

**MELCO INTERNATIONAL DEVELOPMENT
LIMITED**

**CODE ON
CORPORATE GOVERNANCE**

A. INTRODUCTION

Group Profile

1. Melco International Development Limited (“**Melco International**” or the “**Company**”, and together with its subsidiaries, the “**Group**”), originally incorporated as “The Macao Electric Lighting Company, Limited”, is one of the oldest companies in Hong Kong. Founded in 1910, it was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 1927 and was among the first 100 companies established in Hong Kong.
2. Melco International is rapidly developing its core businesses in the following sectors:
 - gaming, leisure and entertainment
 - other investments

Our Mission

3. Our mission is 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.

Our Belief

4. Melco International believes that corporate governance is, above all, a matter of shared values and culture and is committed to promoting good ethical standards and a culture of honesty and integrity among its own employees. Melco International recognises the importance of these core values to its long term interests and the continued development and growth of its businesses.

The Code on Corporate Governance of Melco International

5. This Code on Corporate Governance (the “**Code**”) sets out the corporate governance standards and practices used by Melco International to direct and manage its business and affairs. Melco International is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by Melco International. A. 2.5

6. This Code is prepared with reference to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance practices issued by the Hong Kong Stock Exchange (the “**HKSE Code**”), which came into effect on 1 January 2005. Melco International welcomes the introduction of the HKSE Code, which has provided us with this opportunity to formalise and review our existing corporate governance practices. To the extent that this Code deviates from the HKSE Code, this is either explained in this Code or will be set out in the Corporate Governance Reports which will be included in our annual and interim reports in the future.
7. Melco International will continue to review and update the Company’s corporate governance practices, as described in this Code, to maintain our commitment to the standards of transparency and corporate governance which our stakeholders expect from us.

B. THE BOARD AND THE DIRECTORS

The Board

1. The board of directors of the Company (the “**Board**” or the “**Director(s)**”) is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company’s business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Managing Director and the Management. Each Director has a duty to act in good faith in the interests of the Company.
2. Duties of the Board include:
 - (a) establishing the strategic objectives and direction of the Company and determining the Company’s values and standards;
 - (b) setting the objectives of Management and monitoring the performance of Management, including the development and implementation of the Company's strategic objectives;
 - (c) overseeing the management of the Company’s relationships with its stakeholders;
 - (d) ensuring that appropriate controls are in place to assess and manage risk; and
 - (e) regularly reviewing the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them. A.1

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| 3. | The Board meets, either in person or through electronic means of communication, at least quarterly. Active participation at each meeting of the Board of the majority of Directors is expected. Obtaining Board consent through the circulation of written resolutions will not be treated as one of the quarterly board meetings referred to above, which are referred to as “regular” board meetings in the HKSE Code and in this Code. | A.1.1 |
| 4. | All Directors have the opportunity to include matters in the agenda for a regular Board meeting. | A.1.2 |
| 5. | At least 14 days’ notice is required to be given of a regular Board meeting, to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice is given. | A.1.3 |
| 6. | For regular Board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a Board or Board Committee Meeting (or other agreed period). | A.7.1 |
| 7. | Management is responsible for providing the Board and any Board Committees with adequate information, which is complete and reliable, in a timely manner to enable the Directors to make an informed decision on the matters being considered by them. Where any Director requires more information than is volunteered by Management, he will make further enquiries of the Management when necessary. The Board and each individual Director has separate and independent access to the Company’s Senior Management. | A.7.2 |
| 8. | All Board papers and related materials are required to be prepared to a standard which will enable the Board to make informed decisions on the matters placed before it. All Directors are entitled to have access to those Board papers and related materials. Queries raised by Directors should receive a prompt and full response, if possible. | A.7.3 |
| 9. | All Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable law, rules and regulations, are complied with. | F.1.4 |
| 10. | Minutes of each Board meeting and each Board Committee meeting are kept by the secretary of the relevant meeting and are available for inspection by any Director during office hours on reasonable notice. | A.1.4 |
| 11. | Minutes record in sufficient detail the matters considered by the relevant meeting and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively, within a reasonable time after the relevant meeting is held. | A.1.5 |

12. The Board has agreed a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances in the furtherance of their duties, at the Company's expense. The procedures are as follows: A.1.6
- (a) a Director requiring separate independent professional advice to assist the relevant Director to perform his duties to the Company should ask the Company Secretary to arrange for such advice to be provided and should give reasons for the request. The Company Secretary will then arrange for an independent professional adviser (determined by agreement with the Director) to be appointed and for the fees to be borne by the Company and will inform the Board of these arrangements;
 - (b) if the Company Secretary does not consider the request for separate independent professional advice to be reasonable, or the Director concerned is dissatisfied with the arrangements proposed by the Company Secretary, either of them may inform the Chairman who will review the matter and determine as he thinks appropriate.
13. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by holding a physical Board meeting rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting. Subject to the Company's constitutional documents, and the law and regulations of its place of incorporation, a Director's attendance by electronic means including telephonic or videoconferencing may be counted as attendance at a physical board meeting. A.1.7
14. The Company has arranged insurance cover in respect of legal actions against the Directors. A.1.8

Board Composition

15. The composition of the Board is such that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Company. The Board includes a balanced composition of Executive, Non-executive and Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Non-executive Directors are of sufficient calibre and number for their views to carry weight. A.3
16. One-third of the Board comprises Independent Non-executive Directors. The Independent Non-executive Directors are identified in all corporate communications that disclose the names of the Directors. A.3.1
LR3.10A

17. The views of Management are represented at meetings of the Board by the presence of the Chief Executive Officer, the Managing Director and other Executive Directors, as well as by the attendance of other senior executives at Board meetings when required.
18. An updated list of the Company's Directors, identifying their roles and functions and whether they are Independent Non-executive Directors, is available on the Company's and the Stock Exchange's websites. A.3.2

Responsibilities of Directors

19. The directors, collectively and individually, are aware of their responsibilities to the Company's shareholders for the conduct, business activities and development of the Company. Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors. A.6
20. Each newly appointed Director receives a comprehensive, formal and tailored induction on appointment, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under statute and common law, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. Thereafter, briefings on the Company's affairs and professional development updates are provided as necessary. A.6.1
21. Every Director is required to ensure that he can give sufficient time and attention to the affairs of the Company. A.6.3
22. The functions of the Non-executive Directors include: A.6.2
 - (a) participating in Board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (b) taking the lead where potential conflicts of interest arise;
 - (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
 - (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.
23. The views of the Independent Non-executive Directors carry significant weight in the Board's decision making process. The Independent Non-executive Directors help ensure that the interests of all shareholders are properly taken into account by the Board.

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| 24. | All Directors are required to comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the “ Model Code ”) set out in Appendix 10 of the Listing Rules in respect of their dealings in shares of the Company. The Board has established a “Code of Securities Dealings by Relevant Persons” for its relevant persons in respect of their dealings in the securities of the Company. “Relevant persons” include all directors and alternate directors of the Company; persons who, because of their office or employment, are likely to be in possession of inside information in relation to the Company or its securities; and employees of the Company or any of its subsidiaries or associates designated in writing, from time to time, by the Company Secretary of the Company as “Specified Employees”. | A.6.4 |
| 25. | All Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company is responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Directors should provide a record of the training they received to the Company. | A.6.5 |
| 26. | Each Director is required to disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved are also required to be disclosed. The Board should determine for itself how frequently this disclosure should be made. | A.6.6 |
| 27. | Independent Non-executive Directors and other Non-executive Directors, as equal board members, are required to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They are also required to attend general meetings and develop a balanced understanding of the views of shareholders. | A.6.7 |
| 28. | Independent Non-executive Directors and other Non-executive Directors are required to make a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments. | A.6.8 |

Appointment, Re-election and Removal of Directors

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| 29. | Melco International has a formal, considered and transparent procedure for the appointment of new Directors. Such an appointment is initially considered by the Nomination Committee and is subject to a decision of the full Board. | A.4 |
| 30. | All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after appointment. | A.4.2 |
| 31. | Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years. | A.4.2 |

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| 32. | Each Non-executive Director should be appointed for a term of three years. | A.4.1 |
| 33. | Serving more than 9 years could be relevant to the determination of a Non-executive Director's independence. If an Independent Non-executive Director serves more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders of the Company. The papers to shareholders accompanying that resolution are required to include the reasons why the Board believes he is still independent and should be re-elected. | A.4.3 |

C. THE ROLES OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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| 1. | The roles of the Chairman and the Chief Executive Officer of the Company are currently performed by Mr. Ho, Lawrence Yau Lung. In view of the present composition of the Board, the in depth knowledge of Mr. Ho 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 to assume the roles of Chairman and Chief Executive Officer at this time and that such arrangement be subject to review by the Board from time to time. | A.2.1 |
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Chairman

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| 2. | The responsibilities of the Chairman include: | |
| | (a) ensuring that all Directors are properly briefed on issues arising at Board meetings; | A.2.2 |
| | (b) ensuring all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable; | A.2.3 |
| | (c) providing leadership for the Board; | A.2.4 |
| | (d) ensuring that the Board works effectively, performs its responsibilities and discusses all key and appropriate issues in a timely manner; | A.2.4 |
| | (e) drawing up and approving the agenda for each board meeting and taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda (note: the Chairman may delegate this responsibility to a designated director or the Company Secretary); | A.2.4 |
| | (f) ensuring that good corporate governance practices and procedures are established; | A.2.5 |
| | (g) encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company; | A.2.6 |

- (h) encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus; A.2.6
- (i) at least annually holding meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors' present; A.2.7
- (j) ensuring that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole; A.2.8
- (k) promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors; and A.2.9
- (l) chairing Board and shareholders' meetings.

Chief Executive Officer

3. The responsibilities of the Chief Executive Officer include:

- (a) the conduct of the affairs and management responsibilities of the Company delegated to him by the Board;
- (b) providing leadership for Management;
- (c) overseeing the implementation by the Company of the strategies and objectives determined by the Board and reporting to the Board on material developments in the Company's business and the implementation of those strategies;
- (d) providing all such information to the Board as is necessary to enable the Board to make an informed assessment of any matter put before the Board for approval and to monitor the performance of Management;
- (e) leading the management of the Company's relationships with its stakeholders;
- (f) establishing and maintaining proper risk management controls and systems; and
- (g) discharging such other duties and authorities as may be delegated to him by the Board from time to time.

D. BOARD COMMITTEES

1. The Board has established the following Board Committees with specific written terms of reference: D.2.1
 - (a) Executive Committee
 - (b) Audit Committee
 - (c) Remuneration Committee
 - (d) Nomination Committee
 - (e) Corporate Governance Committee
 - (f) Finance Committee
 - (g) Regulatory Compliance Committee

A further description of each of the Committees is set out below.

2. The terms of reference of each Board Committee require such Committees to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. D.2.2
3. Management and third parties are co-opted to the Committees as required.
4. The Company Secretary is responsible for ensuring that the Board Committees are provided with sufficient resources, at the Company's expense, to perform their duties properly. A.5.4
B.1.4
C.3.6

Executive Committee

5. Two or more Executive Directors serve on the Executive Committee. In addition, certain members of Management are or may be co-opted to the Executive Committee in a non-voting capacity. The Executive Committee meets as and when required.
6. The Executive Committee has specific written terms of reference, which include the following duties and powers:
 - (a) to oversee the implementation of the Company's strategic objectives;
 - (b) to oversee the business and operations of all of the business units of the Group;
 - (c) to put in place programs for management development and succession of management personnel;
 - (d) to oversee the realisation by the Company of the strategic objectives set by the Board;

- (e) to oversee the implementation of risk management policies;
- (f) to approve any transaction, financing decision or capital expenditure decision not exceeding specified limits; and
- (g) to discharge such other duties and authorities as may be delegated to it by the Board.

Audit Committee

- 7. The Audit Committee is composed entirely of Non-executive Directors and shall consist of not less than three members, a majority of whom are Independent Non-executive Directors. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise, as required by the Listing Rules. The Audit Committee meets not less than twice each year. C.3
LR3.21
- 8. The Audit Committee has specific written terms of reference, which are available on the Company's and the Stock Exchange's websites and in writing upon request to the Company Secretary. The terms of reference of the Audit Committee include the following: C.3
C.3.4
LR3.22

Relationship with the Company's auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; C.3.3(a)
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; C.3.3(b)
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; C.3.3(b)
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services and report to the Board identifying and making recommendations on where action or improvement is needed; C.3.3(c)

Review of financial information of the Company

- (e) to monitor the integrity of the Company's financial statements and annual report and accounts and half-year report and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee is required to focus particularly on: C.3.3(d)
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;

- (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (f) in relation to (e) above, members of the Audit Committee are required to: C.3.3(e)
- (i) liaise with the Board and Management;
 - (ii) meet with the Company's auditors at least twice a year; and
 - (iii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

- (g) to review the Company's financial controls, risk management and internal control systems; C.3.3(f)
- (h) to discuss with Management the systems of risk management and internal control to ensure that Management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; C.3.3(g)
- (i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and Management's response to these findings; C.3.3(h)
- (j) to ensure coordination between the Company's internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; C.3.3(i)
- (k) to review the Group's financial and accounting policies and practices; C.3.3(j)
- (l) to review the external auditor's management letter, any material queries raised by the auditor to Management about accounting records, financial accounts or systems of control and Management's response; C.3.3(k)
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; C.3.3(l)

- (n) to review the arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; C.3.7(a)
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor; C.3.7(b)

General

- (p) to report to the Board on the matters set out above; and C.3.3(m)
 - (q) to consider any other topics specified by the Board. C.3.3(n)
9. Full minutes of Audit Committee meetings are kept by the secretary of the meeting (who will normally be the Company Secretary). Draft and final versions of minutes of the meeting are required to be sent to all members of the Audit Committee for their comments and records, within a reasonable time after the meeting. C.3.1
 10. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company will include in its Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view. C.3.5
 11. The Audit Committee will be provided with sufficient resources to perform its duties. C.3.6
 12. A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Company's Audit Committee for a period of one year from the date of his ceasing: C.3.2
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
 whichever is later.
 13. The Board has established formal and transparent arrangements for applying financial reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's external auditors. C.3

Remuneration Committee

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| 14. | The Board has established a Remuneration Committee consisting of not less than three members, a majority of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by an Independent Non-executive Director. | LR3.25 |
| 15. | The Remuneration Committee has been established with specific written terms of reference which deal clearly with its authorities and duties, which include the following: | |
| (a) | to make recommendations to the Board on policies and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; | B.1.2(a) |
| (b) | to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives; | B.1.2(b) |
| (c) | either: (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management. This should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); | B.1.2(c) |
| (d) | to make recommendations to the Board on the remuneration of Non-executive Directors; | B.1.2(d) |
| (e) | to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; | B.1.2(e) |
| (f) | to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment, to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; | B.1.2(f) |
| (g) | to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and | B.1.2(g) |
| (h) | to ensure that no Director or any of his associates is involved in deciding his own remuneration. | B.1.2(h) |

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| 16. | The Remuneration Committee consult with the Chairman and/or Managing Director about their remuneration proposals for other Executive Directors. The Remuneration Committee has access to independent professional advice if necessary. | B.1.1 |
| 17. | The terms of reference of the Remuneration Committee are available on the Company's and the Stock Exchange's websites and in writing upon request to the Company Secretary. | B.1.3 |
| 18. | The Remuneration Committee will be provided with sufficient resources to perform its duties. | B.1.4 |
| 19. | Details of remuneration payable to members of senior management should disclose by band in the Company's annual report. | B.1.5 |

Nomination Committee

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| 20. | The Board has established a Nomination Committee consisting of a minimum of three Directors, a majority of whom are Independent Non-executive Directors. The Nomination Committee is chaired by an Independent Non-executive Director. | A.5.1 |
| | The Nomination Committee has been established with specific written terms of reference which deal clearly with the Committee's authority and duties, which include the following: | A.5.2 |
| | (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; | A.5.2(a) |
| | (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; | A.5.2(b) |
| | (c) to assess the independence of Independent Non-executive Directors; and | A.5.2(c) |
| | (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Managing Director. | A.5.2(d) |
| 21. | The Nomination Committee meets as and when required, but not less than once a year. | |
| 22. | The terms of reference of the Nomination Committee are available on the Company's and the Stock Exchange's websites and in writing upon request to the Company Secretary. | A.5.3 |

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| 23. | The Nomination Committee will be provided with sufficient resources to perform its duties. Where necessary, the Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities. | A.5.4 |
| 24. | Where the Board proposes a resolution to elect an individual as an Independent Non-executive Director at the general meeting, the Company will set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the Board believes he should be elected and the reasons why it considers him to be independent. | A.5.5 |
| 25. | The Nomination Committee has a policy concerning diversity of Board members. The Company considers the concept of diversity incorporates a number of different aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. All Board appointments are based on meritocracy, and candidates are considered according to objective criteria, having regard to benefits of diversity on the Board. The policy or a summary of the policy will be disclosed in the Corporate Governance Report. | A.5.6 |

Corporate Governance Committee

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| 26. | The Board has established a Corporate Governance Committee consisting of not less than two Directors. In addition, the Group General Counsel is co-opted to the Corporate Governance Committee in a non-voting capacity. The Board may from time to time co-opt such other members of Management to the Corporate Governance Committee in a non-voting capacity as the Board considers desirable. | D.3.2 |
| | The Corporate Governance Committee has been established with specific written terms of reference which deal clearly with the Committee's authority and duties, which include the following: | D.3.1 |
| | (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; | D.3.1(a) |
| | (b) to review and monitor the training and continuous professional development of Directors and Senior Management; | D.3.1(b) |
| | (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; | D.3.1(c) |
| | (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; | D.3.1(d) |
| | (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report; | D.3.1(e) |

- (f) to report to the Board on the matters set out above; and
- (g) to consider other topics, as defined by the Board.

Finance Committee

- 27. The Finance Committee meets as and when required to review the financial operations of the Company. Such reviews include Group wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets. The Finance Committee also reviews major acquisitions and investments and their funding requirements.
- 28. The Finance Committee is composed of not less than two Executive Directors. In addition, the Group Finance Director is co-opted to the Finance Committee in a non-voting capacity. The Board may from time to time co-opt such other members of Management to the Finance Committee in a non-voting capacity as the Board considers desirable.

Regulatory Compliance Committee

- 29. The Board has established a Regulatory Compliance Committee, which meets as and when required to review and advise upon matters in respect of the present or future regulation of the Company's gaming business and compliance with applicable laws and regulations, including the Listing Rules.
- 30. The Regulatory Compliance Committee comprises not less than two Executive Directors. In addition, the Group General Counsel is co-opted to the Regulatory Compliance Committee in a non-voting capacity. The Board may from time to time co-opt such other members of Management to the Regulatory Compliance Committee in a non-voting capacity as the Board considers desirable.

E. MANAGEMENT FUNCTIONS

- 1. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to Board Committees or Management. The Company reviews such arrangements on a periodic basis. D.1.2
- 2. When the Board delegates management and administration functions to Management, it gives clear directions as to the powers of Management, in particular, with respect to the circumstances where Management is required to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. D.1.1
- 3. The Company will disclose the respective responsibilities, accountabilities and contributions of the Board and Management. D.1.3
- 4. Directors should clearly understand delegation arrangements in place. The Company has formal letters of appointment for Directors setting out the key terms and conditions of their appointment. D.1.4

5. Matters reserved to the full Board for decision include:
- (a) the setting of the strategic direction of the Group;
 - (b) any material matters involving a conflict of interest for a substantial shareholder or a Director;
 - (c) connected transactions and continuing connected transactions under the Listing Rules;
 - (d) any transaction which is a major transaction, very substantial acquisition, very substantial disposal or reverse takeover under the Listing Rules;
 - (f) major financing decisions;
 - (g) major capital expenditure decisions;
 - (h) setting overall risk management policies for the Company and reviewing compliance with those risk management policies;
 - (i) dividend policy, the declaration of interim dividends and the recommendation of final dividends to shareholders;
 - (j) approval of the annual operating and capital expenditure budgets for the Company;
 - (k) approval of the Company's interim and full year financial statements and published reports;
 - (l) the adoption of, or significant changes to, accounting policies applicable to the Company's financial statements;
 - (m) appointments to the Board, based on recommendations of the Nomination Committee;
 - (n) appointment of the Managing Director and reviewing the performance of the Managing Director;
 - (o) the appointment or removal of the Company's external auditor, based on recommendations of the Audit Committee;
 - (p) changes to the terms of reference or membership of any Committee of the Board;
 - (q) changes to the authority delegated by the Board to the Chief Executive Officer; and

- (r) any other matters which exceed the scope of authority delegated to the Chief Executive Officer and any Committee of the Board appointed by the Board.

F. ACCOUNTABILITY AND AUDIT

Financial Reporting

1. The Company aims to present a balanced, clear and comprehensible assessment of its financial position and prospects. This extends to annual and interim reports and other financial disclosures required by the Listing Rules, and reports to regulators and information disclosed under statutory requirements. Separate statement containing a discussion and analysis of the Group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives will be included in the Company's annual report. C.1.5
C.1.4
2. Management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. C.1.1
3. Management provides all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. C.1.2
4. The Directors will acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There will be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. C.1.3
5. Unless it is inappropriate to assume that the Company will continue its business, the Directors will prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. The Directors will prominently set out and discuss at length in the Corporate Governance Report any material uncertainties relating to the Company's ability to continue as a going concern. The Corporate Governance Report will contain sufficient information so as to enable investors to understand the significance of the matters at hand. C.1.3

Risk Management and Internal Control

6. The Board will evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board will oversee Management in the design, implementation and monitoring of the risk management and internal control systems, and Management will provide a confirmation to the Board on the effectiveness of these systems. C.2

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| 7. | The Board and Management will oversee the Company's risk management and internal control systems on an ongoing basis, ensure that will conduct a review of the effectiveness of the systems of risk management and internal control of the Company and its subsidiaries at least annually and will report to shareholders that it has done so in its Corporate Governance Report. The review will cover all material controls, including financial, operational and compliance controls. | C.2.1 |
| 8. | The Board's annual review will, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. | C.2.2 |
| 9. | The Board's annual review will, in particular, consider: | C.2.3 |
| | (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; | C.2.3(a) |
| | (b) the scope and quality of Management's ongoing monitoring of risks and of the internal control systems, the work of its internal audit function and other assurance providers; | C.2.3(b) |
| | (c) the extent and frequency of communication of monitoring results to the Board or Board Committees which enables it to assess control of the Company and the effectiveness of risk management; | C.2.3(c) |
| | (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and | C.2.3(d) |
| | (e) the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. | C.2.3(e) |
| 10. | The Company, will disclose, in the Corporate Governance Report, a narrative statement on how the risk management and internal control code provisions during the reporting period have been complied with. In particular, the Company will disclose: | C.2.4 |
| | (a) the process used to identify, evaluate and manage significant risks; | C.2.4(a) |
| | (b) the main features of the risk management and internal control systems; | C.2.4(b) |
| | (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Company will also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; | C.2.4(c) |

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| (d) | the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and | C.2.4(d) |
| (e) | the procedures and internal controls for the handling and dissemination of inside information. | C.2.4(e) |
11. The Company has an Internal Audit Department which reports directly to the Audit Committee. The department conducts risk assessment and independent review of the group business operations, reports significant internal control and risk management issues and monitors the resolution status. C.2.5

G. COMMUNICATION WITH SHAREHOLDERS

Effective Communication

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| 1. | The Board and Senior Management recognise their responsibilities to represent the interests of the shareholders and to enhance shareholder value and are keenly aware of the benefits of maintaining an ongoing dialogue with shareholders, in particular by using annual and other general meetings to communicate with shareholders and encourage their participation. | E.1 |
| 2. | For each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of that meeting. The Company will avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company will explain the reasons and material implications in the notice of meeting. For this purpose, a substantially separate issue includes the nomination of persons as Directors and, accordingly, each person must be nominated by means of a separate resolution. | E.1.1 |
| 3. | The Board recognises that the annual general meeting provides an important opportunity for constructive communication between the Board and the Company's shareholders. Accordingly, all Directors and Senior Executives make a special effort to attend the annual general meeting. The Chairman will attend the annual general meeting. He will also invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and any other committees to attend. In their absence, he will invite another member of the committee (or failing this, his duly appointed delegate) to attend. These persons will be available to answer questions at the annual general meeting. | E.1.2 |
| 4. | The chairman of any Independent Board Committee appointed in relation to a connected transaction, or any other transaction that requires independent shareholders' approval, will be available to answer questions at the general meeting convened to approve the relevant transaction. | E.1.2 |

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| 5. | The Management will ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. | E.1.2 |
| 6. | The Company will arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings. | E.1.3 |

Shareholders' Communication Policy

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| 7. | The Company has established a shareholders' communication policy which is available on its website at http://www.melco-group.com . This policy aims to provide the shareholders with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments etc.) in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company. The Company will review the policy on a regular basis to ensure its effectiveness. | E.1.4 |
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Voting by Poll

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| 8. | The Company will ensure that shareholders are familiar with the detailed procedures for conducting a poll. The chairman of a shareholders' meeting or the Company Secretary will provide an explanation at the meeting of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. | E.2
E.2.1 |
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H. COMPANY SECRETARY

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| 1. | The Company Secretary aims to provide support to the Board and the Board Committees by ensuring good information flow between the Board and the Company's Management and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and Chief Executive Officer on governance matters and facilitating induction and professional development of Directors. | F |
| 2. | The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. | F.1.1 |
| 3. | The Board will approve the selection, appointment or dismissal of the Company Secretary. A board meeting will be held to discuss the appointment and dismissal of the Company Secretary and the matter will be dealt with by a physical board meeting rather than a written resolution. | F.1.2 |
| 4. | The Company Secretary reports to the Group's Chairman and Chief Executive Officer. | F.1.3 |

5. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. F.1.4

Updated on 31 March 2017