

Studio City

On 23 September 2015, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City land on which Studio City is located. Such amendment reflected the change to build a five-star hotel to a four-star hotel. According to the revised land amendment, the government land use fees were HK$3,809,000 per annum during the development period of Studio City and HK$8,801,000 per annum after the development period. In February 2018, the Macau government granted an extension of the development period under the land concession contract for Studio City land to 24 July 2021. As of 31 December 2017, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was HK$71,597,000 (2016: HK$78,065,000).

Regular License

PAGCOR issued the Regular License dated 29 April 2015 in replacement of the Provisional License to the Licensees, for the operation of City of Dreams Manila. Other commitments required by PAGCOR under the Regular License included as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to HK$15,584,000) to ensure prompt and punctual remittance/payment of all license fees.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR Charter.

- The Licensees including the Group are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

- Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of 31 December 2017 and 2016, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR.

Philippine Parties under the Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranty.

Gaming License of an integrated casino resort in Cyprus

On 26 June 2017, the Cyprus government granted the Cyprus License to the Cyprus Subsidiary to develop, operate and maintain an integrated casino resort in Limassol, Cyprus and up to four satellite casino premises in Cyprus for a term of 30 years, the first 15 years of which are exclusive. Pursuant to the Cyprus License agreement, the Cyprus Subsidiary has committed to pay the Cyprus government the following:

(i) annual license fee of EUR2,500,000 (equivalent to HK$23,443,000) per year for the first four years, and EUR5,000,000 (equivalent to HK$46,887,000) per year for the next four years. Upon the completion of the eight years and thereafter every four years during the term of the Cyprus License, the Cyprus government may review the annual license fee, with minimum of EUR5,000,000 (equivalent to HK$46,887,000) per year and any increase in the annual license fee may not exceed 20% of the annual license fee paid annually during the previous four year period.

(ii) a casino tax of an amount equal to 15% of the gross gaming revenue on a monthly basis and shall not be increased during the period of exclusivity for the Cyprus License.

(iii) if the Cyprus Subsidiary fails to open the integrated casino resort by the opening date, as defined in the Cyprus License as 30 April 2021 (the "Opening Date"), the Cyprus Subsidiary shall pay to the Cyprus government the amount of EUR10,000 (equivalent to HK$94,000) for each day the integrated casino resort remains unopened past the Opening Date, up to a maximum of EUR1,000,000 (equivalent to HK$9,377,000). If the integrated casino resort does not open for 100 business days past the Opening Date, the Cyprus government may terminate the Cyprus License.

47. OTHER COMMITMENTS (continued)

Guarantees

Except as disclosed in note 34, the Group had the following significant guarantees as of 31 December 2017:

- Melco Resorts Macau has issued a promissory note ("Livrança") of MOP550,000,000 (equivalent to HK$533,981,000) to a bank in respect of the bank guarantee issued to the Macau government under gaming subconcession to the consolidated financial statements.

- Melco Resorts has entered into two deeds of guarantee with third parties amounting to US$35,000,000 (equivalent to HK$272,300,000) to guarantee certain payment obligations of the City of Dreams' operations.

- In October 2013, one of the Company's subsidiaries entered into a trade credit facility agreement of HK$200,000,000 ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility matured on 31 August 2017, is further extended to 31 August 2019, and is guaranteed by Studio City Company. As of 31 December 2017, approximately HK$5,000,000 of the Trade Credit Facility had been utilized.

- Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to HK$15,584,000) to a bank in respect of the surety bond issued to PAGCOR as disclosed above under Regular License.

Litigation

As of 31 December 2017, the Group is a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impacts on the Group's consolidated financial statements as a whole.

48. RELATED PARTY TRANSACTIONS

(a) The Group has entered into the following significant transactions with related parties:

	2017 HK$'000	2016 HK$'000
Construction cost paid/payable to a related company (note)	276,277	–
Consultancy fee expense paid to a related company (note)	17,317	–

Note:

Mr. Ho Lawrence Yau Lung, a director, chairman and chief executive officer of the Company, has shareholding of approximately 20% in this related company.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefits	131,717	75,983
Post-employment benefits	188	122
Share-based compensation	170,152	106,878
	302,057	182,983

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Group's operating results and market standards.

49. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

	Financial assets at fair values through profit or loss Held for trading		Loans and receivables		Available-for-sale financial assets	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Trade receivables	–	–	1,276,910	1,802,173	–	–
Financial assets included in prepayments, deposits and other receivables	–	–	539,076	520,003	–	–
Bank deposits with original maturities over three months	–	–	348,741	3,161,902	–	–
Cash and bank balances	–	–	11,768,251	13,727,720	–	–
Held-for-trading investments	–	26	–	–	–	–
Structured notes	–	–	–	100,110	–	–
Available-for-sale investments	–	–	–	–	699,222	33,907
Amounts due from related companies	–	–	112	4,156	–	–
Restricted cash	–	–	499,815	306,560	–	–
Amount due from an associate	–	–	46,949	53,562	–	–
	–	26	14,479,854	19,676,186	699,222	33,907

Financial liabilities

	Financial liabilities at amortized cost	
	2017 HK$'000	2016 HK$'000
Trade payables	127,720	148,328
Financial liabilities included in other payables, accruals and deposits received	6,353,414	4,806,056
Interest-bearing borrowings	34,466,735	30,410,381
Obligations under finance leases	2,328,423	2,280,219
	43,276,292	37,644,984

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial assets, trade and other receivables, deposits, cash and bank balances, trade and other payables, interest-bearing borrowings and obligations under finance leases. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, liquidity risk and equity price risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Details of the sensitivity analysis for currency risk, interest rate risk and other price risk are set out below.

49. FINANCIAL INSTRUMENTS (continued)

(b) 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 currency risk. The Group has certain cash and bank balances, trade and other receivables, trade and other payables, interest-bearing borrowings and obligations under finance leases denominated in currencies other than the functional currencies of the relevant group entities.

The Group has not engaged in the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the years ended 31 December 2017 and 2016. Instead, the Group maintains a certain amount of the operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

The Group's foreign currency transactions are mainly denominated in US$.

The carrying amounts of the Group's US$-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
US$	2,673,777	2,519,506	(28,849,966)	(23,928,356)

Sensitivity analysis

The Group is mainly exposed to transactions denominated in US$ against HK$ which is the functional currency of the relevant group entities.

The following table details the Group's sensitivity to a 1% increase or decrease in HK$ against US$. 1% is the sensitivity rate used for US$, when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US$-denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rate.

A positive number below indicates an increase in profit where the HK$ strengthens 1% against US$ and all other variables were held constant. For a 1% weakening of the HK$ against the relevant US$ and all other variables were held constant, there would be an equal and opposite impact on the profit.

	US$ Impact (a) HK$'000
2017: Profit for the year	263,281
2016: Profit for the year	214,089

(a) This is mainly attributable to the exposure on outstanding US$-denominated cash and bank balances and interest-bearing borrowings of the Group at the end of reporting period.

(ii) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carried interest at floating rate (see notes 30, 31 and 34 for details). The Group attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and mitigate the effects of fluctuations in cash flows.

49. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate risk for variable-rate bank balances and borrowings. The analyses are prepared assuming the amount of variable rate bank balances and borrowings at the end of the reporting period were outstanding for the whole year. 10 basis points and 50 basis points are the sensitivity rates used for variable-rate bank balances and borrowings, respectively, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following analyses detail 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 borrowings.

The negative/positive number below indicates a decrease/increase in the Group's profit if interest rates had been 10 basis points or 50 basis points higher and all other variables were held constant. If 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 profit.

	Bank balances HK$'000	Borrowings HK$'000
2017: Profit for the year	4,050	(46,832)
2016: Profit for the year	3,867	(22,148)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk from the financial assets of the Group are mainly composed of cash and cash equivalents, bank deposits with original maturities over three months, restricted cash, available-for-sale investments, trade receivables, deposits, other receivables and amount due from an associate. The carrying values of the Group's financial assets represent the maximum exposure to credit risk.

The credit risk on liquid funds, including cash and cash equivalents, bank deposits with original maturities over three months, restricted cash and available-for-sale investments is limited because they are deposited with or purchased from several banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables, deposits, other receivables and amount due from an associate are considered as high grade as the Group only trades with recognized and creditworthy parties.

In order to minimize the credit risk on trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness including to its gaming promoters in Macau and the Philippines, which receivable can be offset against commissions payable and front money deposits held by the Group to the respective customer and for which the Group intends to set-off when required. In addition, the Group reviews the recoverable amount of each individual trade debt monthly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

49. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

As at 31 December 2017, the Group has concentration of credit risk as 34% (2016: 24%) of the Group's trade receivables are due from the Group's five largest customers within the Casino and Hospitality 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 these balances 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 34. As at 31 December 2017, the Group had available unused banking facilities of HK$12,683,130,000 (2016: HK$10,117,070,000).

The table below summarizes the maturity profit of the Group's financial liabilities based on the contractual repayment date or the earliest date that the Group can be required to pay. The amounts disclosed are based on undiscounted cash flows that include principal and interest payments.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
2017						
Trade and other payables	–	6,325,222	126,424	27,795	1,693	6,481,134
Borrowings	5.58%	3,983,468	6,529,730	23,396,284	8,701,849	42,611,331
Obligations under finance leases	13.52%	279,166	305,892	1,088,156	4,223,493	5,896,707
		10,587,856	6,962,046	24,512,235	12,927,035	54,989,172
2016						
Trade and other payables	–	4,860,566	33,430	40,777	1,486	4,936,259
Borrowings	5.86%	2,250,685	4,826,446	32,516,426	8,815	39,602,372
Obligations under finance leases	13.56%	256,939	281,164	1,018,882	4,622,182	6,179,167
		7,368,190	5,141,040	33,576,085	4,632,483	50,717,798

49. FINANCIAL INSTRUMENTS (continued)

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

Other price risk

The Group is exposed to equity price risk through its investments in marketable equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is changed to 6% in current year (2016: 13%) as a result of the volatile financial market.

If the prices of the respective equity security had been 6% (2016: 13%) higher/lower:

- profit for the year ended 31 December 2017 would have no effect (2016: increase/decrease by HK$3,000) as a result of the changes in fair value of held-for-trading investments; and

- other comprehensive income for the year ended 31 December 2017 would increase/decrease by HK$41,953,000 (2016: increase/decrease by HK$4,408,000) as a result of the changes in fair value of available-for-sale investments.

(c) Fair value measurements of financial instruments

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

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

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

Fair value hierarchy as at 31 December

	Level 1	
Financial assets	2017	2016
	HK$'000	HK$'000
Held-for-trading investments		
Equity securities	–	26
Available-for-sale investments		
Equity securities	699,222	33,907
	699,222	33,933

The fair values of the investments as at 31 December 2017 and 2016 were determined based on quoted market prices in active markets and were classified as Level 1 of the fair value hierarchy.

(ii) Fair values of the Group's financial assets and liabilities that are not measured at fair values on a recurring basis

The fair values of the financial assets and liabilities that are not measured at fair values on a recurring basis have been assessed by the directors of the Company based on a discounted cash flow analysis.

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

50. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which is the interest-bearing borrowings disclosed in note 34, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

	2017 HK$'000	2016 HK$'000
Debt – interest-bearing borrowings (note 34)	34,466,735	30,410,381
Equity attributable to owners of the Company	18,988,887	22,347,746

The directors of the Company review the capital structure regularly. 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.

51. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Melco Resorts Group (note a)	Cayman Islands/ Macau/the Philippines	48.78%	62.11%	610,513	(462,336)	26,323,876	34,309,055
MelcoLot (note 40)	Cayman Islands/ the PRC	N/A	59.35%	(2,699)	(1,977)	–	250,825
EGT	The U.S./the Philippines/ Cambodia/Hong Kong	0%	35.16%	(22,027)	(10,994)	–	99,341
Individually immaterial subsidiaries with non-controlling interests				2,611	146	539,283	36,526
				588,398	(475,161)	26,863,159	34,695,747

51. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Notes:

(a) As at 31 December 2016, although the Group had only 37.89% ownership in Melco Resorts, the directors concluded that the Group had a sufficiently dominant voting interest to direct the relevant activities of Melco Resorts 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. After the completion of acquisition, the 62.11% ownership interests in Melco Resorts were owned by a large number of shareholders with insignificant shareholdings that are unrelated to the Group, except for Crown Sub which owned a 27.39% equity interest of Melco Resorts.

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.42% of Melco Resorts at a cash consideration of HK$8,564 million. The acquisition transaction was completed in February 2017. As a result of the acquisition, the Group's shareholding in Melco Resorts has increased from 37.89% to 51.31%. As at 31 December 2017, the Group has 51.22% ownership in Melco Resorts.

The summarized financial information of Melco Resorts Group below represents amounts before intragroup eliminations.

Melco Resorts Group

	2017 HK$'000	2016 HK$'000
Current assets	14,389,720	17,900,990
Non-current assets	61,626,803	83,067,987
Current liabilities	13,203,243	11,567,879
Non-Current liabilities	32,270,980	33,539,839

	Year ended 31 December 2017 HK$'000	9 May 2016 (date of acquisition) to 31 December 2016 HK$'000
Revenue	41,095,580	23,637,855
Expenses	39,595,856	24,088,110
Profit/(loss) for the year/period	1,499,724	(450,255)
Other comprehensive loss for the year/period	(15,320)	(50,802)
Total comprehensive income/(loss) for the year/period	1,484,404	(501,057)
Dividend to non-controlling shareholders	3,088,487	132,972

51. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)
Melco Resorts Group (continued)

	Year ended 31 December 2017 HK$'000	9 May 2016 (date of acquisition) to 31 December 2016 HK$'000
Net cash inflow from operating activities	10,918,647	8,275,228
Net cash outflow from investing activities	(3,191,177)	(2,256,146)
Net cash outflow from financing activities	(10,012,977)	(8,940,605)
Effect of foreign exchange rate changes	(2,583)	(76,353)
Net cash outflow	(2,288,090)	(2,997,876)

52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the consolidated financial statements.

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3,524,276	1,785,397
Other intangible assets	5,700	5,700
Amounts due from subsidiaries	6,718,801	4,280,400
	10,248,777	6,071,497
CURRENT ASSETS		
Other receivables, prepayments and deposits	60,907	18,902
Amounts due from subsidiaries	1,145,298	84,737
Bank deposits with original maturities over three months	193,199	1,225,482
Cash and bank balances	429,418	94,451
	1,828,822	1,423,572
CURRENT LIABILITIES		
Other payables	54,152	15,853
Amounts due to subsidiaries	2,843,987	1,091,376
Dividend payable	1,056	1,140
Interest-bearing borrowings	546,000	–
	3,445,195	1,108,369
NET CURRENT (LIABILITIES)/ASSETS	(1,616,373)	315,203
TOTAL ASSETS LESS CURRENT LIABILITIES	8,632,404	6,386,700
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	47,931	24,015
Interest-bearing borrowings	–	546,000
	47,931	570,015
	8,584,473	5,816,685
EQUITY		
Share capital	5,624,135	5,437,303
Reserves (note)	2,960,338	379,382
	8,584,473	5,816,685

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Ho, Lawrence Yau Lung *Director*	**Evan Andrew Winkler** *Director*

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

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	Share option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	7,053	218,434	(84,625)	15,187	421,376	577,425
Loss for the year	–	–	–	–	(103,049)	(103,049)
Exercise of share options	–	(292)	–	–	–	(292)
Recognition of equity-settled share-based payments	–	44,326	–	47,119	–	91,445
Transfer of share option reserve upon expiry of share options	–	(62,184)	–	–	62,184	–
Shares vested under the share award schemes	–	–	45,308	(39,752)	(5,556)	–
Purchase of shares for unvested shares under share award schemes	–	–	(99,149)	–	–	(99,149)
Shares repurchase	–	–	–	–	(32,865)	(32,865)
Dividends paid (note 15)	–	–	–	–	(54,133)	(54,133)
At 31 December 2016 and 1 January 2017	7,053	200,284	(138,466)	22,554	287,957	379,382
Profit for the year	–	–	–	–	3,083,365	3,083,365
Exercise of share options	–	(75,898)	–	–	–	(75,898)
Recognition of equity-settled share-based payments	–	15,540	–	85,113	–	100,653
Transfer of share option reserve upon expiry of share options	–	(2,772)	–	–	2,772	–
Shares vested under the share award schemes	–	–	61,842	(59,770)	(2,072)	–
Purchase of shares for unvested shares under share award schemes	–	–	(91,562)	–	–	(91,562)
Shares repurchase	–	–	–	–	(371,304)	(371,304)
Dividends paid (note 15)	–	–	–	–	(64,298)	(64,298)
At 31 December 2017	7,053	137,154	(168,186)	47,897	2,936,420	2,960,338

FIVE YEARS FINANCIAL SUMMARY

31 December 2017

RESULTS

	For the year ended 31 December				
	2013	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	183,274	201,735	395,082	23,852,811	41,180,086
Profit for the year	1,604,116	1,435,127	90,877	9,890,779	1,062,534
Attributable to:					
Owners of the Company	1,596,715	1,487,172	100,924	10,365,940	474,136
Non-controlling interests	7,401	(52,045)	(10,047)	(475,161)	588,398
	1,604,116	1,435,127	90,877	9,890,779	1,062,534

ASSETS AND LIABILITIES

	At 31 December				
	2013	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	12,943,071	14,097,064	14,316,938	103,650,932	98,270,226
Total liabilities	(1,327,724)	(1,377,526)	(1,538,486)	(46,607,439)	(52,418,180)
	11,615,347	12,719,538	12,778,452	57,043,493	45,852,046
Equity attributable to owners of the Company	11,688,948	12,331,656	12,385,837	22,347,746	18,988,887
Non-controlling interests	(73,601)	387,882	392,615	34,695,747	26,863,159
	11,615,347	12,719,538	12,778,452	57,043,493	45,852,046

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Ho, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Evan Andrew Winkler *(Managing Director)*
Mr. Chung Yuk Man, Clarence

Non-executive Directors
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. Chow Kwong Fai, Edward
Mr. Sham Sui Leung, Daniel
Dr. Tyen Kan Hee, Anthony

EXECUTIVE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Geoffrey Stuart Davis*
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*

* non-voting co-opted members

REGULATORY COMPLIANCE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Leung Hoi Wai, Vincent*

FINANCE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Geoffrey Stuart Davis*

COMPANY SECRETARY

Mr. Leung Hoi Wai, Vincent

REGISTERED OFFICE

38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

AUDITOR

Ernst & Young

LEGAL ADVISORS

Gibson, Dunn & Crutcher LLP
King & Wood Mallesons

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

200 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.melco-group.com

WWW.MELCO-GROUP.COM

HONG KONG
PENTHOUSE 38/F., THE CENTRIUM, 60 WYNDHAM STREET, CENTRAL, HONG KONG
TEL: +852 3151 3777

MACAU
1/F., UNIT A1, FLOWER CITY, 199-207 RUA DE EVORA, TAIPA, MACAU
TEL: +853 8296 1777

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