MELCO

ANNUAL REPORT 2021

MELCO INTERNATIONAL DEVELOPMENT LIMITED
INCORPORATED IN HONG KONG WITH LIMITED LIABILITY
A HONG KONG LISTED COMPANY (STOCK CODE: 200)

CONTENTS

MACAU'S MOST EXCITING SEQUEL

Designed by renowned international architecture firm Zaha Hadid Architects, the US$1.2 billion Studio City Phase 2 reaffirms the Group's ongoing commitment to the city and contributes to reinforcing Macau's non-gaming proposition in Asia and internationally. The thrilling new leisure destination features two new hotel towers with approximately 900 additional luxury hotel rooms and suites, one of Asia's largest indoor and outdoor water parks, a six-screen Cineplex comprising two regular houses and four VIP suites, as well as a state-of-the-art MICE space.


STUDIO CITY

EUROPE'S LARGEST INTEGRATED RESORT

Set to open in the second half of 2022, City of Dreams Mediterranean represents Europe's largest integrated resort with approximately 500 luxury hotel rooms, approximately 100,000 square feet of MICE space, an outdoor amphitheatre, a family adventure park, a variety of fine-dining outlets and luxury retail.

MICHELIN-STARRED GASTRONOMIC JOURNEY

The Group strives to deliver the most exceptional experiences to each of its guests. It achieved top results in Macau, with four signature restaurants across its properties honoured a collective total of seven Michelin-stars by Michelin Guide Hong Kong Macau 2022. Cantonese fine dining restaurant Jade Dragon has received three Michelin stars for three consecutive years, while Alain Ducasse at Morpheus, a French cuisine offering gastronomy that pays homage to the great traditions and savoir-faire, has been awarded two Michelin stars for four consecutive years.

ABOVE & BEYOND

The Group's 'Above and Beyond' sustainability strategy ensures that it achieves carbon neutrality and zero waste across all its global resorts by 2030. In recognition of its commitment towards sustainability, the Group has been honoured by Pacific Asia Travel Association (PATA) Gold Awards 2021 as winner of the 'Climate Change Initiative' category and named 'Sustainable Resort of the Year' by International Gaming Awards 2021.

SIMPLE ACTS OF KINDNESS

Group Chairman and Chief Executive Officer Mr. Lawrence Ho deployed colleagues in Macau to support the local community during working hours through the 'Simple Acts of Kindness' initiative. In 2021, over 16,000 participants attended more than 1,100 volunteer activities to care for the elderly, single families, long-term patients and children, as well as local SMEs and NGOs.


MELCO
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ENTERTAINING POSSIBILITIES, ACHIEVING GROWTH

VISION

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

MISSION

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

KEY PERFORMANCE INDICATORS

KEY FINANCIAL PERFORMANCE INDICATORS

NET REVENUES **HK$15.64 billion** Representing an increase of HK$2.21 billion or 16.5%, compared to HK$13.42 billion for the year ended 31 December 2020	**ADJUSTED EBITDA** **HK$1.54 billion** Compared to negative Adjusted EBITDA of HK$1.20 billion for the year ended 31 December 2020
LOSS AFTER TAX **HK$7.94 billion** Compared to loss after tax of HK$12.38 billion for the year ended 31 December 2020	**BASIC LOSS PER SHARE** **HK$2.52** Compared to basic loss per share attributable to owners of the Company of HK$4.19 for the year ended 31 December 2020

COVID-related travel restrictions continued to impact the operating and financial performance of Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") in 2021.

For the year ended 31 December 2021, the Group's net revenues totalled HK$15.64 billion, an increase of 16.5% compared with the HK$13.42 billion recorded in 2020. The increase was mainly attributable to improved performance in its casino and hospitality operations primarily as a result of the year-over-year increase in inbound tourism in Macau. Loss for the year was HK$7.94 billion in 2021, compared with a loss for the year of HK$12.38 billion in 2020. The Group generated Adjusted EBITDA of HK$1.54 billion in 2021, compared to negative Adjusted EBITDA of HK$1.20 billion in 2020.

The Group's balance sheet and liquidity profile have improved primarily as the result of strong cost discipline, debt financing activity and a better operating environment.

While impacted by COVID, the Group remains committed to its global development program, and is set to reap the benefits of the renovations at City of Dreams and the Studio City Phase 2 development due for completion by the end of 2022. Altira Macau is undergoing a strategic repositioning to better target the premium mass segment.

In the Greater Bay Area, the majority of the Group's Zhongshan development project is due to be completed by 2025, demonstrating the Group's commitment to participating in the development of the Greater Bay Area. In Europe, the construction of City of Dreams Mediterranean is progressing with the launch date expected to fall in the second half of 2022. Upon completion, City of Dreams Mediterranean will be the largest integrated resort in Europe.

With the upgraded properties and upcoming new projects, the Group is fully prepared to address the pent-up demand of the customers once travel restrictions are relaxed both locally and abroad.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

During the year, the Group has devoted substantial efforts to sustainability with a focus on energy and waste reduction. The Group's sustainability strategy "Above & Beyond" has been celebrated by the Pacific Asia Travel Association ("PATA") through its PATA Gold Awards 2021 as the winner of the "Climate Change Initiative" category, and the Group was also named "Sustainable Resort of the Year" by the International Gaming Awards 2021.

Details of the Group's various non-financial key performance indicators, including stakeholder engagement, environmental impact and other community development efforts, will be disclosed in its 2021 Environmental, Social and Governance ("ESG") Report to be published in due course.

COMMUNITY ENGAGEMENT

The Group is committed to engaging in various community programmes to contribute to the growth and future of the communities it serves. The Group worked with the trusted community partners through a combination of employee volunteerism, charitable or in-kind donations, and contributions to serve various vulnerable groups in society to promote social inclusion and integration.

- More than HK$170 million in charitable and in-kind donations or contributions in 2021
- Over 220,000 colleague participants participated in our global CSR activities since 2007

ENVIRONMENTAL PROTECTION

As an environmentally responsible company, the Group is committed to creating a more sustainable future for our children and the planet while offering customers new experiences and possibilities. The Group is making substantial progress towards carbon neutrality, energy saving and waste and water reduction at its properties around the world.

Greenhouse Gas ("GHG") Emissions

	2019	2020	2021
Total GHG Emissions (MtCO_2e)	32,670 [1]	17,145	15,387
Emissions Intensity by Gross Floor Area (sqm)	0.02	0.01	0.01

Energy Consumption

	2019	2020	2021
Total Energy Consumption (MWh)	518,668	380,403 [2]	383,628
Energy Intensity by Gross Floor Area (sqm)	0.36	0.27	0.27

Waste Footprint

	2019	2020	2021
Waste Disposal (tons)	18,394	8,275	9,699
Waste Intensity by Gross Floor Area (sqm)	0.01	0.01	0.01

Notes:

1. Refrigerant realignment
2. Included renewable sources

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 & Entertainment Limited ("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 2021, Melco International has been honoured with the "Icon on Corporate Governance" at the Asian ESG Awards for the 15th time since 2006, and the "Best Investor Relations Company in Hong Kong" for 10 times by Corporate Governance Asia magazine.

Group Chairman and Chief Executive Officer, Mr. Lawrence Ho was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015 and the "Outstanding Individual Award" at the Industry Community Award in 2020. He was also awarded "Asia's Best CEO" at the Asia Excellence Awards for the 10th time in 2021 and won the "Asian Corporate Director Recognition Award" by Corporate Governance Asia magazine for nine consecutive years in 2021.

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.

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

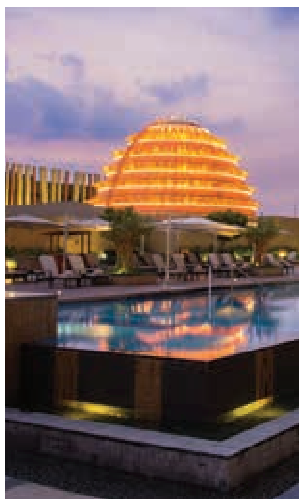
City of Dreams, Cotai
Premium Market

Studio City, Cotai
Mass Market

Altira Macau, Taipa
Premium Market

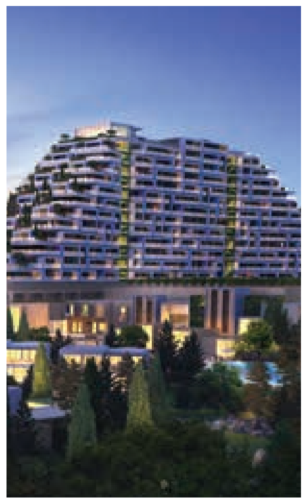
Mocha Clubs, all over Macau
Leisure Grind Market

THE PHILIPPINES



City of Dreams Manila,
Entertainment City, Manila
Mass Market

CYPRUS



City of Dreams
Mediterranean,
Cyprus
(under development)

CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

In the span of just two years, all facets of society and businesses, especially the tourism sectors have been reeling from COVID's aftermath. As for the Group, our 2021 results continued to reflect the pandemic's impact and the subsequent travel restrictions on our operations. Despite these challenging times, we have nonetheless been able to weather this unprecedented storm through determination, perseverance and pragmatism and have maintained strong cost discipline. Such efforts began to bear fruit as evidenced by higher EBITDA across each of our geographies in the fourth quarter of 2021. As many parts of the world have started to move beyond the pandemic situation and live with the new normal, we are confident that our customers will return in numbers once restrictions are eased.

Though the start of 2022 was less than auspicious, with sporadic cases of COVID leading up the Chinese New Year ("CNY") period, the initially weak sentiment soon gave way to better performance across all our businesses for the duration of the CNY holiday period, and this positive momentum continued well into the month of February. As one of the pioneers of the premium mass segment, and having invested significant resources and energy into the premium direct business in recent years, we are particularly pleased with the upturn witnessed at City of Dreams in Macau. Compared with the CNY period in 2021, the premium direct business more than doubled and continued to outperform into the weeks that followed, a clear testament to our ability to capitalize on the direct premium VIP strategy, on which we were an early adopter. The mass table segment also demonstrated resilience, increasing by approximately 20% when compared with the same time last year.

With respect to our foothold in the Philippines, our local operation also recorded encouraging metrics. After reopening for a full quarter in the fourth quarter of 2021, it delivered the strongest quarterly EBITDA since the COVID outbreak despite capacity restrictions. We will look forward to achieving still greater progress in 2022, as authorities have allowed fully vaccinated international tourists to enter the country since 10 February 2022. As of 1 March 2022, Metro Manila is operating under Alert Level 1, hence all of our venues can operate at full capacity. This also marks the first time that City of Dreams Manila has been able to operate at full capacity since March 2020.

A similar scenario is playing out in Cyprus. In the final quarter of 2021, Cyprus Casinos witnessed EBITDA growth on a sequential basis, driven by greater gaming spend per patron. Gaming volumes also took a favorable turn in the fourth quarter, reaching 90% of pre-COVID levels, a possible uptrend in the offing.

Even though the corollary of COVID is immeasurable, we are undaunted and bullish about the Group's prospects both in Macau and beyond her borders. Here at home, we are looking forward to the completion of Studio City Phase 2 by the end of 2022. This project is significant as it also heralds the beginning of a partnership with Marriott International, which will introduce the W Hotel brand to Studio City. Beyond Macau, construction of City of Dreams Mediterranean is proceeding well and we anticipate its opening in the second half of 2022.

Outside of our current projects, we are decidedly excited by the Greater Bay Area. With the central government's commitment to developing this region, the Greater Bay Area possesses tremendous potential which we are eager to tap. This is evident by the securing of a site in Zhongshan, Guangdong province. In line with our objective to increase the Group's non-gaming assets, the location will be transformed into a mixed-use development with a gross floor area of over 750,000 square metres. It will feature residential complexes, commercial space, hotels, wellness centres, shopping malls and a theme park. The theme park and potentially other components of the overall development are expected to leverage on the intellectual properties of Melco Resorts.

In our ongoing pursuit of business progress, we have not lost sight of the importance of sustainability. We subscribe to the belief that both objectives are complementary. Through ongoing energy efficiency measures, we have achieved an accumulated annual savings of 53,579 MWh in Macau alone, which is equivalent to the electricity consumption of approximately 6,897 households per year. On the waste reduction front, we have

installed Winnow, an artificial intelligence (AI)-driven technology in food waste, in the kitchens and dining areas of our employee dining rooms to monitor food waste, inform our chefs on inventory management and menu planning, and create internal awareness on food waste reduction. Moreover, by replacing food and beverage containers with biodegradable and sustainable counterparts, we have been able to avoid using approximately 9.5 tonnes of single-use plastic per year.

Looking ahead, I continue to hold optimism for the Group's medium- and long-term prospects. Once travel restrictions are relaxed both locally and abroad, we will be fully prepared to address the pent-up demand of our many loyal customers. Beyond the Group's interests, we also look forward to contributing to Macau's ongoing development as the preeminent tourism destination. It is with this objective in mind that we have strived to work closely with the Macau Government. Prior to establishing a framework for new gaming laws, the authorities afforded us the opportunity to express our views during the consultation process. I would like to thank the Macau Government for that occasion, and wish to add that the Group will be committed to participating in upcoming public tenders. Furthermore, I can assure the authorities that the Group will continue to play a partnership role in the enclave's growth and diversification in the many years to come.

At this time, I would like to extend my sincere gratitude to the Board, shareholders, business partners and all our colleagues for their unstinting support. I trust that the Group will surmount whatever obstacles that may arise in the present, all the while paving the way for a future as befits a preeminent developer, owner and operator of integrated resort facilities.

With best wishes,

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2022

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Over the past year, COVID has continued to impact the many markets in which we operate, leaving economies and the social fabric in tatters. The numerous restrictions on travel and public movement had a direct impact on our operations, as evident by the latest financial results. Nonetheless, a modest upswing was achieved in 2021, with the Group's property EBITDA realizing a meaningful improvement.

Overall, the Macau economy has enjoyed a steady recovery following the relaxation of travel restrictions, which in turn facilitated the return of visitors to the enclave during most of 2021. Just as business momentums began to build, however, COVID cases reappeared in early August and late September 2021, leading to compulsory city-wide testing and the mandatory closure of most entertainment and leisure venues, with the exception of casinos. Compounding matters, strict restrictions on entering and leaving Macau were enforced. These measures were relaxed on 19 October 2021, with travelers no longer required to quarantine for 14 days upon arrival in Zhuhai, and the validity of nucleic acid tests to enter Zhuhai were now extended from 24 hours to seven days. Precautionary measures that remained in place included a ban on non-Macau residents – excluding Taiwan, Hong Kong, or PRC residents, from entering Macau, unless they have been in Hong Kong or the PRC in the preceding 21 days, in which case they would be eligible for an exemption application.

In the Philippines, our business also operated under a disrupted environment. In the wake of stringent anti-epidemic measures imposed by the Philippine Government, City of Dreams Manila was closed from 29 March to 30 April 2021, and once again from 6 August to 16 September 2021. Despite these disruptions, City of Dreams Manila demonstrated tremendous resilience, quickly capitalizing on pent-up demand particularly from mass-market customers. In view of this trend, we promptly increased our gaming space for premium mass. As a consequence, the fourth quarter of 2021 marked the strongest quarterly EBITDA performance by City of Dreams Manila since the COVID outbreak, thanks to a full quarter of operations despite capacity restrictions.

Further afield, our casinos in Cyprus were closed from 1 January to 16 May 2021 in compliance with a government-mandated lockdown following a surge in COVID cases. The casinos were able to resume operation in the second half of 2021, facilitating a solid rebound from higher visitor arrivals over the summer months. Consequently, the Group soon returned to positive EBITDA in the third quarter of 2021, with both sequential EBITDA growth and a rise in per customer gaming spend achieved during the fourth quarter of 2021.

In contrast with the past financial year, the Group's balance sheet and liquidity profile have improved primarily as the result of our recent debt financing activity and a better operating environment. In June and July 2021, Melco Resorts Finance Limited and Studio City Finance Limited listed a total of US$2.25 billion of senior notes on the Chongwa (Macao) Financial Asset Exchange Co., Limited, with the hope that this will aid the development and diversification of Macau's economy and bond market.

The Group remains fully committed to prioritizing the safety of colleagues and customers through the implementation of effective epidemic prevention measures. This includes promoting vaccination among our colleagues, with 95% of the Group's colleagues in Macau and 99% of colleagues in Manila now vaccinated.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary, Melco Resorts, a developer, owner and operator of integrated resort facilities in Asia and Europe. As at 31 December 2021, Melco International, through its subsidiary, holds approximately 55.8% of the total issued shares of Melco Resorts.

Melco Resorts currently operates Altira Macau, an integrated resort located in Taipa, Macau; City of Dreams, an integrated resort located in Cotai, Macau; and Mocha Clubs, the largest non-casino based operator of electronic gaming machines in Macau. Furthermore, it has a majority ownership of and operates Studio City, a cinematically themed integrated resort located in Cotai, Macau.

Beyond Macau, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, an integrated resort at the Entertainment City complex in Manila. In Cyprus, Melco Resorts holds a 75% equity interest in ICR Cyprus Holdings Limited ("ICR Cyprus") and is currently developing the City of Dreams Mediterranean integrated resort project. It is also operating a temporary casino in Limassol, the first authorized casino in Cyprus, and is licensed to operate four satellite casinos. Upon the opening of City of Dreams Mediterranean, ICR Cyprus will continue to operate the satellite casinos while operation of the temporary casino will cease.

The Group's net revenues totalled HK$15.64 billion for the year ended 31 December 2021, an increase of 16.5% compared with the HK$13.42 billion recorded in 2020. The increase in net revenues was mainly attributable to improved performance in our casino and hospitality operations primarily as a result of the year-over-year increase in inbound tourism in Macau. Loss for the year was HK$7.94 billion, compared with a loss for the year of HK$12.38 billion in 2020.

City of Dreams

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property that targets high-end customers and rolling chip players from regional markets across Asia. In 2021, the property operated an average of approximately 511 gaming tables and 572 gaming machines.

The renovations at City of Dreams are progressing well. Nüwa was re-opened on 31 March 2021. The Countdown was closed in April 2021 in order to prepare for its transformation into a luxury hotel.

With upgraded properties and upcoming new projects, the Group looks forward to bringing new experiences to guests – further strengthening our role as pioneer and innovator in the provision of premium travel, leisure and entertainment.

Altira Macau is undergoing a strategic repositioning to cater to the premium mass segment, enabling it to become a more resilient and profitable business.

Studio City

The Hollywood-inspired and cinematically themed integrated resort, Studio City, is designed to be the most diverse entertainment offering in Macau. In 2021, the property operated an average of approximately 290 gaming tables and 645 gaming machines.

The Group remains dedicated to bringing exceptional entertainment to the city. The highly anticipated Studio City Water Park opened in May 2021 and received a very positive market response. Studio City also announced its first series of residency shows, which will feature top talents such as Aaron Kwok, Joey Yung and Leon Lai, who will be performing 90 exclusive shows at Studio City between 2022 and 2024.

Meanwhile, at the much-anticipated Studio City Phase 2, the tower structure has been topped out with completion scheduled before the end of December 2022. The US$1.2 billion Studio City Phase 2 complex has been designed by leading international architecture firm Zaha Hadid Architects and is in harmony with the style of the integrated resort's existing Phase 1. The new leisure and entertainment hub will feature two new hotels with a total of 900 rooms, one of the largest indoor and outdoor water parks in Asia, a six-screen Cineplex complete with two regular screens and four VIP suites, and a state-of-the-art MICE space.

Altira Macau

Altira Macau is an integrated resort designed to provide a casino and hotel experience that caters to premium market customers and players. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By delivering impeccable services customized for each guest, both Altira Macau and Altira Spa attained a Five-Star ranking from Forbes Travel Guide ("FTG") for the 12th consecutive year in 2021. In 2021, Altira Macau operated an average of approximately 101 gaming tables and 121 gaming machines (operated as a Mocha Club at Altira Macau).

In the third quarter of 2021, the Group made the decision to reposition Altira Macau as a more mass and premium mass-focused property. This transition is expected to take approximately 12 months and will enable Altira Macau to become a more resilient and profitable property.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operator of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has invested in a series of innovative and top-quality electronic gaming machines from around the world to offer a contemporary entertainment mix to a broader range of visitors. In 2021, Mocha Clubs operated seven clubs with an average of approximately 813 gaming machines (excluding approximately 121 gaming machines at Altira Macau).

Designed by the world-renowned Zaha Hadid Architects, the highly anticipated Studio City Phase 2 is scheduled to complete before the end of December 2022.

W Macau - Studio City is set to become an iconic addition to Macau, the world-class leisure destination, through its detail-driven, unexpected design, signature Whatever/Whenever® service and innovative programming.

City of Dreams Manila

Beyond Macau, City of Dreams Manila, which is strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asian market and continues to set the benchmark for the Group's robust capacity to execute its international vision. This dynamic property boasts the ultimate in entertainment, hotel, retail, dining, and lifestyle experiences and features an extensive gaming space, including VIP and mass-market gaming facilities. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID outbreak, the property operated an average of approximately 301 gaming tables and 2,338 gaming machines in 2021.

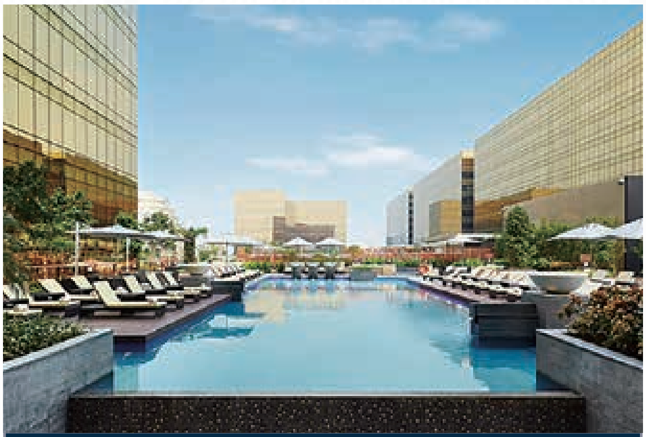
City of Dreams Mediterranean and Cyprus Casinos ("C2")

ICR Cyprus, a joint venture company 75% held by Melco Resorts, is developing the City of Dreams Mediterranean integrated resort project in Cyprus. ICR Cyprus holds a 30-year casino gaming license which commenced in June 2017, the first 15 years of which are on an exclusive basis. Construction on the project is ongoing and is expected to open in the second half of 2022. Once completed, City of Dreams Mediterranean will be the largest integrated resort in Europe, boasting approximately 500 luxury hotel rooms, around 100,000 square feet of cutting-edge MICE space, a family adventure park, an outdoor amphitheatre, and a variety of fine dining and luxury retail outlets.

Ahead of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol opened its doors in June 2018. The four C2 satellite casinos are located at Nicosia, Larnaca, Ayia Napa and Paphos, while the C2 satellite casino in Larnaca, previously located within the premises of the Larnaca International Airport, is currently closed for relocation. Excluding gaming tables and gaming machines that were not operational due to government mandated closures or social distancing measures amid the COVID outbreak, C2 operated an average of approximately 32 gaming tables and 440 gaming machines in 2021.

OUTLOOK

The Group expects that COVID will continue to impact our operations, financial position and prospects over the coming months. The long-term recovery of the leisure and tourism industry will rely on the easing of travel restrictions and consumer sentiment, which in turn is dependent on COVID-related factors such as increased vaccination rates and the development of effective treatments. The recent military conflict between Russia and Ukraine, which has led to sanctions and export controls imposed by the United States, the European Union, the United Kingdom and other countries targeting Russia, its financial system and major financial institutions and certain Russian entities and persons, may also adversely affect the Group's business in Cyprus.



City of Dreams Manila recorded the strongest quarterly EBITDA performance since COVID-19 in the fourth quarter of 2021, thanks to a full quarter of casino operations, albeit with capacity restrictions.

City of Dreams Mediterranean is set to become Europe's largest integrated resort with approximately 500 luxury hotel rooms, approximately 100,000 square feet of MICE space, an outdoor amphitheatre, a family adventure park, a variety of fine-dining outlets and luxury retail space.

Despite the continued uncertainties, we remain optimistic about the Group's medium and long-term growth prospects. Macau is still home to the world's most attractive integrated resort market, and the Group is set to reap the benefits of the Studio City Phase 2 development, due for completion by the end of 2022, and the renovations at City of Dreams. The coming months will also see the Group continuing the strategic repositioning of Altira Macau to better target the premium mass segment.

In the Philippines, the country's borders were reopened to fully vaccinated international visitors on 10 February 2022 and its COVID restrictions were lowered to Alert Level 1 on 1 March 2022, enabling casinos to operate at full capacity. The Group fully expects that the easing of these restrictions will be reflected in the business performance of City of Dreams Manila going forward.

We remain bullish on our expanding business development. In the Greater Bay Area, the majority of the Group's Zhongshan development project is due to be completed by 2025. The project is representative of the Group's commitment to participating in the development of the Greater Bay Area. We will leverage our abundant experience in creating extraordinary entertainment amenities and our own intellectual properties in Macau to ensure the successful development and management of the theme park, restaurants and other facilities in the complex. In Europe, meanwhile, the construction of City of Dreams Mediterranean is progressing with the launch date expected to fall in the second half of 2022.

Looking ahead, with our upgraded properties and upcoming new projects, we look forward to bringing new experiences to our guests and further strengthening our pioneering and innovative role in providing premium travel, leisure and entertainment. We will continue to reassure guests and colleagues around the world that their safety and security remain our highest priority while they experience our premium services and offerings.

ACHIEVEMENTS AND AWARDS

Melco International consistently employs and adheres to the highest corporate governance and corporate social responsibility standards, as both elements are integral to our commitment to strengthening the Group's position and stature as a leading global leisure and entertainment integrated resort operator. As a result, the Group's efforts have continued to be widely acknowledged through the receipt of a number of awards in 2021.

Corporate Governance

In recognition of our good corporate governance practices, we have received prestigious leadership awards from the business and investment communities. In 2021, Melco International was awarded the "Icon on Corporate Governance" at the Asian ESG Awards by Corporate Governance Asia magazine for the 15th consecutive time. Our Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, was honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for the ninth consecutive time since 2012 and awarded "Asia's Best CEO" at the Asian Excellence Awards for the tenth time in 2021. These

The Group is determined to play an active role in the development of the Greater Bay Area through the Zhongshan development project, and to leverage the Group's incredible expertise on non-gaming activities.

City of Dreams Manila's numerous green initiatives are focused on renewable energy and further energy efficiency initiatives and is the first integrated resort in the Philippines to install solar panels.

awards further substantiate our determination to adopt the best corporate governance practices throughout our business operations, as well as the Group's unwavering commitment to ensuring accountability, fairness and transparency in our relationships with all stakeholders.

We recognize that colleagues are integral to our success and, therefore, place great importance on their professional and personal development. Our efforts were acknowledged by HR Asia magazine, with Melco Resorts chosen as one of the "Best Companies to Work for in Asia" for the third consecutive year in 2021 and honoured as the recipient of the WeCare™ "HR Asia Most Caring Companies Award 2021", highlighting the Group's commitment to creating a positive, rewarding and compassionate workplace for the employees.

Corporate Social Responsibility

The Group has continued to place great emphasis on ensuring we have a positive impact on local communities.

Shortly after the onset of COVID, Group Chairman and Chief Executive Officer Mr. Lawrence Ho deployed the Group's workforce en masse to support the local community during work hours, encouraging all colleagues to care for the community through Simple Acts of Kindness. In 2021, over 16,000 colleague participants have taken part in volunteering. Our proactive and innovative corporate social responsibility volunteerism initiatives have been recognized by the Association of Volunteers Social Service Macao ("AVSM") and was named "Outstanding Corporate for Volunteerism" at AVSM's award ceremony.

In order to safeguard our colleagues, guests and the wider community, the Group is supporting government efforts for widespread vaccination. We launched the "Get the Jab" immunity incentive program at a cost of nearly MOP16 million, with the aim of encouraging colleagues to get inoculated. In addition to paid vaccine leave, special paid leave (up to three days) are granted for colleagues to support their children under 18 years of age and elderly parents who need to be accompanied to get their vaccinations. Health seminars were organized to promote the benefits of vaccination and to answer colleagues' queries, and several onsite outreach vaccination sessions were hosted in coordination with the Macau Health Bureau, at which colleagues, family and friends were provided with vaccines to protect against COVID.

Responsible gaming continues to be at the core of the Group's commitment to society, and we are committed to the development and maintenance of a culture of responsible gaming in every jurisdiction in which we operate, thereby respecting and fully cooperating with international government and gaming regulators. The Group has become the first and only integrated resort operator in the world to be recognized by RG Check in all its jurisdictions of operations, with its entire integrated resort portfolio, including Altira Macau, City of Dreams, Studio City, City of Dreams Manila and Cyprus' C2 receiving certifications. Created by the Responsible Gambling Council, RG Check is the most thorough and exacting responsible gaming accreditation in the world headed by an independent panel of experts.

Three Michelin-starred Jade Dragon showcases exquisite culinary masterpieces created with the freshest seasonal ingredients and delectable delicacies. With spectacular designer décor and superlative personalized service, Jade Dragon sets the benchmark for fine dining in Macau.

Offering gastronomy that pays homage to the great traditions and savoir-faire of French cuisine, Alain Ducasse at Morpheus has been honoured two Michelin-stars for the fourth consecutive year in 2022.

The Group's unwavering commitment to corporate social responsibiliy and ensuring a positive social impact has continued to earn recognition from the industry. In 2021, Melco International was awarded the "15 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service.

Business Operations

The Group remains dedicated to providing guests with unique and superior hospitality experiences through a combination of creativity and innovation.

The Group was delighted to receive a total of 97 stars from the FTG in 2021, including 17 Five-Star awards, putting it in first place among Macau and Asia's integrated resort operators, with the Group's entire integrated resort portfolio having received top awards. The 2021 FTG Awards mark Altira Macau's 12th consecutive year as a FTG Five-Star award recipient in the Hotel and Spa categories.

The Group operates an array of exceptional fine-dining restaurants across our portfolio of integrated resorts. The Group has been honoured by Michelin Guide Hong Kong Macau 2022 with seven Michelin stars awarded across four of our signature restaurants located in City of Dreams, Studio City and Altira Macau. The achievement establishes the Group as one of Macau's integrated resort operators with the highest number of Michelin stars. Cantonese fine dining restaurant Jade Dragon has received three Michelin stars for three consecutive years, while Alain Ducasse at Morpheus, a French cuisine offering gastronomy that pays homage to the great traditions and savoir-faire, has been awarded two Michelin stars for the fourth consecutive year.

The Group is committed to providing world-leading hospitality experiences to our guests and underpinning this in our exemplary food hygiene standards. These great efforts in food safety and quality have been further recognized in 2021, with Studio City achieving the Hazard Analysis Critical Control Point (HACCP) food safety certification. Following this achievement, the Group's entire integrated resort portfolio in Macau now has this internationally recognized certification.

Environmental Sustainability

The Group's commitment to being a force for good across all of our integrated resorts globally has been further enforced by the introduction of the "Above & Beyond" strategy, which sets out our sustainability goals and targets, including becoming carbon neutral and achieving zero waste by 2030. The influence of these goals extends beyond the boundaries of the Group's business, inspiring guests to participate in the creation of a better, more sustainable future for all. This sustainability strategy has been celebrated by the Pacific Asia Travel Association ("PATA") through its PATA Gold Awards 2021 as the winner of the "Climate Change Initiative" category and the Group was also named "Sustainable Resort of the Year" by the International Gaming Awards 2021.

During the year, the Group has devoted substantial efforts to sustainability with a focus on energy and waste reduction. To highlight some of these achievements, the Group's ongoing efficiency measures have accumulated annual savings of 53,579 MWh in Macau alone, equivalent to the electricity consumption of approximately 6,897 households per year. Our commitment to the Global Tourism Plastics Initiative led by the UN Environment Program and the World Tourism Organization in collaboration with the Ellen MacArthur Foundation has seen us replace single use plastic bottles in guest rooms and restaurants with the NORDAQ water filtration and bottling system. We will gradually eliminate an estimated 14.8 million plastic bottles annually in Macau alone. By replacing food and beverage containers with biodegradable and sustainable alternatives, we can avoid the use and wastage of approximately 9.5 tonnes of single-use plastic per year.

The Group's commitment to sustainability was further highlighted when Studio City Phase 2 received the "Regional Award, Asia" at the 2021 BREEAM Awards in recognition of the sustainability related measures implemented during the project, as well as its contribution to the Group's carbon neutral and zero waste goals. The Group also currently holds "Excellent" ratings from BREEAM for the design of both Studio City Phase 2 in Macau and City of Dreams Mediterranean in Cyprus, showcasing our dedication to the environment and sustainability measures during the design process.

In addition, Nüwa Manila, Nobu Hotel and Hyatt Regency Manila, City of Dreams Manila were recognized with the 2022-2024 ASEAN Green Hotel Award in the ASEAN Tourism Forum, honouring our commitment to the highest standards of sustainable operations and corporate social responsibility initiatives.

FINANCIAL REVIEW

Results	2021	2020	YoY%
HK$' million			
Net revenues	15,638.8	13,424.4	16.5%
Adjusted EBITDA	1,544.5	(1,198.2)	228.9%
Loss attributable to owners of the Company	(3,809.0)	(6,339.9)	39.9%
Basic loss per share attributable to owners of the Company (HK$)	(2.52)	(4.19)	39.9%

Financial Position	2021	2020	YoY%
HK$' million			
Total assets	94,193.3	95,534.7	–1.4%
Total liabilities	71,725.3	64,757.4	10.8%
Equity attributable to owners of the Company	6,862.7	10,764.2	–36.2%
Net asset value per share attributable to owners of the Company (HK$)	4.5	7.1	–36.3%
Gearing ratio (%)	61.4%	53.0%	N/A

Net Revenues

Net revenues of the Group increased by 16.5% from HK$13.42 billion for the year ended 31 December 2020 to HK$15.64 billion for the year ended 31 December 2021. The increase in net revenues was mainly attributable to improved performance in our casino and hospitality operations primarily as a result of the year-over-year increase in inbound tourism in Macau.

	2021	2020	YoY%
HK$' million			
Casino revenue	13,030.4	11,417.8	14.1%
Entertainment and resort facilities:			
Rooms	1,224.6	842.6	45.3%
Catering service income	759.3	581.3	30.6%
Entertainment, retail and other	618.8	576.1	7.4%
Property rental income	5.7	6.0	–4.8%
Others	–	0.6	–100.0%
	15,638.8	13,424.4	16.5%

Adjusted EBITDA [1]

The Company generated Adjusted EBITDA of HK$1.54 billion for the year ended 31 December 2021, compared to negative Adjusted EBITDA of HK$1.20 billion for the year ended 31 December 2020. The change in Adjusted EBITDA was mainly attributable to improved performance in our casino and hospitality operations primarily as a result of the year-over-year increase in inbound tourism in Macau in the year ended 31 December 2021, as well as lower operating costs as a result of our cost containment efforts.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$3.81 billion for the year ended 31 December 2021, compared to loss attributable to owners of the Company of HK$6.34 billion for the year ended 31 December 2020. The change was mainly attributable to improved performance in our casino and hospitality operations and lower operating costs as a result of our costs containment efforts, as well as fair value gains on other financial assets in the year ended 31 December 2021 as compared to fair value losses on other financial assets in the year ended 31 December 2020.

Basic Loss Per Share Attributable to Owners of the Company

Basic loss per share attributable to owners of the Company was HK$2.52 per share for the year ended 31 December 2021, compared to basic loss per share attributable to owners of the Company of HK$4.19 per share for the year ended 31 December 2020.

Financial and Operational Performance

Melco Resorts, a majority-owned subsidiary of the Group as at 31 December 2021, contributed the majority of the financial results of the Group.

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 total operating revenues of US$2.01 billion for the year ended 31 December 2021 versus US$1.73 billion for the year ended 31 December 2020. The increase in total operating revenues was primarily attributable to improved performances in the mass market table games and gaming machine segments as well as higher non-gaming revenues, partially offset by softer performance in the rolling chip segment.

The operating loss for 2021 was US$577.5 million, compared with an operating loss of US$940.6 million for 2020.

Melco Resorts generated Adjusted Property EBITDA[2] of US$235.1 million for the year ended 31 December 2021, compared with negative Adjusted Property EBITDA of US$104.3 million for the same period in 2020.

Net loss attributable to the financial performance of Melco Resorts for 2021 was US$811.8 million, compared with a net loss attributable to the financial performance of Melco Resorts of US$1.26 billion for 2020.

(1) Adjusted EBITDA is the profit/loss for the year before interest, income tax, depreciation and amortization, share-based compensation expenses, pre-opening costs, development costs, property charges and other, payments to the Philippine Parties, corporate expenses, other non-operating income and expenses, share of profits and losses of a joint venture and share of profits and losses of associates. 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 net income/loss 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, 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 our operating performance with that of our 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 2021, total operating revenues at City of Dreams were US$1,146.9 million, compared to US$985.6 million in 2020. City of Dreams generated Adjusted Property EBITDA of US$202.0 million in 2021, compared with negative Adjusted Property EBITDA of US$1.3 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
VIP Gaming			
Rolling chip volume	14,596.8	15,698.8	–7.0%
Win rate	2.54%	4.21%	N/A
Mass Market			
Table drop	2,846.3	1,441.4	97.5%
Hold percentage	30.8%	32.1%	N/A
Gaming Machine			
Handle	1,803.6	1,170.9	54.0%
Win rate	3.3%	3.4%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2021 was US$180.4 million, compared with US$125.9 million in 2020.

Group Chairman and CEO Mr. Lawrence Ho has deployed the Group's workforce en masse to support the local community during work hours through Simple Acts of Kindness. Over 16,000 colleague participants have taken part in volunteering in 2021.

Nearly 1,000 colleagues joined hands in a scarf knitting project to bring extra warmth to the local community for Christmas as part of the Group's Simple Acts of Kindness initiative.

Altira Macau

For the year ended 31 December 2021, total operating revenues at Altira Macau were US$56.2 million, compared to US$108.9 million in 2020. Altira Macau generated negative Adjusted Property EBITDA of US$54.0 million in 2021, compared with negative Adjusted Property EBITDA of US$58.8 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
VIP Gaming			
Rolling chip volume	1,962.3	3,035.1	–35.3%
Win rate	1.61%	4.11%	N/A
Mass Market			
Table drop	159.2	143.1	11.3%
Hold percentage	24.5%	23.2%	N/A
Gaming Machine			
Handle	235.3	181.6	29.6%
Win rate	3.8%	3.2%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau in 2021 was US$10.4 million, compared with US$10.3 million in 2020.

Mocha Clubs

Total operating revenues from Mocha Clubs were US$85.0 million in 2021, compared to US$65.3 million in 2020. Mocha Clubs generated Adjusted Property EBITDA of US$17.1 million in 2021, compared with Adjusted Property EBITDA of US$3.6 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
Gaming Machine			
Handle	1,932.9	1,460.9	32.3%
Win rate	4.4%	4.5%	N/A

Studio City

For the year ended 31 December 2021, total operating revenues at Studio City were US$372.3 million, compared to US$266.5 million in 2020. Studio City generated negative Adjusted Property EBITDA of US$20.5 million in 2021, compared with negative Adjusted Property EBITDA of US$79.0 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
VIP Gaming			
Rolling chip volume	1,837.9	2,206.7	–16.7%
Win rate	2.00%	2.28%	N/A
Mass Market			
Table drop	1,132.9	728.3	55.6%
Hold percentage	27.7%	26.6%	N/A
Gaming Machine			
Handle	1,111.6	735.7	51.1%
Win rate	2.7%	2.8%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2021 was US$78.6 million, compared with US$59.9 million in 2020.

The Group continues to support the government's efforts to build herd immunity. Onsite outreach vaccination sessions in coordination with Macau Health Bureau were hosted to help colleagues and the community receive their first, second and third booster shots.

The Group's "Splendors of China Passport" program comprises a series of holistic training with the primary objectives of creating national pride and enhancing national knowledge among colleagues and the community.

City of Dreams Manila

For the year ended 31 December 2021, total operating revenues at City of Dreams Manila were US$268.6 million, compared to US$224.7 million in 2020. City of Dreams Manila generated Adjusted Property EBITDA of US$89.0 million in 2021, compared with Adjusted Property EBITDA of US$29.0 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
VIP Gaming			
Rolling chip volume	775.7	2,107.9	–63.2%
Win rate	4.83%	3.34%	N/A
Mass Market			
Table drop	364.6	327.7	11.3%
Hold percentage	32.4%	33.1%	N/A
Gaming Machine			
Handle	2,312.8	1,709.7	35.3%
Win rate	5.5%	4.7%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2021 was US$57.3 million, compared with US$50.1 million in 2020.

Cyprus Operations

For the year ended 31 December 2021, total operating revenues at Cyprus Operations were US$52.6 million, compared to US$51.0 million in 2020. Cyprus Operations generated Adjusted Property EBITDA of US$1.6 million in 2021, compared with Adjusted Property EBITDA of US$2.3 million in 2020.

Gaming Performance US$'million	2021	2020	YoY%
VIP Gaming			
Rolling chip volume	5.6	0.3	1,690.1%
Win rate	9.09%	–28.07%	N/A
Mass Market			
Table drop	76.2	62.8	21.4%
Hold percentage	18.0%	19.6%	N/A
Gaming Machine			
Handle	782.7	764.2	2.4%
Win rate	5.0%	5.1%	N/A

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 2021, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$13,452.4 million (2020: HK$13,860.8 million).

As at 31 December 2021, the Group had a total available and unutilized borrowing capacity of HK$13.38 billion (2020: HK$13.70 billion), subject to satisfaction of certain conditions precedent.

In March 2022, the Group's non-wholly owned subsidiary, Studio City International Holdings Limited completed a US$300.0 million (equivalent to approximately HK$2.34 billion) private placement. The net proceeds from this private placement were approximately US$299.2 million (equivalent to approximately HK$2.33 billion), out of which approximately US$134.9 million (equivalent to approximately HK$1.05 billion) was from shareholders outside the Group.

Major changes in our indebtedness during the year ended and subsequent to 31 December 2021 are summarized below.

On 14 January 2021, the Group issued US$750.0 million (equivalent to approximately HK$5.82 billion) in aggregate principal amount of 5.00% senior notes due 2029 at an issue price of 100% of the principal amount (the "First 2029 Senior Notes"). The net proceeds from the offering of the First 2029 Senior Notes were used to (i) fund the conditional cash tender offer announced by the Group on 4 January 2021 to purchase any and all of its outstanding US$600.0 million (equivalent to approximately HK$4.65 billion) 7.25% senior notes due 2024 (the "2024 Senior Notes") plus accrued and unpaid interest, out of which US$347.1 million (equivalent to approximately HK$2.69 billion) aggregate principal amount of the 2024 Senior Notes were tendered; (ii) fully redeem the remaining 2024 Senior Notes following the completion of the conditional cash tender offer as mentioned above, in aggregate principal amount of US$252.9 million (equivalent to approximately HK$1.96 billion) plus accrued and unpaid interest on 17 February 2021; and (iii) with the remaining balance to partially fund capital expenditures of the remaining development project of Studio City and for general corporate purposes.

On 21 January 2021, the Group issued US$250.0 million (equivalent to approximately HK$1.94 billion) in aggregate principal amount of 5.375% senior notes due 2029 at an issue price of 103.25% of the principal amount (the "Additional 2029 Senior Notes") which have been consolidated and form a single series with the US$900.0 million (equivalent to approximately HK$6.98 billion) 5.375% senior notes due 2029 issued in December 2019 (the "2029 Senior Notes"). The net proceeds from the offering of the Additional 2029 Senior Notes were used to repay the outstanding principal amount of HK$1.94 billion drawn under a revolving credit facility of the Group, together with accrued interest and associated costs. On 29 June 2021, the 2029 Senior Notes and the Additional 2029 Senior Notes, which were originally listed on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX"), were also listed on the Chongwa (Macao) Financial Asset Exchange Co., Limited.

On 15 March 2021, the Group amended the terms of a senior secured credit facilities agreement, including the extension of the maturity date for a term loan facility of HK$1.0 million and a revolving credit facility of HK$233.0 million from 30 November 2021 to 15 January 2028 (the "Extended Maturity Date"). The term loan facility shall be repaid at the Extended Maturity Date with no interim amortization payments. The revolving credit facility is available up to the date that is one month prior to the Extended Maturity Date. Changes have also been made to the covenants in order to align them with those of certain other financings of the Group, including amending the threshold sizes and measurement dates of the covenants.

On 20 May 2021, the Group issued an additional US$350.0 million (equivalent to approximately HK$2.72 billion) in aggregate principal amount of the First 2029 Senior Notes at an issue price of 101.50% of the principal amount (the "Additional First 2029 Senior Notes"). The net proceeds from the offering of the Additional First 2029 Senior Notes were used to partially fund capital expenditures for the remaining development project of Studio City and for general corporate purposes. The Additional First 2029 Senior Notes were consolidated and form a single series with the First 2029 Senior Notes. Certain subsidiaries of the Group and other future restricted subsidiaries as defined in the First 2029 Senior Notes and the Additional First 2029 Senior Notes are guarantors to guarantee the indebtedness under the First 2029 Senior Notes and the Additional First 2029 Senior Notes. On 26 July 2021, the First 2029 Senior Notes and the Additional First 2029 Senior Notes, which were originally listed on the SGX, were also listed on the Chongwa (Macao) Financial Asset Exchange Co., Limited.

On 7 June 2021, the Group entered into a US$1.0 billion 5-year secured credit facility agreement (the "2021 Credit Facilities") to fully refinance the existing credit facility (the "2017 Credit Facilities"). The 2021 Credit Facilities consist of a term loan facility of US$688.0 million (equivalent to approximately HK$5.34 billion) and a revolving credit facility of US$312.0 million (equivalent to approximately HK$2.42 billion).

On 15 June 2021, the Group drew down US$688.0 million (equivalent to approximately HK$5.34 billion) from the term loan facility and US$177.0 million (equivalent to approximately HK$1.37 billion) from the revolving credit facility under the 2021 Credit Facilities, together with cash on hand, to fully prepay the outstanding loan principal amount under the 2017 Credit Facilities of US$865.0 million (equivalent to approximately HK$6.72 billion) and the accrued interest and associated costs.

On 1 December 2021, the Group drew down HK$1.17 billion and, on 15 December 2021, drew down HK$1.95 billion under a revolving credit facility.

On 16 February 2022, the Group issued US$350.0 million (equivalent to approximately HK$2.73 billion) in aggregate principal amount of 7.00% senior secured notes due 2027.

On 23 February 2022, the Group drew down US$170.0 million (equivalent to approximately HK$1.33 billion) under a revolving credit facility to fund the private placement of Studio City International Holdings Limited.

The availability period of an unsecured credit facility amounted to Philippine Peso2.35 billion (equivalent to approximately HK$360.9 million) was extended from 31 January 2021 to 31 January 2022 during the year ended 31 December 2021, and was further extended to 1 May 2022 in January 2022, on substantially similar terms as before.

For further details of our indebtedness, please refer to note 35 to the consolidated financial statements contained herein, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the change on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances.

Gearing Ratio

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was 61.4% as at 31 December 2021 (2020: 53.0%).

Pledges of assets

As at 31 December 2021, borrowings amounting to HK$6,608.3 million (2020: HK$6,680.6 million) were secured by the following assets of the Group:

(i) certain property, plant and equipment;

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

(iii) certain bank deposits;

(iv) receivables and other assets including certain inter-group loans; and

(v) issued shares of certain subsidiaries of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2021.

FINANCIAL RISK

Foreign exchange risk

The Group's principal operations are primarily conducted and recorded in Hong Kong dollars ("HK$"), Macau Patacas ("MOP"), United States dollars ("US$"), Philippine Pesos ("Peso") and Euros ("Eur"). 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$, while operating expenses are denominated predominantly in MOP, HK$, Peso and Eur. 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, receivables and deposits for its operations which are denominated in foreign currencies, such as Peso, Eur and Renminbi ("RMB"), 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 hedging transactions with respect to foreign exchange exposures of revenues and expenses in the day-to-day operations during the period under review. Instead, the Group maintains a certain amount of its 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 its financing transactions and capital expenditure programs.

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carry interest at 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.

Equity price risk

The Group is exposed to equity price risk through its investments in marketable equity securities. The Group does not engage in hedging transactions with respect to equity price exposures. The Group attempts to manage equity price risk by managing its portfolio of investments.

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 in the future should it be deemed appropriate.

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 17,897 as of 31 December 2021 (2020: 19,769). Among these employees, 225 are located in Hong Kong and the remaining 17,672 are located in Macau, the Philippines, Cyprus, the PRC, Japan, and Taiwan. The related staff costs for the year ended 31 December 2021, including directors' emoluments and share-based compensation expenses amounted to HK$5,562.7 million (2020: HK$5,921.4 million).

The "Adopt a Micro-Enterprise" program is developed to support local micro-enterprises and youth entrepreneurs, as a platform to contribute and provide knowledge and skillsets by leveraging the Group's expertise through colleagues from various disciplines and professions.

The Group co-organized the "2021 Guangdong Hong Kong Macau Greater Bay Area Integrated Resort Sustainability Business Case Study Competition – 'Start Young' Hospitality Management Professional Challenge" with the University of Macau to reinforce the value of sustainability for youth.

Human Resources

Melco International believes that the key to success lies in its people. The Group strives to create environments of care and trust that make employees proud to be part of them. As an equal opportunity employer, the Company believes that building a stable workforce and cultivating a harmonious workplace start with embracing diversity. Equal opportunities are ensured in every area, including compensation, benefits, recruitment, promotion, transfer, training opportunities and development. The Group believes, through growing our business, we will be able to create opportunities and deliver value to our people. Thus, the Group encourages its employees to do their best at work and grow with the Group. The Company builds employees' loyalty through recognition, involvement and participation. The Company's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to our success.

Recruitment

The Company recruits talented people with the necessary professional competencies, desirable personal qualities and commitments to the Group. The Group hires the right people to shape its future. We identify and validate talent through different recruitment exercises and regularly review our recruitment policies and assessment criteria.

Performance and Rewards

The Company seeks and appreciates high performance. Our reward principle is primarily performance based, and we reward our people competitively and based on their job responsibilities, performances and contributions to the Group's development as well as their professional and managerial competencies.

Training and Development

The Company 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 our training programmes 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 45)

Executive Director (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, 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 and Europe. He is also a director of Studio City International Holdings Limited, a company listed on the New York Stock Exchange in the United States. He is also the chairman and director of Maple Peak Investments Inc., a company listed on the TSX Venture Exchange in Canada.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also 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 the All-China Federation of Industry and Commerce; 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; a member of the Asia International Leadership Council; 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 honoured 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 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", organised by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine. In 2008, he was granted the "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China. 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. He was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015 and was awarded the "Outstanding Individual Award" at the Industry Community Awards in 2020. Mr. Ho has been honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for nine consecutive times since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the tenth time in 2021.

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 47)
Executive Director (President and Managing Director)

Mr. Winkler joined the Company as Managing Director in August 2016 and in May 2018, he assumed the role of President and Managing Director of the Company. Mr. Winkler is also a member of the Executive Committee, Regulatory Compliance Committee and Finance Committee and a director of various subsidiaries of the Company. He is currently a director and president of Melco Resorts & Entertainment Limited, a company listed on the Nasdaq Global Select Market in the United States, and a director of Studio City International Holdings Limited, a company listed on the New York Stock Exchange 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 holds a bachelor's degree in Economics from the University of Chicago.

Mr. CHUNG Yuk Man, Clarence (aged 59)
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 various subsidiaries of the Company. He is currently a director of Melco Resorts & Entertainment Limited, a company listed on the Nasdaq Global Select Market in the United States, and a director of Studio City International Holdings Limited, a company listed on the New York Stock Exchange and the chairman and president of Melco Resorts and Entertainment (Philippines) Corporation, a subsidiary of the Company. Mr. Chung has more than 30 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's 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's 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. He is also a member of Conselho para o Desenvolvimento Turístico (Tourism Development Committee) and Conselho para as Indústrias Culturais (Committee of Cultural Industries) in Macau.

Mr. NG Ching Wo (aged 71)
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 partner of King & Wood Mallesons. Mr. Ng received his LL.B. degree in 1980 from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta, Canada in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong in 1986 and 1987, respectively. Mr. Ng's practice focused primarily in the areas of cross-border, transactional, corporate and commercial work and he has extensive experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, international tax planning, large-scale international joint ventures and technology transfers.

Mr. John William CRAWFORD, J.P. (aged 79)
Independent Non-executive Director

Mr. Crawford has been an Independent Non-executive Director of the Company since September 2019. He is also the chairman of both the Audit Committee and Nomination Committee and a member of the Corporate Governance Committee of the Company. He is currently an independent non-executive director and the chairman of the audit and risk committee and a member of certain board committees of Melco Resorts & Entertainment Limited, a listed subsidiary of the Company having its American depositary shares listed on the Nasdaq Global Select Market in the United States, and an independent non-executive director and chairman of the audit committee of Regal Portfolio Management Limited/Regal REIT, a company listed on the Hong Kong Stock Exchange. Mr. Crawford previously served as an independent director and the chairman of the audit and risk committee of Melco Resorts and Entertainment (Philippines) Corporation (a subsidiary of the Company), an independent non-executive director of Entertainment Gaming Asia Inc. (a subsidiary of the Company), E-Kong Group Limited and other companies publicly listed in Hong Kong.

Mr. Crawford was one of the founders of Ernst & Young, Hong Kong office and vice-chairman of the firm when he retired at the end of 1997. During his 25 years in public practice, he was also the chairman of the audit division of Ernst & Young and was active in a number of large private and public company takeover and/or restructuring exercises. He has continued to undertake consultancy/advisory work in a private capacity since retirement, is active in the education sector and is the chairman of International Quality Education Limited. He also has been active in various community service areas such as having been a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, he was appointed as a Justice of the Peace in Hong Kong.

Mr. Crawford is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants and a life member of the Ontario Institute of Chartered Accountants.

Mr. TSUI Che Yin, Frank (aged 64)
Independent Non-executive Director

Mr. Tsui was re-designated as an Independent Non-executive Director in July 2020. Before his re-designation, Mr. Tsui served as an Executive Director from November 2001 to June 2017 and a Non-executive Director from July 2017 to June 2020. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently 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 a non-executive director of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange and a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada. 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.

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.

Ms. Karuna Evelyne SHINSHO (aged 54)

Independent Non-executive Director

Ms. Shinsho has been an Independent Non-executive Director of the Company since August 2018. She is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. Ms. Shinsho has extensive experience in the media industry in Japan, USA, Singapore and Hong Kong. From 1989 to 2001, she worked for NHK Television, Japan and New York, Asia Business News, Singapore and CNN International, Hong Kong, then in 2004 for Australian Broadcasting Corporation, Singapore, as an anchor and/or reporter. She was named "Highly Commended News Presenter/Anchor" at the Asian TV Awards in 1999.

Ms. Shinsho obtained a Master of Arts degree in International Affairs with a regional concentration in East Asia from the School of International and Public Affairs, Columbia University in New York and a Bachelor of Arts degree (cum laude) in Political Science from the Institute of Comparative Culture, Sophia University in Japan.

SENIOR MANAGEMENT

Mr. Geoffrey Stuart DAVIS, CFA (aged 53)

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 is also a director of a number of subsidiaries of the Company. He is currently an Executive Vice President and Chief Financial Officer of Melco Resorts & Entertainment Limited ("Melco Resorts"), a company listed on the Nasdaq Global Select Market in the United States and a Director and Chief Financial Officer of Studio City International Holdings Limited, a company listed on the New York Stock Exchange in the United States. 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 positions at Hilton Hotels Corporation and Park Place Entertainment. 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 48)

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 is also a director of a number of subsidiaries of the Company. He joined the Group in May 2015. Prior to joining the Group, he was a senior counsel of Hutchison Whampoa Limited (currently CK Hutchison Holdings Limited) and Hutchison Port Holdings Trust, a multinational conglomerate and a business trust listed in Hong Kong and Singapore respectively, and practised law with the Hong Kong office of Linklaters, a leading international law firm. Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with over 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.

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 the enhancement of performance by the Group. We consider good corporate governance forms the core of a well-managed organization.

CORPORATE GOVERNANCE PRACTICES

(a) Company's Corporate Governance Code

The Company has in place 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, and is 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 of conduct expected of all employees. Briefings on the Code of Conduct are held for new employees during orientation sessions.

Whistle-blowing

The Company considers having a 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 Group has formulated procedures for handling complaints and whistle-blowing at the Company and subsidiaries levels. All complaints and whistle-blowing are directed to the Company's Audit Committee Chairman, the Group General Counsel and the Head of Internal Audit (the "Whistle-blowing Committee") concurrently for investigations.

Employees of the Company 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.

During the year, the Whistle-blowing Committee did not receive any complaints or concerns raised by employees.

For our principal subsidiary, Melco Resorts & Entertainment Limited ("Melco Resorts"), its employees can report any wrong-doing via the whistle-blowing hotline managed by an external party. All information reported to the external party is recorded anonymously and all complaints are reviewed by selected independent management members.

Inside information

The Company has in place a policy on disclosure of inside information, which sets out the guidelines to the directors and employees to ensure that inside information across the Group can be promptly identified, assessed and disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations.

(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 2021.

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, 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, President and Managing Director and management.

The duties and powers delegated by the Board to the Chief Executive Officer and matters reserved for decisions by the Board, and the division of responsibilities between the Company's Chairman and Chief Executive Officer, are clearly established and set out in writing.

Composition of the Board

The Board comprises a total of seven Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; one Non-executive Director, Mr. Ng Ching Wo; and three Independent Non-executive Directors ("INEDs"), namely, Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho. The number of INEDs 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, business and media. 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.

The Company has received annual confirmation from all INEDs regarding their independence as required under Rule 3.13 of the Listing Rules.

For Mr. John William Crawford and Mr. Tsui Che Yin, Frank:

(a) Mr. John William Crawford made an annual confirmation of independence under Rule 3.13 of the Listing Rules, save and except for Rule 3.13(7), in view of his holding of other directorships within the Group during the two years before the date of his appointment as an INED.

(b) Mr. Tsui Che Yin, Frank made an annual confirmation of independence under Rule 3.13 of the Listing Rules, save and except for Rule 3.13(7), in view of his acting as a Non-executive Director during the two years before the date of his re-designation as an INED.

The Company had, prior to Mr. Crawford's appointment and Mr. Tsui's re-designation, successfully demonstrated to the satisfaction of the Hong Kong Stock Exchange that each of Mr. Crawford and Mr. Tsui is qualified to serve as an INED and is independent for the purposes of Rule 3.13 of the Listing Rules and the reasons are set out in the Company's announcements dated 13 September 2019 and 2 July 2020 respectively.

The Company is not aware of any change of circumstances which may affect the independence of any INED and having considered the above is satisfied that all INEDs remain independent in accordance with the Listing Rules.

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.

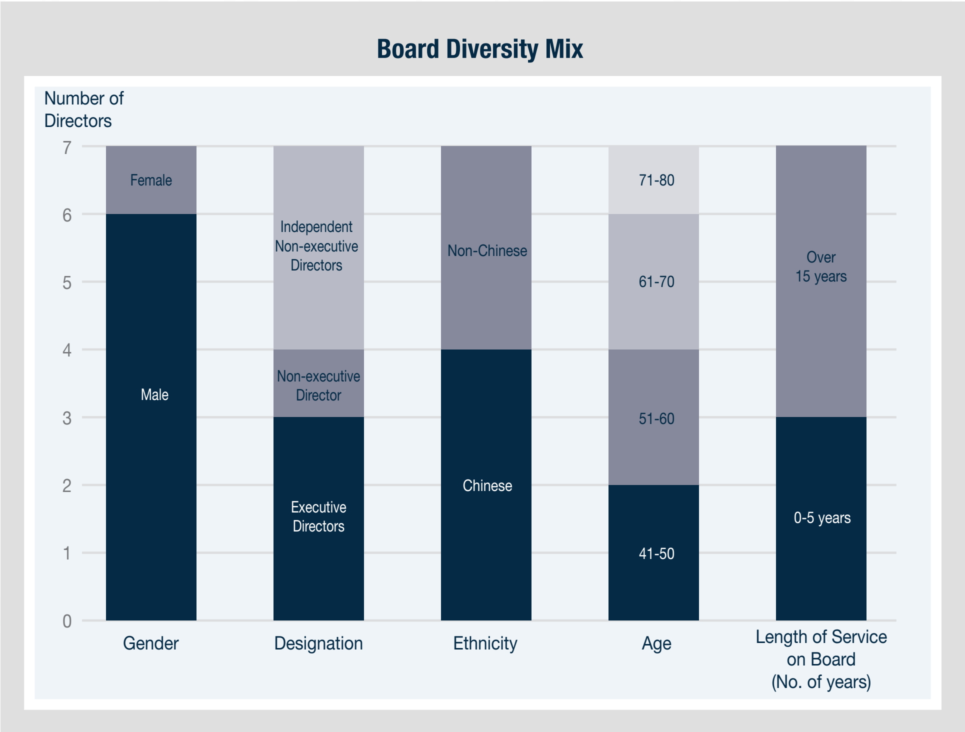
Under the Company's articles of association (the "Articles of Association"), at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Ho, Lawrence Yau Lung, Mr. Ng Ching Wo and Mr. John William Crawford will retire from office by rotation at the forthcoming annual general meeting (the "AGM"). All the retiring Directors, being eligible, have confirmed they will offer themselves for re-election at the AGM. The biographical details of the retiring Directors who will offer themselves for re-election at the AGM will be set out in a circular to assist shareholders to make informed decisions on their re-elections.

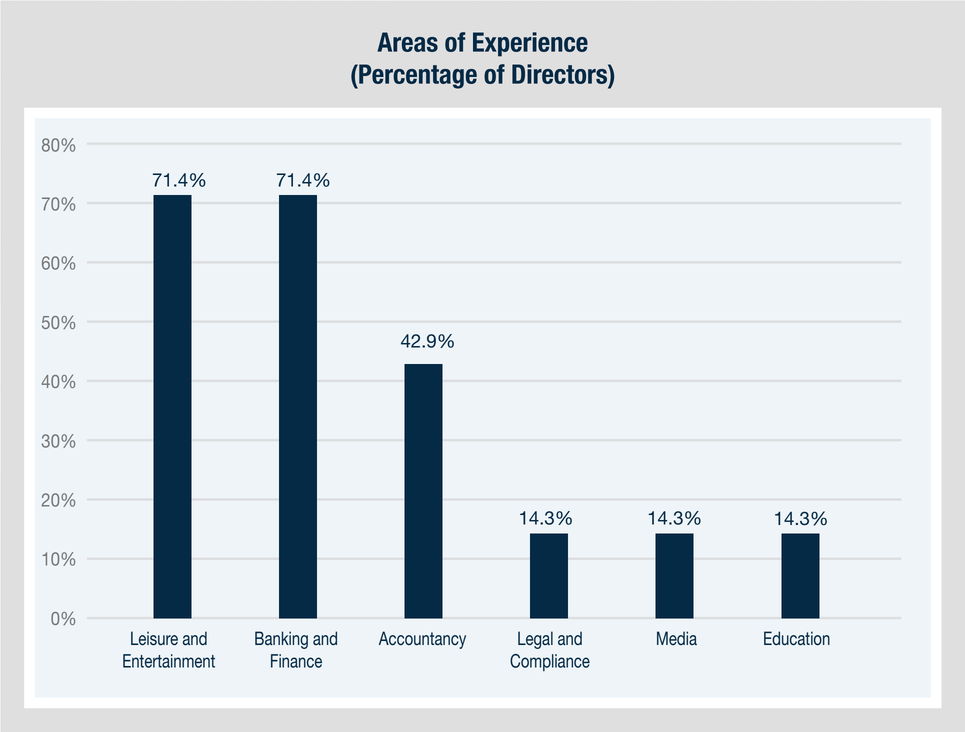
Board Diversity Policy

We believe board diversity enhances decision-making capability, allowing for different perspectives, and that a diverse board has the breadth and depth of skills and experience to steer and oversee the dynamic and emerging business of the Group. We recognize that board diversity is a vital contributing element to the sustainable development and growth of the Group.

The Board adopted a board diversity policy which sets out the approach by the Company to achieve diversity on the Board, through consideration of a number of measurable objectives including age, gender, cultural and educational backgrounds, ethnicity, professional experience, skills and knowledge. Under this policy, 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 the board diversity policy, making recommendations on measurable objectives for achieving diversity of the Board as appropriate and reports annually on the Board appointment process in the Corporate Governance Report.

The diversity mix of the Board at the date of this report is summarized in the following charts:





Directors' Training

The Company Secretary is responsible for keeping Directors informed of changes in laws and regulations and organizing continuing development programmes. Every Director receives a comprehensive orientation package on appointment.

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company invited an external expert consultant to provide a training session to our Directors on the topic of "New HKEX enforcement policy and beyond", which included a particular focus on directors' duties, environmental, social and governance ("ESG") trends and regulatory enforcement updates. From time to time, the Company Secretary provides the Directors with information on external training courses and updates on latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. A summary of training received by Directors during the year of 2021 is set out below:

Board Meetings

The Directors met six times during the year of 2021. In addition, the Chairman met the INEDs once without the presence of other Directors. Such meeting provides an effective forum for the Chairman to listen to the views of the INEDs on issues including corporate governance, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

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.

	Type of Continuous Professional Development	
	Attending seminars/ workshops/ conferences relevant to the business of the Company or directors' duties	**Reading regulatory updates**
Executive Directors		
Mr. Ho, Lawrence Yau Lung	✓	✓
Mr. Evan Andrew Winkler	✓	✓
Mr. Chung Yuk Man, Clarence	✓	✓
Non-executive Director		
Mr. Ng Ching Wo	✓	✓
Independent Non-executive Directors		
Mr. John William Crawford	✓	✓
Mr. Tsui Che Yin, Frank	✓	✓
Ms. Karuna Evelyne Shinsho	✓	✓

Board and Board Committee Attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2021 are as follows:

	No. of meetings attended/held					
Name of Director	**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	6/6	–	–	–	–	1/1
Mr. Evan Andrew Winkler	6/6	–	–	–	–	1/1
Mr. Chung Yuk Man, Clarence	6/6	–	–	–	–	1/1
Non-executive Director						
Mr. Ng Ching Wo	6/6	2/2	3/3	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. John William Crawford	6/6	2/2	–	1/1	1/1	1/1
Mr. Tsui Che Yin, Frank	6/6	2/2	3/3	–	–	1/1
Ms. Karuna Evelyne Shinsho	6/6	–	3/3	1/1	1/1	1/1
Average Attendance Rate	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Procedure to Enable Directors' Seeking 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.

Securities Dealings by Directors and Employees

The Company has a code for dealing in the Company's securities by the 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. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2021.

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 2021, no claims under the insurance policy were made.

DELEGATION BY THE BOARD

Management Functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and 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 decisions of the full Board and which can be delegated by the Board to the Chief Executive Officer.

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

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

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various committees, which review and make recommendations to the Board on specific areas. Chairmen and members of the committees are set out in the section headed "Corporate Information" on pages 223 and 224 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 also 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 operates as a general management committee under the direct authority of the Board to oversee the implementation of the Group's strategic objectives and risk management policy and the Group's business and operations. During the year, the committee met thirteen times to discuss the Company's business, new projects and makes decisions on matters relating to the management and operations of the Group.

(2) Audit Committee

The Audit Committee is made up of two INEDs, Mr. John William Crawford (chairman of the committee) and Mr. Tsui Che Yin, Frank, and a Non-executive Director, Mr. Ng Ching Wo.

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) oversee the financial reporting system, risk management and internal control 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 committee met two times during the year and a summary of work done is set out below:

(a) reviewed the annual financial results of 2020 and interim financial results of 2021;

(b) reviewed and approved the 2020 annual report and 2021 interim report;

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

(d) reviewed management's report on accounting and reporting and tax compliance;

(e) reviewed the effectiveness of the internal control systems of the Group;

(f) approved the internal audit plan for 2021;

(g) reviewed the related party transactions, connected transactions and intercompany transactions;

(h) reviewed the risk management report; and

(i) approved the external auditor's remuneration and terms of engagement for 2021.

(3) Nomination Committee

The Nomination Committee is made up of two INEDs, Mr. John William Crawford (chairman of the committee) and Ms. Karuna Evelyne Shinsho and a Non-executive Director, Mr. Ng Ching Wo.

The committee reviews the Board's size and composition and advises the Board on re-election of Directors. It met once during the year and a summary of work done is set out below:

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

(b) assessed the independence of INEDs;

(c) reviewed the Nomination Policy; and

(d) nominated Board candidates to stand for re-election by shareholders at the Company's 2021 annual general meeting.

The Company has in place a Nomination Policy which sets out the criteria and process for the nomination and appointment of Directors. The criteria to select candidates for directorship include the candidates' age, skills, competence, experience, expertise, professional and educational qualifications, background and personal qualities, whether the candidate can devote sufficient time and commitment to carry out his/her duties, any potential conflict of interests of the candidate, independence of the candidate (for appointment of INEDs only) and other factors that the Nomination Committee considers appropriate in assessing the candidate. Nominations of new Directors will be made by the Nomination Committee in accordance with the Nomination Policy, with due regard to the Board Diversity Policy, and are subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidates.

For re-election of retiring Directors, the Nomination Committee reviews the profile, meeting attendance and time commitment for performance of responsibilities of the retiring Directors and determines whether they are suitable to stand for re-election as Directors at the AGM.

(4) Remuneration Committee

The Remuneration Committee is made up of two INEDs, Mr. Tsui Che Yin, Frank (chairman of the committee) and Ms. Karuna Evelyne Shinsho, and a Non-executive Director, Mr. Ng Ching Wo.

The Company has a Remuneration Policy in place. 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 performances. Details of emoluments of the Directors, Chief Executive and senior management are set out in notes 12 and 46(a) to the consolidated financial statements.

The committee formulates the Remuneration Policy for Executive Directors and senior management and determines the remuneration packages of Executive Directors and senior management as well as guidelines on salary revisions and bonus distributions to the Group's employees (other than the employees of Melco Resorts and its subsidiaries). It met three times during the year and a summary of work done is set out below:

(a) reviewed and recommended to the Board the remuneration of Non-executive and INEDs;

(b) reviewed and recommended to the Board new compensation arrangement for the Chairman and Chief Executive Officer of the Company;

(c) reviewed and approved management's proposals on remuneration of and compensations to Executive Directors and senior management after assessing their performance;

(d) considered and recommended to the Board on grants of share awards and share options to Directors and employees of the Group; and

(e) reviewed and proposed amendments to the terms of reference of the Remuneration Committee.

During the year, the Remuneration Committee reviewed and approved the terms of the new employment agreement and new director agreement entered into between Mr. Ho, Lawrence Yau Lung, Chairman and Chief Executive Officer of the Company and a wholly-owned subsidiary of the Company with respect to Mr. Ho's service as Chief Executive Officer of the Group and a director of a subsidiary of the Company.

The emoluments paid or payable to the senior management for the year ended 31 December 2021 fell within the following bands:

Emolument bands (HK$)	Number of individuals
Below HK$15,000,000	1
HK$15,000,001 – HK$30,000,000	–
HK$30,000,001 – HK$60,000,000	1

(5) Corporate Governance Committee

The Corporate Governance Committee is made up of a Non-executive Director, Mr. Ng Ching Wo (chairman of committee), two INEDs, Mr. John William Crawford and Ms. Karuna Evelyne Shinsho and the Group General Counsel, Mr. Leung Hoi Wai, Vincent (in a non-voting capacity).

The committee assists the Board to perform corporate governance functions. The Board has delegated the following corporate governance duties to the Corporate Governance Committee:

(i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

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

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

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

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

(vi) considering major investigation findings on ESG issues as delegated by the Board or on its own initiative and management's response to such findings; and

(vii) reviewing the ESG governance framework with the ESG taskforce and senior management to ensure the establishment and maintenance of effective and appropriate ESG management systems.

The committee met once during the year and a summary of work done is set out below:

(a) reviewed the Company's compliance with the Company Code and the CG Code;

(b) reviewed the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements;

(c) reviewed the ESG governance framework and ESG management systems;

(d) endorsed the 2020 ESG Report and recommended to the Board for approval; and

(e) reviewed the training and continuous professional development of Directors and senior management.

(6) Finance Committee

The Finance Committee is made up of the Company's Executive Directors, Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence and the Chief Financial Officer, Mr. Geoffrey Stuart Davis (in a non-voting capacity). The Finance Committee holds meetings from time to time to discuss financial matters of the Group. It conducts reviews 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.

(7) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of two Executive Directors, Mr. Ho, Lawrence Yau Lung and Mr. Evan Andrew Winkler and the Group General Counsel, Mr. Leung Hoi Wai, Vincent (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 with applicable laws, regulations and Listing Rules.

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 requirements 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"). These responsibilities include designing, implementing and maintaining the necessary internal control systems, 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 the external auditor are set out in the Independent Auditor's Report on pages 93 to 100 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, 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$1.4 million (2020: HK$1.4 million and HK$1.8 million) respectively. The non-audit services comprise primarily interim review, taxation and advisory services.

In respect of the auditor's remuneration for the audit services paid or payable by the Company and its subsidiaries, respectively, please refer to note 8 to the consolidated financial statements.

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 systems are 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 systems are intended to manage, not eliminate, significant risks in the Group's business environment.

To fulfil this responsibility, the Chairman and Chief Executive Officer is assigned to oversee the implementation of the Group's internal controls and risk management policy (the "Risk Management Policy") and to monitor the business and operations of business units of the Group. The Board also assigned the Audit Committee to oversee the financial reporting systems and the risk management and internal control systems of the Group.

Risk Management System

The Group risk management system combines a top-down strategic view with a bottom-up operational process.

A risk management taskforce has been set up under the Chairman and Chief Executive Officer to assist the Board and the Audit Committee in overseeing the risk management system. The taskforce focuses on the leading and coordination of work during the financial year, including risk identifications, risk assessments, risk recommendations, risk management reporting and the establishment of the risk inventory of the Group based on the results of the risk assessment work performed with the greatest perceived risks through inquiries with key management personnel. The Board also adopted a Risk Management Policy, which provides a risk assessment framework to identify and evaluate the material business risks, operational risks, financial risks and compliance risks.

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

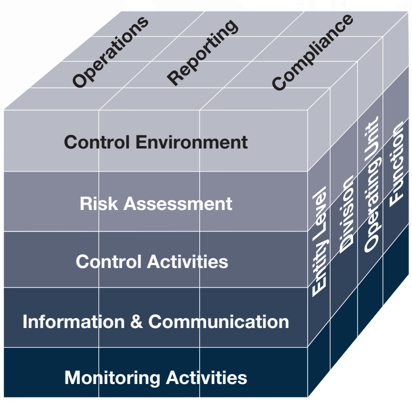
Our principal subsidiary, Melco Resorts, which is separately listed on Nasdaq Global Select Market in the United States, has its own risk management system. The risk and compliance department is tasked with overseeing and assessing the risk management framework. The risk management policy, adopted by the Melco Resorts' board, provides a risk management framework to identify, analyse and evaluate the material business risks, operational risks, financial risks, compliance risks and ESG-related risks. The risk and compliance department, led by the Chief Risk Officer (the "CRO"), assists the Melco Resorts' board and audit and risk committee in overseeing the risk management system. On a semi-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 CRO to Melco Resorts' audit and risk committee and board of directors for review and discussion. The SRAM Report is also presented to the Company's risk management taskforce for review.

Internal Control Systems

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

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

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



(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 the 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 Communications

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

(5) Monitoring Activities

Monitoring activities are a set of processes that assess the adequacy and quality of the internal control systems' performance over time. This is accomplished through ongoing monitoring activities, separate evaluation or a combination of the two. Internal control deficiencies are 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 the requirements of the Securities and Futures Ordinance (the "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 is to 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 meetings with the Chief Financial Officer, the Head of Internal Audit and the external auditor from time to time 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 its attention.

The Board, through the Audit Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems for 2021 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 the budget for the Group's accounting, internal audit and financial reporting functions, and considered that they are adequate.

ESG Governance

An ESG taskforce has been set up and is directly under the Chairman and Chief Executive Officer to assist the Board and the Corporate Governance Committee in overseeing the Group's ESG management systems, assessing their adequacy and effectiveness, and make recommendations, as deemed necessary, regarding such to the Board.

The Company has in place an ESG Governance Policy which provides an ESG governance framework and directions to management personnel to ensure (a) the Group operates on a sustainable basis by maintaining and enhancing the Group's economic, environmental, social, community contributions and commitments in the long term; (b) the effectiveness of the Group's ESG management systems and (c) the Company's compliance with the Listing Rules as amended from time to time.

Disclosures relating to the material ESG issues identified will be included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately. The ESG Report will be available on the Company's website at www.melco-group.com under the "Investor Relations" section.

CONSTITUTIONAL DOCUMENTS

During the year, there were no changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene Extraordinary General Meetings and Putting Forward Proposals at Annual General Meetings

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 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

Dividend Policy

The Company has a dividend policy (the "Dividend Policy") in place to allow its shareholders to participate in the Company's profits while preserving the Company's liquidity to capture future growth opportunities. Pursuant to the Dividend Policy, the Company intends to provide its 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. In May 2020, the Company announced the suspension of its semi-annual dividend program under the Dividend Policy.

Annual General Meeting

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 2021 annual general meeting and were on hand to answer questions.

Shareholders' Communication Policy

The 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") herein submit 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 2021.

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

General

The business review for the year ended 31 December 2021, including discussion of the principal risks and uncertainties and future developments in the Group's businesses, is outlined in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 18 and 19 and 20 to 36, respectively, of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is included on pages 14 and 15 and in the Group's Five-year Financial Summary on page 222 of this annual report.

Our ESG Commitment

Board Oversight

The board of Directors (the "Board") oversees the strategy, management and reporting of the Group's Environmental, Social and Governance ("ESG") issues. The Board reviews and approves our ESG Policy, risk management and internal control systems, ensuring the appropriateness and effectiveness of our ESG management systems. An ESG framework assures consistency in management so that the Group remains compliant with regulatory requirements and continues to operate on a sustainable basis for the long term. Management of ESG is under the ambit of the Corporate Governance Committee and is overseen directly by our Chairman and CEO.

Our ESG Taskforce assists the Board in monitoring the performance of the Group through close interactions with the ESG and corporate social responsibility ("CSR") committees ("the Committees") of major subsidiaries. Regular communication allows the Company to ensure appropriate resources are provided to meet ESG responsibilities and progress against goals. The Board reviews the Group's annual ESG reports and regularly evaluates ongoing initiatives to assess priorities and areas for enhancement.

In 2021, the Committees provided the Board with semi-annual updates on ESG-related topics. Presentations covered global ESG trends and regulatory requirements in the markets where we operate, as well as the status of the Group's goals for achieving carbon neutral resorts, zero waste by 2030 and targets for responsible procurement. The Board received updates on progress in areas including climate risk management and enhancing verification of greenhouse gas ("GHG") emissions throughout the value chain, as well as energy and water efficiency measures. Key projects to manage food and plastic waste, along with sustainable sourcing and small and medium enterprises ("SME") engagement programmes, were also shared.

On the CSR side, initiatives discussed included the "Get the Jab" Immunity Incentive Programme to help address the pandemic, the Splendours of China heritage and culture programme, our "Feel Better" In-house Mental Wellness Seminars, as well as the achievement of Responsible Gaming ("RG") Check accreditation, cementing our leadership in responsible gaming.

As per our regular practice, an external consultant was engaged to provide training on regulatory trends and developments to the Board.

Our Above & Beyond Strategy

In 2021, the Group enhanced our sustainability strategy with a commitment to RISE to go 'Above & Beyond' — to Restore, Inspire, Sustain and Empower our planet, people, supply chain and communities. Through robust ongoing stakeholder engagement, and the results of the materiality assessment process conducted in 2020[1], we reviewed and confirmed the ESG priorities for the Group. These were articulated in the following nine material topics that guide our business: Energy & Climate Resilience, Material Use & Waste, Engaging our People, Safety, Health & Wellbeing, RG, Community Engagement & Investment, Ethical & Sustainable Supply Chain, Ethics & Integrity and Privacy & Cybersecurity.

As a result of our efforts to embed our sustainability values into the business, we have received several industry recognitions including the Hong Kong Sustainability Award – Certificate of Excellence.

Our ESG Performance and Goals

Our unwavering commitment to the highest standards of ethical conduct and integrity is a cornerstone of our business. We consistently emphasise transparency and accountability in all aspects of our business and update our policies in line with changing regulations and standards globally. In 2021, the Group continued to provide ethics training for suppliers to enhance standards across our value chain. To minimise any risk of business disruption, we also evolved our protocols to meet the requirements of emerging laws and regulations. These ranged from the new Personal Information Protection Law ("PIPL") in mainland China to the recent introduction of updated anti-money laundering measures in Cyprus. Adopting the National Institute of Standards and Technology ("NIST") Framework and implementing an enhanced state-of-the-art identification, detection and response platform, the Cyber Security Operation Centre ("CSOC"), put the Group in a stronger position to face the ever-evolving threats of cyberattacks and information security breaches.

We continued to demonstrate care for people through professional development opportunities, safety and wellbeing initiatives and our responsible gaming and community outreach programmes. As we navigated the ongoing repercussions of the global pandemic, we ran a series of "Feel Better" In-house Mental Wellness Seminars throughout the year to support our colleagues. The success of our Foundation Acceleration Programme ("FAP") also continued, enabling colleagues to benefit from exposure to different departments across the organisation. To champion culture and heritage, we expanded our Splendours of China initiative in Macau. We also continued to invest in programmes benefiting SMEs and the broader community, with over 220,000 colleagues participating in our global CSR activities since 2007. In 2021, the Group contributed HK$170.4 million to our communities and colleagues. These efforts earned us the award for Outstanding Corporate for Volunteerism (2019-2021) from the Association of Volunteers Social Service Macao.

It is notable that more colleagues increasingly regard our sustainability efforts as an expected part of everyday operations. With climate change identified as a key global risk, we continued to lead our industry in building resilience as part of our actions to achieve carbon neutral resorts by 2030. In 2021, we established a Roadmap and Action Plan that includes specific actions to be taken within defined time periods towards 2030 to reduce and decarbonize our energy consumption and address GHG emissions along our value chain. As part of this journey, we disclosed Scope 3 emissions from two of our downstream sources, leased assets and fuel- and energy-related activities ("FERA") for the years 2019 to 2021. Going forward, we plan to expand our Scope 3 disclosures and enhance our management of these emissions, and also disclose information aligned with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

We have continued to invest in clean energy and energy-efficient processes and equipment such as electric vehicles, renewable power options including solar, as well as sustainable materials and design features to reduce our environmental footprint. While the slight overall increase of less than 1% in energy consumption in 2021, compared to the previous year, was due to the resumption of business activities, the year saw a 26% intensity reduction compared to 2019. Electricity consumption and intensity also increased slightly by 2% and 1%, respectively, compared to the previous year, while both these results were 20% less than in 2019 due to the continued adoption of efficiency measures. Scope 1 and 2 GHG emissions increased by 2% in 2021 over 2020, attributable to an increase in visitation across our properties.

[1] For details of the stakeholder engagement and materiality assessment process conducted in 2020, refer to the Sustainability Report 2020 of Melco Resorts & Entertainment Limited at https://www.melco-resorts.com/sustainability2020/doc/Melco_SustainabilityReport_2020.pdf.

While our water consumption and water intensity both increased by 3% in 2021 compared with 2020, as a result of increased occupancy and the opening of a water park at Studio City, this represented a 36% reduction for both compared to 2019. The amount of water recycled increased by 134% in 2021 over the previous year and water efficiency measures progressively adopted at our properties in Macau and Manila since 2019 resulted in annualized savings of over 432,000 m^3 of water in 2021.

We also forged ahead towards our goal of zero waste by 2030. We made substantive progress across all our properties in our efforts to eliminate and reduce single-use plastic amenities and packaging through a variety of measures ranging from switching to refillable dispensers and providing less-used amenities only upon request in our hotel rooms to adopting alternative disposables with sustainability attributes in our F&B operations. In 2021, our capture of plastic for recycling increased from over 4 tonnes in 2020 to 102 tonnes, an increase of 2,429%.

The rollout of our NORDAQ2000 water filtration system at our properties in Macau, which will see glass bottles eliminating approximately 14.8 million plastic bottles annually, was not able to happen as quickly as planned with COVID-19 restrictions delaying the ability of technical experts to complete the installations. Water refilling dispensers installed at our properties in Macau, Manila and Cyprus[2] in 2021 enable us to avoid around 2.8 million plastic bottles annually. We are also utilizing recycled polyethylene terephthalate (rPet) bottles, containing recycled plastic, for instances when disposable bottles are unavoidable such as in limousines and at pool-side areas.

Our collaboration with Winnow and the London School of Economics and Political Science, utilising cutting-edge technology and behavioural science to raise awareness of food waste among colleagues, reduced both overproduced food and plate waste in our employee dining rooms by over 35% during the five-month pilot study.

We made substantive progress in increasing our diversion of materials from disposal through recycling and composting. In addition, we ran a successful pilot to recycle playing cards and donated linen, tableware and furniture to people in need. We also conducted a thorough KAIZEN review of waste-handling processes at our City of Dreams, Studio City and Altira Macau resorts, resulting in a number of improvements in our processes across departments. In 2021, valuable materials diverted from disposal comprised 192 tonnes through onsite composting and 720 tonnes to recycling, an increase of over 430% and 130%, respectively, over the previous year.

In 2021, we established intensity reduction targets for Scope 1 and 2 GHG emissions, electricity and water consumption and non-hazardous waste. At the Group level, we have set both conservative base targets, reflecting what can be achieved based on known and available measures, as well as ambitious targets, linked to an accelerated replacement cycle of equipment, grid decarbonization and access to offsite renewable energy options[3]. We have also set aligned targets for our properties.

- –5% tCO_2e/m^2 intensity reduction in Scope 1 and 2 GHG emissions[4] by 2030, with ambitions for -22%
- –3% kWh/m^2 intensity reduction in fuel and electricity consumption by 2030, with ambitions to achieve between -22% to -28% at the property level
- –19% m^3/m^2 intensity reduction in water consumption by 2030
- –5% $tonnes/m^2$ intensity reduction in non-hazardous waste generation by 2030, with ambitions for -24%

In recognition of our environmental efforts, we achieved the Green Key International Environment Award for our Studio City Hotel, Altira Macau, and City of Dreams' Morpheus, The Countdown and NÜWA, with City of Dreams Manila in progress. In addition, we also received the HK Sustainability Award – Certificate of Excellence, PATA Gold Awards for Climate Change Initiative and ASEAN Tourism Standards Awards – ASEAN Green Hotel for all our City of Dreams Manila hotels - Nobu Hotel, NÜWA Hotel and Hyatt Regency. Studio City Phase 2 in Macau also achieved the 'Regional Award, Asia' at the BREEAM Awards 2021.

Our commitment to enhancing sustainability practices that benefit our guests, colleagues, suppliers, communities and the business continues to be the driving force behind our actions.

2 Dispensers have been installed at Studio City Celebrity Tower since January 2020, at NÜWA Macau, Studio City Star Tower, NÜWA and Nobu in Manila in 2021 and at Altira Macau as of January 2022. Work is underway to rollout the system at the new Studio City Phase 2, City of Dreams Mediterranean, Morpheus and Hyatt Regency.

3 Data for compiling our intensity targets and the baseline year of 2019, have been externally verified.

4 Biogenic emissions are not included in the target boundary.

Guests. We remain committed to providing exceptional experiences and positive memories for guests at all our resorts worldwide. This requires an emphasis not only on guest comfort, but also security and wellbeing. Therefore, our hygiene standards remained high as we continued to be vigilant against the pandemic. To safeguard our guests as well as our colleagues, our experienced security professionals continued to oversee our procedures for incident prevention and emergency control. We consistently seek to meet societal expectations on sustainability practices and strive to bring our guests along on this journey. Accordingly, we continued to support our guests to eat healthily and sustainably. We also remained steadfast in our fundamental duty to help guests game responsibly. In 2021, we became the first and only integrated resort operator to achieve RG Check, a highly sought-after, third-party endorsement that is achieved through the most comprehensive and rigorous RG accreditation programme in the world, across our global portfolio. In 2021, we received 97 Forbes Travel Guide Awards, including 17 five-star and three four-star awards, and seven Michelin Stars across our restaurants.

Colleagues. During the challenging period of the COVID-19 pandemic, we have maintained our competitive compensation, benefits and professional development programmes for colleagues. With health and wellbeing remaining a key priority, we continued our substantive wellness initiatives and invested over HK$16.3 million to support our colleagues to be vaccinated against COVID-19 through our "Get the Jab" Immunity Incentive Programme. The initiative was immensely successful, with more than 95% of colleagues vaccinated.

We consistently strive to be the employer of choice in our industry and have always welcomed people with diverse traits, backgrounds and abilities to the Group. Discrimination or harassment in any form, based on gender, age, race, religion, gender identity, sexual orientation, disability, parental or marital status or other non-meritocratic factors is not tolerated. Increasing gender equality and opportunities for women remained paramount throughout our business, as we strive to create a workforce that truly reflects the diversity of our guests. In 2021, women comprised 24% of directors across the boards of our Group, 19% of our corporate executive committees, 36% of our senior management and 40% of our general management.

Our many initiatives resulted in recognition from our colleagues and the following awards: Best Companies to Work for in Asia (2019-2021) HR Asia, WeCare™ – HR Asia Most Caring Companies, Excellence in Practice Award: Customised Service Training (Morpheus Hotel) – Association of Talent Development, Silver for Best Graduate Recruitment Programme – HR Asia Recruitment Awards 2021 and Outstanding Corporate for Volunteerism (2019-2021) – Association of Volunteers Social Service Macao.

Suppliers. We continued to pursue responsible sourcing strategies that empower and protect workers in the supply chain. In 2021, 94% of our purchasing was from local companies in Macau, out of which 50% was from SMEs. In Manila and Cyprus, 86% and 80% of our procurement supports local businesses, respectively. Due to the ongoing challenges with global logistics, the Group had to pivot to source even more locally and has successfully obtained high-quality products from local suppliers, decreasing our carbon footprint and enhancing our relationships with local partners. Improving sustainability standards in the supply chain has long been a priority for the Group. We expanded our capacity-building initiatives for suppliers through a series of workshops held for SMEs on topics including plastic awareness, climate change, waste management and regulatory changes. In 2021, 16 events were held with 113 attendees, including 93 SMEs.

The Group also worked to raise awareness on the importance of sustainable procurement among other stakeholders. Initiatives such as the Supplier Showcase and To the Table Event were held to increase knowledge about sustainable product alternatives available in the market. In addition, we implemented a mechanism by which suppliers could add sustainability attributes to their product offerings in our procurement system, enabling chefs and procurement professionals to make informed choices. We also continued to enhance our responsible purchasing against our guidelines for cotton, chemicals and seafood. In 2021, our operations in Macau and Manila achieved our goal for 100% of our bed and bath linen to be sourced from OEKO-TEX®-certified and other sustainable sources by 2030, nine years ahead of schedule. We continued to consolidate chemicals used and, with Green and Amber chemicals now comprising 92% of all chemicals sourced in 2021, we exceeded our conservative target of sourcing 50% of our chemicals rated as Green or Amber by 2025. This past year, despite erratic supply and increased costs, we continued to increase our sustainable seafood options with 57 varieties available on our menus in Macau, up from 26 in 2020. Our overall spend on sustainable seafood items increased by 92% over the previous year, representing 22% of our total seafood spend in 2021, which is an increase of 7% over 2020. Going forward, we are exploring sustainable sourcing categories to include items such as cage-free eggs, responsibly sourced coffee, tea and cocoa and organic rice.

In 2021, we worked closely with our suppliers so they were able to benefit from the efficiencies presented by our enhanced procurement systems and updated procedures. For example, our online purchase-to-pay (P2P) procurement system enabled us to reduce the amount of paper we used by 80% across operations, simplifying the workload for our back-office colleagues and suppliers. We also upheld our 14-day turnaround on payment invoices, which notably helped SMEs who continue to be impacted by the economic pressures caused by the pandemic. Our initiatives earned us an A- score in the supplier engagement category by CDP (formerly known as Carbon Disclosure Project), the global non-governmental organisation ("NGO") focused on enhancing disclosure of actions to address climate change.

Communities. The Group's dedication to community investment remained robust as we continued to build partnerships and programmes in the areas of economic prosperity for SMEs, volunteerism, disaster relief, culture and heritage and philanthropy. A key effort in 2021 was the continuation of our successful "Simple Acts of Kindness" project, which involved reaching out to over 1,300 NGOs, associations, schools, nurseries, governmental departments and SMEs with the help of over 8,500 volunteer participants. Inspiring appreciation for heritage, while also creating economic opportunities for local communities, also remained an important focus. In 2021, we expanded our Splendours of China initiative in Macau, a series of courses curated to encourage national pride. Understanding that developing talent among local youth is an integral part of ensuring our sustainable future, we continued to provide a wide range of educational subsidies and also held special programmes such as Adopt a Micro-Enterprise, an initiative providing mentorship and skill training to young entrepreneurs. The Group maintained our commitment to aiding communities during difficult times of catastrophe. We supported those affected by extreme flooding in China and wildfires in Cyprus. As part of these efforts, HK$9.7 million was donated to Henan Province's Zhengzhou, and HK$871,000 to the areas of Larnaca and Limassol in Cyprus, for emergency relief and reconstruction work.

In 2021, 1,114 volunteer activities were organised and attended by 16,197 volunteer participants of the Group. We also contributed to various charitable initiatives focused on vulnerable groups including children and the elderly. This was accomplished through donations and sponsorships amounting to HK$170.4 million.

Compliance with Laws & Regulations

Our comprehensive policies and systems to implement them ensure compliance with all relevant laws and regulations that significantly impact our Group's business, including our gaming activities. During the financial year ended 31 December 2021, we complied with requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Our "Corporate Governance Report" on pages 41 to 54 of this annual report provides details of the Group's compliance with the code provisions set out in the Corporate Governance Code contained in the Listing Rules. We duly complied with all anti-money laundering ("AML"), counter-terrorist financing and anti-corruption regulations, which are applicable in the jurisdictions where we operate. This includes the Prevention of Bribery Ordinance of Hong Kong (Chapter 201 of the Laws of Hong Kong), the AML Rules and Gaming Operations Special Provisions in Macau and the AML Act in the Philippines, as well as the Cyprus Prevention and Suppression of Money Laundering and Terrorist Financing Law, adopting the corresponding EU Directives on combatting money laundering and terrorism financing, the Cyprus Gaming Commission's Direction on Prevention and Suppression of Money Laundering and Terrorist Financing and the Cyprus Casino Law and Regulations.

We have stringent anti-corruption policies in place at both the Company and subsidiary levels, which assess regulatory requirements and industry expectations to ensure the highest standards are maintained. All relevant laws are outlined in our comprehensive codes of business conduct and ethics at both the Company and subsidiary levels so employees are aware of these regulations. Employees are encouraged to utilise our established whistle-blowing mechanisms to report any actions of misconduct.

In addition to ensuring bribery prevention and anti-corruption practices, we pay close attention to safeguarding the interests of all our stakeholders by adhering to the Macau Personal Data Protection Act and data privacy regulations in all areas of operations, including the new PIPL requirements as noted above. Our policies also cover the Employment Ordinance, the Minimum Wage Ordinance and other employment laws and regulations relating to disability, sex, family status, race discrimination and occupational safety in all jurisdictions where we operate.

Our ESG Reporting

Further discussion on the Group's ESG policies and practices, relationships with its stakeholders and compliance with applicable laws and regulations are contained in the "Environmental, Social and Governance Report", to be published separately in compliance with the requirements of the Listing Rules, including Appendix 27 – Environmental, Social and Governance Reporting Guide, and of the Global Reporting Initiative (GRI)'s Standards.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 101 to 102 of this annual report.

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Tuesday, 7 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 May 2022.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, investment properties, gaming license and subconcession, goodwill, trademarks, other intangible assets and right-of-use assets) during the year are set out in notes 17, 18, 19, 20, 21, 22 and 36, respectively, to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year ended 31 December 2021 are set out in note 38 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 consolidated financial statements and reclassified as appropriate, is set out on page 222 of this annual report. This summary does not form part of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution consisted of the capital reserve and retained profits of approximately HK$7,053,000 and HK$5,801,953,000, respectively (2020: HK$7,053,000 and HK$5,441,506,000, respectively). The Company considers it has fulfilled the conditions required for distribution of the capital reserve.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, 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 *(President and Managing Director)*
Mr. Chung Yuk Man, Clarence

Non-executive Director

Mr. Ng Ching Wo

Independent Non-executive Directors

Mr. John William Crawford
Mr. Tsui Che Yin, Frank
Ms. Karuna Evelyne Shinsho

In accordance with Article 98(A) of the articles of association of the Company (the "Articles and Association"), Mr. Ho, Lawrence Yau Lung, Mr. Ng Ching Wo and Mr. John William Crawford, being Directors longest in office since their last election, shall retire from office by rotation at the forthcoming annual general meeting and are eligible to offer themselves for re-election.

The Company has received annual confirmation from all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules.

Mr. John William Crawford made an annual confirmation of independence under Rule 3.13 of the Listing Rules, save and except for Rule 3.13(7), in view of his holding of other directorships within the Group during the two years before the date of his appointment as an Independent Non-executive Director.

Mr. Tsui Che Yin, Frank made an annual confirmation of independence under Rule 3.13 of the Listing Rules, save and except for Rule 3.13(7), in view of his acting as a Non-executive Director during the two years before the date of his re-designation as an Independent Non-executive Director.

The Company had, prior to Mr. Crawford's appointment and Mr. Tsui's re-designation, successfully demonstrated to the satisfaction of the Hong Kong Stock Exchange that each of Mr. Crawford and Mr. Tsui is qualified to serve as an Independent Non-executive Director and is independent for the purposes of Rule 3.13 of the Listing Rules and the reasons are set out in the Company's announcements dated 13 September 2019 and 2 July 2020 respectively.

The Company is not aware of any change of circumstances which may affect the independence of any Independent Non-executive Directors and having considered the above is satisfied that all Independent Non-executive Directors remain independent in accordance with the Listing Rules.

Biographical details of the Directors are set out on pages 37 to 40 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 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/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, save for losses, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company maintains liability insurance to provide appropriate cover for the Directors and officers of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions" and "Related Party Transactions" of this report, no other 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 a 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 as disclosed in the "Share Option Schemes" and "Share Award Schemes" sections of this report, 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 2021, the interests and short positions of each Director and Chief Executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and Chief Executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the 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]**	**Family interests[3]**	**Corporate interests[4]**	**Other interests[5]**	**Total**	**Approximate % of total issued shares[1]**
Mr. Ho, Lawrence Yau Lung	91,445,132	4,212,102	478,668,975[6]	312,666,187[7]	886,992,396	58.50%
Mr. Evan Andrew Winkler	5,275,913	–	–	–	5,275,913	0.35%
Mr. Chung Yuk Man, Clarence	3,093,440	–	–	–	3,093,440	0.20%
Mr. Ng Ching Wo	697,000	–	–	–	697,000	0.05%
Mr. John William Crawford	14,000	–	–	–	14,000	0.00%
Mr. Tsui Che Yin, Frank	7,180,660	–	–	–	7,180,660	0.47%
Ms. Karuna Evelyne Shinsho	15,934	–	–	–	15,934	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 & 8]**	**Number of awarded shares held[2 & 9]**	**Total**	**Approximate % of total issued shares[1]**
Mr. Ho, Lawrence Yau Lung	4,500,000	9,530,000	14,030,000	0.93%
Mr. Evan Andrew Winkler	20,921,000	1,696,000	22,617,000	1.49%
Mr. Chung Yuk Man, Clarence	3,551,000	109,000	3,660,000	0.24%
Mr. Ng Ching Wo	821,000	23,000	844,000	0.06%
Mr. John William Crawford	99,000	19,000	118,000	0.01%
Mr. Tsui Che Yin, Frank	1,158,000	17,000	1,175,000	0.08%
Ms. Karuna Evelyne Shinsho	106,000	19,000	125,000	0.01%

Notes:

1. As at 31 December 2021, the total number of issued shares of the Company was 1,516,205,755.

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

3. This represents the interests held by the spouse of the relevant Director.

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

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

6. The 478,668,975 shares relate to the 301,368,606 shares, 122,243,024 shares, 53,491,345 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and Maple Peak Investments Inc., respectively, representing approximately 19.88%, 8.06%, 3.53% and 0.10% of the total issued shares of the Company. All of such companies are owned by Mr. Ho, Lawrence Yau Lung and/or 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.

7. In addition to the deemed interests as stated in note 6 above, Mr. Ho, Lawrence Yau Lung was also taken to have interests in the 312,666,187 shares held by L3G Holdings Inc., representing approximately 20.62% 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. L3G Holdings Inc. is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

8. 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.

9. Details of awarded shares granted to the Directors pursuant to the share purchase scheme of the Company are set out in the "Share Award Schemes" section of this report.

(II) Long positions in the shares, underlying shares and debentures 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	2,985,378	812,729,781[(4)]	815,715,159	56.00%
Mr. Evan Andrew Winkler	89,883	–	89,883	0.01%
Mr. Chung Yuk Man, Clarence	135,817	–	135,817	0.01%
Mr. John William Crawford	84,276	–	84,276	0.01%

(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	6,090,483	7,665,858	13,756,341	0.94%
Mr. Evan Andrew Winkler	–	91,161	91,161	0.01%
Mr. Chung Yuk Man, Clarence	–	228,912	228,912	0.02%
Mr. John William Crawford	–	78,474	78,474	0.01%

Notes:

1. As at 31 December 2021, the total number of issued shares of Melco Resorts was 1,456,547,942.

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

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

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was taken to be interested in 812,729,781 shares of Melco Resorts which are being held by Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly-owned subsidiary of the Company, as a result of his interest in approximately 58.50% 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) Studio City International Holdings Limited ("SCIHL") *(a listed subsidiary of the Company)*

Ordinary shares of SCIHL

Name of Director	Number of Class A ordinary shares held[2]	Approximate % of total issued shares[1]
Mr. Chung Yuk Man, Clarence	3,360	0.00%

Notes:

1. As at 31 December 2021, the total number of issued shares of SCIHL was 442,864,460 (including 370,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares).
2. This represents interest held by Mr. Chung Yuk Man, Clarence as beneficial owner.

(C) Studio City Finance Limited ("Studio City Finance") *(a subsidiary of the Company)*

Debentures issued by Studio City Finance

	Amount of debentures held (US$)		
Name of Director	Personal interest[1]	Corporate interest[2]	Total
Mr. Ho, Lawrence Yau Lung	20,000,000	10,000,000[2]	30,000,000[3]
	–	30,000,000[2]	30,000,000[4]

Notes:

1. This represents the interest held by Mr. Ho, Lawrence Yau Lung as beneficial owner.
2. This represents the interests held by Mr. Ho, Lawrence Yau Lung through his controlled corporations, King Dragon Ventures Limited and Black Spade Capital Limited (both companies are wholly-owned by Mr. Ho, Lawrence Yau Lung). The debentures were directly held by Black Spade Capital Limited, a wholly-owned subsidiary of King Dragon Ventures Limited. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the debentures held by these companies.
3. This represents the principal amount of the 6.00% senior notes due 2025 issued by Studio City Finance held by Mr. Ho, Lawrence Yau Lung and his controlled corporation.
4. This represents the principal amount of the 5.00% senior notes due 2029 issued by Studio City Finance held by Mr. Ho, Lawrence Yau Lung's controlled corporation.

Save as disclosed above, as at 31 December 2021, none of the Directors or the Chief Executive of the Company and their respective associates had or deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise were required to be 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 with certain rules of such scheme amended on 5 June 2020 (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 as 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 of the Company 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 only 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 report, there were no outstanding share options under the 2002 Share Option Scheme and therefore no shares were available for issue under the scheme.

As at the date of this report, the total number of shares available for issue under the 2012 Share Option Scheme is 55,443,538 shares and a total of 35,613,000 shares may be issued upon exercise of all options which had been granted and yet to be exercised under the 2012 Share Option Scheme, representing 3.66% and 2.35%, respectively, 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 share options to a substantial shareholder of the Company 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 a 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 higher 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 respective dates 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 2002 Share Option Scheme and 2012 Share Option Scheme during the year ended 31 December 2021 were as follows:

Under the 2002 Share Option Scheme

	Number of share options								
Category of participants	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2021	Date of grant	Exercise price *HK$*	Exercise period *(Note)*
Directors									
Mr. Chung Yuk Man, Clarence	330,000	–	–	–	–	330,000	27.01.2012	7.10	4
Mr. Ng Ching Wo	350,000	–	(350,000)	–	–	–	08.04.2011	5.75	3
	210,000	–	–	–	–	210,000	27.01.2012	7.10	4
Sub-total	890,000	–	(350,000)	–	–	540,000			
Employees	48,000	–	(37,000)	–	–	11,000	27.01.2012	7.10	4
Sub-total	48,000	–	(37,000)	–	–	11,000			
Others[16]	250,000	–	–	(250,000)	–	–	08.04.2011	5.75	3
	287,000	–	–	–	–	287,000	27.01.2012	7.10	4
Sub-total	537,000	–	–	(250,000)	–	287,000			
Total	**1,475,000**	**-**	**(387,000)**	**(250,000)**	**-**	**838,000**			

Under the 2012 Share Option Scheme

	Number of share options									
Category of participants	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	As at 31 December 2021	Date of grant	Exercise price *HK$*	Exercise period *(Note)*
Directors										
Mr. Ho, Lawrence Yau Lung	1,500,000	–	–	–	–	–	1,500,000	10.04.2018	23.15	7
	1,500,000	–	–	–	–	–	1,500,000	10.04.2019	19.90	10
	1,500,000	–	–	–	–	–	1,500,000	14.04.2020	12.70	13
Mr. Evan Andrew Winkler	5,946,000	–	–	–	–	–	5,946,000	10.04.2018	23.15	9
	775,000	–	–	–	–	–	775,000	10.04.2019	19.90	11
	14,200,000	–	–	–	–	–	14,200,000	06.09.2019	18.96	12
Mr. Chung Yuk Man, Clarence	2,219,000	–	–	–	–	–	2,219,000	08.04.2016	10.24	5
	237,000	–	–	–	–	–	237,000	10.04.2017	15.00	6
	144,000	–	–	–	–	–	144,000	10.04.2018	23.15	8
	153,000	–	–	–	–	–	153,000	10.04.2019	19.90	11
	264,000	–	–	–	–	–	264,000	14.04.2020	12.70	14
	–	204,000	–	–	–	–	204,000	07.04.2021	16.38	15
Mr. Ng Ching Wo	395,000	–	–	–	–	–	395,000	08.04.2016	10.24	5
	48,000	–	–	–	–	–	48,000	10.04.2017	15.00	6
	36,000	–	–	–	–	–	36,000	10.04.2018	23.15	8
	36,000	–	–	–	–	–	36,000	10.04.2019	19.90	11
	48,000	–	–	–	–	–	48,000	14.04.2020	12.70	14
	–	48,000	–	–	–	–	48,000	07.04.2021	16.38	15
Mr. John William Crawford	57,000	–	–	–	–	–	57,000	14.04.2020	12.70	14
	–	42,000	–	–	–	–	42,000	07.04.2021	16.38	15
Mr. Tsui Che Yin, Frank	1,040,000	–	–	–	–	–	1,040,000	08.04.2016	10.24	5
	18,000	–	–	–	–	–	18,000	10.04.2018	23.15	8
	16,000	–	–	–	–	–	16,000	10.04.2019	19.90	11
	45,000	–	–	–	–	–	45,000	14.04.2020	12.70	14
	–	39,000	–	–	–	–	39,000	07.04.2021	16.38	15
Ms. Karuna Evelyne Shinsho	22,000	–	–	–	–	–	22,000	10.04.2019	19.90	11
	48,000	–	–	–	–	–	48,000	14.04.2020	12.70	14
	–	36,000	–	–	–	–	36,000	07.04.2021	16.38	15
Sub-total	30,247,000	369,000	–	–	–	–	30,616,000			
Employees	484,000	–	(26,000)	–	–	–	458,000	08.04.2016	10.24	5
	129,000	–	–	–	–	–	129,000	10.04.2017	15.00	6
	429,000	–	–	(54,000)	–	(54,000)	321,000	10.04.2018	23.15	8
	468,000	–	–	(58,000)	–	(58,000)	352,000	10.04.2019	19.90	11
	786,000	–	–	(96,000)	–	(96,000)	594,000	14.04.2020	12.70	14
	–	633,000	–	(75,000)	–	(75,000)	483,000	07.04.2021	16.38	15
Sub-total	2,296,000	633,000	(26,000)	(283,000)	–	(283,000)	2,337,000			
Others[16]	1,867,000	–	(14,000)	–	–	–	1,853,000	08.04.2016	10.24	5
	202,000	–	–	–	–	–	202,000	10.04.2017	15.00	6
	141,000	–	–	–	–	54,000	195,000	10.04.2018	23.15	8
	107,000	–	–	–	–	58,000	165,000	10.04.2019	19.90	11
	89,000	–	(15,000)	–	–	96,000	170,000	14.04.2020	12.70	14
	–	–	–	–	–	75,000	75,000	07.04.2021	16.38	15
Sub-total	2,406,000	–	(29,000)	–	–	283,000	2,660,000			
Total	**34,949,000**	**1,002,000**	**(55,000)**	**(283,000)**	**–**	**–**	**35,613,000**			

Notes:

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

2. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$15.23.

3. 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.

4. 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.

5. 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.

6. 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.

7. The share options granted on 10 April 2018 are divided into 2 tranches exercisable from 10 April 2018 and 10 April 2019, respectively, to 9 April 2028.

8. The share options granted on 10 April 2018 are divided into 4 tranches exercisable from 10 April 2018, 10 April 2019, 10 April 2020 and 10 April 2021, respectively, to 9 April 2028.

9. The share options granted on 10 April 2018 are exercisable from 10 April 2020 to 9 April 2028.

10. The share options granted on 10 April 2019 are divided into 2 tranches exercisable from 10 April 2019 and 10 April 2020, respectively, to 9 April 2029.

11. The share options granted on 10 April 2019 are divided into 4 tranches exercisable from 10 April 2019, 10 April 2020, 10 April 2021 and 10 April 2022, respectively, to 9 April 2029.

12. The share options granted on 6 September 2019 are divided into 3 tranches exercisable from 30 June 2020, 30 June 2021 and 30 June 2022, respectively, to 5 September 2029.

13. The share options granted on 14 April 2020 are divided into 2 tranches exercisable from 14 April 2020 and 14 April 2021, respectively, to 13 April 2030.

14. The share options granted on 14 April 2020 are divided into 4 tranches exercisable from 14 April 2020, 14 April 2021, 14 April 2022 and 14 April 2023, respectively, to 13 April 2030.

15. The share options granted on 7 April 2021 are divided into 4 tranches exercisable from 7 April 2021, 7 April 2022, 7 April 2023 and 7 April 2024, respectively, to 6 April 2031.

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

On 7 April 2021, the Company granted a total of 1,002,000 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 7 April 2021 to 6 April 2031. The options entitle the grantees to subscribe for a total of 1,002,000 shares of the Company at an exercise price of HK$16.38 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$16.02. The estimated fair value of the 1,002,000 share options granted was approximately HK$6,078,880. The weighted average fair value per option granted was HK$6.07.

The Black-Scholes valuation model has been used to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. The input into the model was as follows:

Grant date of the share options	**7 April 2021**
Valuation model	Black-Scholes
Exercise price	HK$16.38
Expected volatility	43% – 45%
Expected life	3.1 – 6.1 years
Risk-free rate	0.27% – 0.88%
Expected dividend yield	0%
Suboptimal exercise factor	N/A

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 is based upon the vesting term, and expected term adopted by other 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 life.

(II) Melco Resorts

Melco Resorts adopted a share incentive plan in 2006 (the "Melco Resorts 2006 Share Incentive Plan"), a share incentive plan in 2011 (as amended) (the "Melco Resorts Amended 2011 Share Incentive Plan") and a share incentive plan in 2021 (the "Melco Resorts 2021 Share Incentive Plan"). The Melco Resorts 2006 Share Incentive Plan has been succeeded by the Melco Resorts Amended 2011 Share Incentive Plan. In view of the impending expiry of the Melco Resorts Amended 2011 Share Incentive Plan, the boards of directors of Melco Resorts and the Company approved the Melco Resorts 2021 Share Incentive Plan in March 2021 to enable Melco Resorts to continue to grant awards to eligible participants as incentive for their contributions to the success of Melco Resorts after the Melco Resorts 2021 Share Incentive Plan has become effective.

As Melco Resorts is a subsidiary of the Company, the Melco Resorts 2021 Share Incentive Plan constitutes a share option scheme governed by Chapter 17 of the Listing Rules and its implementation is subject to the approval of the Company's shareholders. The Melco Resorts 2021 Share Incentive Plan has been approved by the shareholders of the Company on 4 June 2021, and became effective on 6 December 2021 (also the termination date of the Melco Resorts Amended 2011 Share Incentive Plan).

No further awards may be granted under the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts Amended 2011 Share Incentive Plan. All subsequent awards will be issued under the Melco Resorts 2021 Share Incentive Plan. All awards previously granted under the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts Amended 2011 Share Incentive Plan shall remain valid subject to the terms and conditions of the respective plans.

Options over new shares of Melco Resorts ("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 and the Melco Resorts 2021 Share Incentive Plan:

(i) Purpose of the plans

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; and to provide flexibility to Melco Resorts in its ability to motivate, attract, and retain the services of the members of Melco Resorts' board, and employees and consultants upon whose judgment, interest and special effort the successful conduct of Melco Resorts' operation is largely dependent.

(ii) Types of awards

The awards that may be granted include options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

(iii) Participants of the plans

Persons eligible to participate include members of Melco Resorts' board, employees and consultants, any parent or subsidiary or any related entity of Melco Resorts that the board of Melco Resorts designates as a related entity for the purposes of the Melco Resorts Amended 2011 Share Incentive 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 Compensation Committee of Melco Resorts (the "Melco Resorts Compensation Committee") designates as a related entity for the purposes of the Melco Resorts 2021 Share Incentive Plan.

(iv) Plan administration (for Melco Resorts 2021 Share Incentive Plan only)

The Melco Resorts Compensation Committee will administer the Melco Resorts 2021 Share Incentive Plan and has the power to, among other actions, designate eligible participants, determine the number and types of awards to be granted, and set the terms and conditions of each award granted. The Melco Resorts Compensation Committee's decisions are final, binding, and conclusive for all purposes and upon all parties. In addition, the Melco Resorts 2021 Share Incentive Plan contains a provision that Melco Resorts may from time to time retain or appoint one or more trustee(s) and administrator(s) to assist in the administration of the plan. The functions of such appointed trustee shall include (but are not limited to) the receiving of funds from Melco Resorts and/or its subsidiaries from time to time for on-market purchase of Melco Resorts Shares, the holding of Melco Resorts Shares pending vesting of Melco Resorts awards, the transfer of Melco Resorts Shares to and from such appointed administrator following vesting of Melco Resorts awards and the execution of requests from Melco Resorts from time to time for the purpose of the plan. Melco Resorts may enter into such agreements or make such arrangements (including the establishment of a trust) as may be necessary in connection with the provisions in this paragraph.

(v) Total number of Melco Resorts Shares available for issue under the plans

The total number of Melco Resorts Shares which may be issued pursuant to all Melco Resorts awards under the respective Melco Resorts Amended 2011 Share Incentive Plan and Melco Resorts 2021 Share Incentive Plan and any other share incentive plans or other schemes of Melco Resorts shall not in aggregate exceed 10% of the total number of Melco Resorts Shares in issue on the respective dates of approval of each of the plan by the Company's shareholders (the "Melco Resorts Option Limit"). In addition, the total number of Melco Resorts Shares which may be issued on exercise of all options granted under each of the Melco Resorts Amended 2011 Share Incentive Plan and Melco Resorts 2021 Share Incentive Plan must not in aggregate exceed the Melco Resorts Option Limit, unless the Company obtains a separate approval from the Company's shareholders to refresh Melco Resorts Option Limit.

Following the termination of the Melco Resorts Amended 2011 Share Incentive Plan, no further share options could be granted thereunder. As at the date of this report, a total of 29,690,539 Melco Resorts Shares may be issued upon exercise of all options which had been granted and yet to be exercised under the Melco Resorts Amended 2011 Share Incentive Plan, representing 2.04% of the shares Melco Resorts Shares in issue.

Under the Melco Resorts 2021 Share Incentive Plan, the maximum number of Melco Resorts Shares which may be issued pursuant to all Melco Resorts awards is 145,654,794 Melco Resorts Shares. As at the date of this report, the total number of Melco Resorts Shares available for issue under the Melco Resorts 2021 Share Incentive Plan is 145,654,794 Melco Resorts Shares, representing 10.00% of the total number of Melco Resorts Shares in issue and no Melco Resorts awards were granted during the year ended 31 December 2021 and up to the date of this report under the plan.

(vi) Maximum entitlement of each participant under the plans

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 of the Company 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 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.

(vii) 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 Melco Resorts Compensation Committee in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

(viii) 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.

(ix) 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.

(x) 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.

(xi) The remaining life of the plans

The Melco Resorts Amended 2011 Share Incentive Plan was terminated on 6 December 2021. The Melco Resorts 2021 Share Incentive Plan will expire on the 10th anniversary of the effective date of the plan.

Movements of stock options granted under the plans during the year ended 31 December 2021 were as follows:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2021	Date of grant	Exercise price *US$*	Exercise period *(Note)*
Under the Melco Resorts 2006 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	1,446,498	–	(1,446,498)	–	–	–	23.03.2011	1.75	3
Total	**1,446,498**	**–**	**(1,446,498)**	**–**	**–**	**–**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	474,399	–	–	–	–	474,399	29.03.2012	3.93	4
	362,610	–	–	–	–	362,610	10.05.2013	5.32	5
	320,343	–	–	–	–	320,343	28.03.2014	5.32	6
	690,291	–	–	–	–	690,291	30.03.2015	5.32	7
	1,302,840	–	–	–	–	1,302,840	18.03.2016	5.32	8
	1,470,000	–	–	–	–	1,470,000	31.03.2017	6.18	10
	1,470,000	–	–	–	–	1,470,000	02.04.2018	9.40	14
Total	**6,090,483**	**–**	**–**	**–**	**–**	**6,090,483**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2021	Date of grant	Exercise price *US$*	Exercise period *(Note)*
Under the Melco Resorts 2006 Share Incentive Plan									
Other eligible participants[20]	437,793	–	(421,245)	(16,548)	–	–	23.03.2011	1.75	3
Total	**437,793**	**–**	**(421,245)**	**(16,548)**	**–**	**–**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Other eligible participants[20]	303,402	–	(52,848)	–	–	250,554	29.03.2012	3.93	4
	312,105	–	(56,535)	(9,726)	–	245,844	10.05.2013	5.32	5
	351,750	–	(70,572)	(11,181)	–	269,997	28.03.2014	5.32	6
	683,106	–	(110,247)	(36,405)	–	536,454	30.03.2015	5.32	7
	1,426,350	–	(225,066)	(87,264)	–	1,114,020	18.03.2016	5.32	8
	191,328	–	–	–	–	191,328	23.12.2016	4.79	9
	2,484,381	–	(271,806)	(266,463)	–	1,946,112	31.03.2017	6.18	10
	34,518	–	–	–	–	34,518	08.09.2017	7.61	11
	36,225	–	–	–	–	36,225	16.03.2018	9.15	12
	2,744,088	–	–	(216,239)	(26,070)	2,501,779	29.03.2018	9.66	13
	453,894	–	–	–	–	453,894	23.11.2018	5.66	15
	3,338,166	–	–	(50,730)	(162,411)	3,125,025	01.04.2019	8.14	16
	10,396,431	–	–	–	(820,908)	9,575,523	31.03.2020	4.13	17
	–	4,355,496	–	–	(260,904)	4,094,592	07.04.2021	6.89	18
	–	251,388	–	–	(21,630)	229,758	11.06.2021	5.83	19
Total	**22,755,744**	**4,606,884**	**(787,074)**	**(678,008)**	**(1,291,923)**	**24,605,623**			

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 period, the weighted average closing price of the Melco Resorts Shares immediately before the date on which the stock options were exercised was US$6.25.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

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

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

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

12. The stock options granted on 16 March 2018 are exercisable from 16 March 2020 to 15 March 2028.

13. The stock options granted on 29 March 2018 are divided into 2 tranches exercisable from 29 March 2020 and 29 March 2021, respectively, to 28 March 2028.

14. The stock options granted on 2 April 2018 are divided into 2 tranches exercisable from 2 April 2020 and 2 April 2021, respectively, to 1 April 2028.

15. The stock options granted on 23 November 2018 are exercisable from 23 November 2020 to 22 November 2028.

16. The stock options granted on 1 April 2019 are divided into 2 tranches exercisable from 1 April 2021 and 1 April 2022, respectively, to 31 March 2029.

17. The stock options granted on 31 March 2020 are divided into 2 tranches exercisable from 31 March 2022 and 31 March 2023, respectively, to 30 March 2030.

18. The stock options granted on 7 April 2021 are divided into 2 tranches exercisable from 7 April 2023 and 7 April 2024, respectively, to 6 April 2031.

19. The stock options granted on 11 June 2021 are divided into 2 tranches exercisable from 11 June 2023 and 11 June 2024, respectively, to 10 June 2031.

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

On 7 April 2021, Melco Resorts granted a total of 4,355,496 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 7 April 2021 to 6 April 2031. The stock options entitle the grantees to subscribe for a total of 4,355,496 shares of Melco Resorts at an exercise price of US$6.89 per share. The closing price of the shares of Melco Resorts immediately before the date on which the stock options were granted was US$7.07 per share. The estimated fair value of the 4,355,496 stock options granted was approximately US$10,039,418. The fair value per stock option granted was US$2.305.

On 11 June 2021, Melco Resorts granted a total of 251,388 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 11 June 2021 to 10 June 2031. The stock options entitle the grantees to subscribe for a total of 251,388 shares of Melco Resorts at an exercise price of US$5.83 per share. The closing price of the shares of Melco Resorts immediately before the date on which the stock options were granted was US$5.75 per share. The estimated fair value of the 251,388 stock options granted was approximately US$480,151. The fair value per stock option granted was US$1.91.

The Black-Scholes valuation model was used to estimate the fair value of the stock options. The value of an option varies with different variables of certain subjective assumptions. The input into the model was as follows:

Grant date of the stock options	**7 April 2021**	**11 June 2021**
Valuation model	Black-Scholes	Black-Scholes
Exercise price	US$6.89	US$5.83
Expected volatility	45.50%	44.85%
Expected life	5.6 years	5.6 years
Risk-free rate	1.01%	0.88%
Expected dividend yield	2.50%	2.50%

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' American depositary shares trading on the Nasdaq Global Select Market. Expected life is based upon the vesting term, and expected term or the historical 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.

(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. As at the date of this report, the total number of MRP Shares available for issue under the MRP Amended Share Incentive Plan is 305 MRP Shares, representing approximately 2.68% 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 of the Company 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 an 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.

No awards were granted or outstanding under the MRP Amended Share Incentive Plan during the year ended 31 December 2021.

SHARE AWARD SCHEMES

(I) The Company

On 18 October 2007, the Company adopted two share incentive award schemes (with certain rules of such schemes amended on 28 August 2014, 12 June 2015 and 31 March 2020), namely The Melco Share Purchase Scheme Trust (the “Share Purchase Scheme”) and The Melco Share Award Scheme Trust (the “Share Subscription Scheme”).

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 (and such committee delegated by the Board to administer the Share Purchase Scheme), 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 the eligible persons on vesting and providing that the Board or its delegated committee may resolve to increase such limit at its sole discretion).

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 2021 were as follows:

Category of participants	As at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2021	Date of award	Vesting date
	Number of awarded shares							
Directors								
Mr. Ho, Lawrence Yau Lung	3,584,000	–	–	–	–	3,584,000	14.04.2020	14.04.2022*
	–	5,946,000	–	–	–	5,946,000	07.04.2021	07.04.2022
	3,584,000	5,946,000	–	–	–	9,530,000		
Mr. Evan Andrew Winkler	71,000	–	(71,000)	–	–	–	10.04.2019	10.04.2021
	70,000	–	–	–	–	70,000	10.04.2019	10.04.2022
	1,626,000	–	(1,626,000)	–	–	–	06.09.2019	30.06.2021
	1,626,000	–	–	–	–	1,626,000	06.09.2019	30.06.2022
	3,393,000	–	(1,697,000)	–	–	1,696,000		
Mr. Chung Yuk Man, Clarence	12,000	–	(12,000)	–	–	–	10.04.2018	10.04.2021
	14,000	–	(14,000)	–	–	–	10.04.2019	10.04.2021
	14,000	–	–	–	–	14,000	10.04.2019	10.04.2022
	22,000	–	(22,000)	–	–	–	14.04.2020	14.04.2021
	22,000	–	–	–	–	22,000	14.04.2020	14.04.2022
	22,000	–	–	–	–	22,000	14.04.2020	14.04.2023
	–	64,000	(64,000)	–	–	–	07.04.2021	07.04.2021
	–	17,000	–	–	–	17,000	07.04.2021	07.04.2022
	–	17,000	–	–	–	17,000	07.04.2021	07.04.2023
	–	17,000	–	–	–	17,000	07.04.2021	07.04.2024
	106,000	115,000	(112,000)	–	–	109,000		
Mr. Ng Ching Wo	3,000	–	(3,000)	–	–	–	10.04.2018	10.04.2021
	3,000	–	(3,000)	–	–	–	10.04.2019	10.04.2021
	3,000	–	–	–	–	3,000	10.04.2019	10.04.2022
	4,000	–	(4,000)	–	–	–	14.04.2020	14.04.2021
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2022
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2023
	–	4,000	(4,000)	–	–	–	07.04.2021	07.04.2021
	–	4,000	–	–	–	4,000	07.04.2021	07.04.2022
	–	4,000	–	–	–	4,000	07.04.2021	07.04.2023
	–	4,000	–	–	–	4,000	07.04.2021	07.04.2024
	21,000	16,000	(14,000)	–	–	23,000		

Category of participants	As at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2021	Date of award	Vesting date
	Number of awarded shares							
Mr. John William Crawford	5,000	–	(5,000)	–	–	–	14.04.2020	14.04.2021
	5,000	–	–	–	–	5,000	14.04.2020	14.04.2022
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2023
	–	4,000	(4,000)	–	–	–	07.04.2021	07.04.2021
	–	4,000	–	–	–	4,000	07.04.2021	07.04.2022
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2023
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2024
	14,000	14,000	(9,000)	–	–	19,000		
Mr. Tsui Che Yin, Frank	1,000	–	(1,000)	–	–	–	10.04.2018	10.04.2021
	1,000	–	(1,000)	–	–	–	10.04.2019	10.04.2021
	1,000	–	–	–	–	1,000	10.04.2019	10.04.2022
	4,000	–	(4,000)	–	–	–	14.04.2020	14.04.2021
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2022
	3,000	–	–	–	–	3,000	14.04.2020	14.04.2023
	–	4,000	(4,000)	–	–	–	07.04.2021	07.04.2021
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2022
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2023
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2024
	14,000	13,000	(10,000)	–	–	17,000		
Ms. Karuna Evelyne Shinsho	2,000	–	(2,000)	–	–	–	10.04.2019	10.04.2021
	2,000	–	–	–	–	2,000	10.04.2019	10.04.2022
	4,000	–	(4,000)	–	–	–	14.04.2020	14.04.2021
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2022
	4,000	–	–	–	–	4,000	14.04.2020	14.04.2023
	–	3,000	(3,000)	–	–	–	07.04.2021	07.04.2021
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2022
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2023
	–	3,000	–	–	–	3,000	07.04.2021	07.04.2024
	16,000	12,000	(9,000)	–	–	19,000		
Sub-total	7,148,000	6,116,000	(1,851,000)	–	–	11,413,000		

Category of participants	Number of awarded shares: As at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2021	Date of award	Vesting date
Employees	33,000	–	(33,000)	–	–	–	10.04.2018	10.04.2021
	42,000	–	(42,000)	–	–	–	10.04.2019	10.04.2021
	41,000	–	–	(5,000)	(5,000)	31,000	10.04.2019	10.04.2022
	66,000	–	(66,000)	–	–	–	14.04.2020	14.04.2021
	65,000	–	–	(8,000)	(8,000)	49,000	14.04.2020	14.04.2022
	65,000	–	–	(8,000)	(8,000)	49,000	14.04.2020	14.04.2023
	–	106,000	(106,000)	–	–	–	07.04.2021	07.04.2021
	–	53,000	–	(6,000)	(6,000)	41,000	07.04.2021	07.04.2022
	–	51,000	–	(6,000)	(6,000)	39,000	07.04.2021	07.04.2023
	–	51,000	–	(6,000)	(6,000)	39,000	07.04.2021	07.04.2024
Sub-total	312,000	261,000	(247,000)	(39,000)	(39,000)	248,000		
Others**	13,000	–	(13,000)	–	–	–	10.04.2018	10.04.2021
	13,000	–	(13,000)	–	–	–	10.04.2019	10.04.2021
	12,000	–	–	–	5,000	17,000	10.04.2019	10.04.2022
	16,000	–	(16,000)	–	–	–	14.04.2020	14.04.2021
	15,000	–	–	–	8,000	23,000	14.04.2020	14.04.2022
	14,000	–	–	–	8,000	22,000	14.04.2020	14.04.2023
	–	–	–	–	6,000	6,000	07.04.2021	07.04.2022
	–	–	–	–	6,000	6,000	07.04.2021	07.04.2023
	–	–	–	–	6,000	6,000	07.04.2021	07.04.2024
Sub-total	83,000	–	(42,000)	–	39,000	80,000		
Total	**7,543,000**	**6,377,000**	**(2,140,000)**	**(39,000)**	**–**	**11,741,000**		

* *The vesting date of the awarded shares has been changed from 14 April 2021 to 14 April 2022.*

** *The category "Others" represents former directors/employees of the Group.*

(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 (and such committee delegated by the Board to administer the Share Subscription 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 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 and providing that the Board or its delegated committee may resolve to increase such limit at its sole discretion). 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 share awards were granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2021.

(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 2021 were as follows:

(i) Restricted shares granted to Directors

	Number of restricted shares						
Name of Director	As at 1 January 2021	Awarded during the year	Vested during the year	Cancelled during the year	As at 31 December 2021	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	265,692	–	(265,692)	–	–	29.03.2018	29.03.2021
	613,614	–	(613,614)	–	–	01.04.2019	01.04.2021
	613,614	–	–	–	613,614	01.04.2019	01.04.2022
	2,330,670	–	–	–	2,330,670	31.03.2020	31.03.2022
	2,330,670	–	–	–	2,330,670	31.03.2020	31.03.2023
	–	347,562	(347,562)	–	–	31.03.2021	31.03.2021
	–	727,434	–	–	727,434	07.04.2021	07.04.2023
	–	727,434	–	–	727,434	07.04.2021	07.04.2024
	–	312,012	(312,012)	–	–	07.07.2021	07.10.2021
	–	312,012	–	–	312,012	07.07.2021	07.01.2022
	–	312,012	–	–	312,012	07.07.2021	07.04.2022
	–	312,012	–	–	312,012	07.07.2021	07.07.2022
	6,154,260	3,050,478	(1,538,880)	–	7,665,858		
Mr. Evan Andrew Winkler	5,178	–	(5,178)	–	–	29.03.2018	29.03.2021
	10,746	–	(10,746)	–	–	01.04.2019	01.04.2021
	10,746	–	–	–	10,746	01.04.2019	01.04.2022
	21,168	–	(21,168)	–	–	31.03.2020	31.03.2021
	21,168	–	–	–	21,168	31.03.2020	31.03.2022
	21,168	–	–	–	21,168	31.03.2020	31.03.2023
	–	58,122	(58,122)	–	–	31.03.2021	31.03.2021
	–	12,693	–	–	12,693	07.04.2021	07.04.2022
	–	12,693	–	–	12,693	07.04.2021	07.04.2023
	–	12,693	–	–	12,693	07.04.2021	07.04.2024
	90,174	96,201	(95,214)	–	91,161		
Mr. Chung Yuk Man, Clarence	5,178	–	(5,178)	–	–	29.03.2018	29.03.2021
	23,025	–	(23,025)	–	–	01.04.2019	01.04.2021
	23,025	–	–	–	23,025	01.04.2019	01.04.2022
	48,993	–	(48,993)	–	–	31.03.2020	31.03.2021
	48,993	–	–	–	48,993	31.03.2020	31.03.2022
	48,993	–	–	–	48,993	31.03.2020	31.03.2023
	–	13,560	(13,560)	–	–	31.03.2021	31.03.2021
	–	27,201	–	–	27,201	07.04.2021	07.04.2022
	–	27,201	–	–	27,201	07.04.2021	07.04.2023
	–	27,201	–	–	27,201	07.04.2021	07.04.2024
	–	8,766	(8,766)	–	–	07.07.2021	07.10.2021
	–	8,766	–	–	8,766	07.07.2021	07.01.2022
	–	8,766	–	–	8,766	07.07.2021	07.04.2022
	–	8,766	–	–	8,766	07.07.2021	07.07.2022
	198,207	130,227	(99,522)	–	228,912		

Name of Director	Number of restricted shares: As at 1 January 2021	Awarded during the year	Vested during the year	Cancelled during the year	As at 31 December 2021	Date of award	Vesting date
Mr. John William Crawford	5,178	–	(5,178)	–	–	29.03.2018	29.03.2021
	10,746	–	(10,746)	–	–	01.04.2019	01.04.2021
	10,746	–	–	–	10,746	01.04.2019	01.04.2022
	22,983	–	(22,983)	–	–	31.03.2020	31.03.2021
	22,983	–	–	–	22,983	31.03.2020	31.03.2022
	22,983	–	–	–	22,983	31.03.2020	31.03.2023
	–	7,254	–	–	7,254	07.04.2021	07.04.2022
	–	7,254	–	–	7,254	07.04.2021	07.04.2023
	–	7,254	–	–	7,254	07.04.2021	07.04.2024
	95,619	21,762	(38,907)	–	78,474		
Total	**6,538,260**	**3,298,668**	**(1,772,523)**	**–**	**8,064,405**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares							
	As at 1 January 2021	Awarded during the year	Modified during the year	Vested during the year	Cancelled during the year	As at 31 December 2021	Date of award	Vesting date
Other eligible participants[3]	2,586	–	–	–	(2,586)	–	29.03.2018	29.03.2020
	454,599	–	–	(442,929)	(11,670)	–	29.03.2018	29.03.2021
	12,483	–	–	(10,689)	(1,794)	–	29.03.2018	27.04.2021
	12,489	–	–	–	(1,797)	10,692	29.03.2018	27.04.2022
	944,217	–	–	(922,173)	(22,044)	–	01.04.2019	01.04.2022
	36,246	–	–	(31,920)	(4,326)	–	01.04.2019	27.04.2021
	944,217	–	(23,358)	–	(56,169)	864,690	01.04.2019	01.04.2022
	–	–	23,358	(23,358)	–	–	01.04.2019	30.04.2021[1]
	36,246	–	–	–	(4,326)	31,920	01.04.2019	27.04.2022
	50,805	–	–	(50,805)	–	–	31.03.2020	31.03.2021
	1,974,906	–	(52,818)	–	(125,265)	1,796,823	31.03.2020	31.03.2022
	1,974,906	–	(52,818)	–	(125,265)	1,796,823	31.03.2020	31.03.2023
	108,759	–	–	(100,179)	(8,580)	–	31.03.2020	27.04.2021
	–	–	105,636	(105,636)	–	–	31.03.2020	30.04.2021[1]
	108,759	–	–	–	(8,580)	100,179	31.03.2020	27.04.2022
	78,576	–	–	(78,576)	–	–	24.11.2020	24.11. 2021
	78,576	–	–	–	–	78,576	24.11.2020	24.11. 2022
	–	1,480,653	–	(1,480,653)	–	–	31.03.2021	31.03.2021
	–	55,380	–	(55,380)	–	–	07.04.2021	30.04.2021
	–	21,762	–	–	–	21,762	07.04.2021	07.04.2022
	–	1,160,346	–	–	(64,569)	1,095,777	07.04.2021	07.04.2023
	–	1,160,346	–	–	(64,569)	1,095,777	07.04.2021	07.04.2024
	–	48,534	–	(48,534)	–	–	11.06.2021	11.06.2021
	–	35,910	–	–	(3,090)	32,820	11.06.2021	11.06.2023
	–	35,910	–	–	(3,090)	32,820	11.06.2021	11.06.2024
	–	1,200,300	–	(1,174,344)	(24,864)	1,092	07.07.2021	07.10.2021[2]
	–	1,200,300	–	–	(31,224)	1,169,076	07.07.2021	07.01.2022
	–	1,200,300	–	–	(31,224)	1,169,076	07.07.2021	07.04.2022
	–	1,200,300	–	–	(31,224)	1,169,076	07.07.2021	07.07.2022
Total	**6,818,370**	**8,800,041**	**–**	**(4,525,176)**	**(626,256)**	**10,466,979**		

Notes:

1. The vesting date of these restricted shares were modified from 31 March 2022, 1 April 2022 and 31 March 2023 to 30 April 2021, with effect from 22 April 2021.

2. The contractual right to the vesting of 1,092 restricted shares have been terminated when the relevant employee notified of his resignation before the vesting date of 7 October 2021. Such 1,092 unvested restricted shares were cancelled when the termination date of his employment became effective.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, no Directors has had an interest in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's businesses which is required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the Group entered into the following connected transactions and continuing connected transaction, 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

(1) Grant of Restricted Shares to a Director by Melco Resorts

On 7 April 2021, Melco Resorts granted restricted shares in respect of 484,956 American depositary shares ("ADSs") of Melco Resorts (equivalent to 1,454,868 Melco Resorts Shares) (the "Restricted Shares") to Mr. Ho, Lawrence Yau Lung under its share incentive plan. The Restricted Shares granted represented approximately 0.10% of Melco Resorts' issued shares as of 7 April 2021 and will be vested to Mr. Ho in two equal tranches, as to 242,478 ADSs (equivalent to 727,434 Melco Resorts Shares) on each of 7 April 2023 and 7 April 2024.

Based on the closing price of US$20.68 per Melco Resorts ADSs as quoted on the Nasdaq Global Select Market on 7 April 2021, the market value of the Restricted Shares granted to Mr. Ho was approximately US$10.03 million (equivalent to approximately HK$78.23 million).

The number of Restricted Shares granted to Mr. Ho was determined with reference to his duties and responsibilities as director of a subsidiary of Melco Resorts in Macau, where majority of the business of Melco Resorts and its subsidiaries ("Melco Resorts Group") is located.

The purpose of the aforesaid grant of Restricted Shares to Mr. Ho is for incentivizing and motivating him to strive for the future development of the Melco Resorts Group and its business.

Mr. Ho is a substantial shareholder, 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 under the Listing Rules. The grant of Restricted Shares to Mr. Ho constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the announcement of the Company dated 8 April 2021.

(2) Participation of a Director in the Share Purchase and Award Program

Melco Resorts has established and invited eligible employees to participate in a share purchase and award program (the "Share Purchase and Award Program"). Melco Resorts' Share Purchase and Award Program applies to eligible employees who agreed in 2020, at the height of the COVID-19 pandemic, to participate in the Group's voluntary no-paid leave program, one of a series of measures taken by the Group to proactively manage costs in the face of the unprecedented challenges of the pandemic.

Under the Share Purchase and Award Program, an eligible employee is invited to use a portion of his or her base salary during the term of the Share Purchase and Award Program, which runs from July 2021 to June 2022, to acquire restricted shares from Melco Resorts.

The principal reasons for the Share Purchase and Award Program are to:

(a) recognize the dedication and commitment of those eligible employees who participated in the Group's voluntary no-paid leave program in 2020/2021, during the unprecedented circumstances of the COVID-19 pandemic, consistent with the Group's belief that its employees are the single most important ingredient to delivering future success;

(b) provide eligible employees the opportunity to benefit from the Group's long-term growth;

(c) encourage vaccination against COVID-19; and

(d) continue to proactively manage costs.

Mr. Ho, Lawrence Yau Lung volunteered to forego part of his cash compensation since February 2020 and has since May 2020 foregone the entire amount of his cash compensation for the remainder of 2020 and subsequently extended to 30 June 2021.

Mr. Ho, as an eligible employee under the Share Purchase and Award Program, has committed to continue not to receive his base salary for the 12-month period of the Share Purchase and Award Program, from July 2021 to June 2022, and to participate in the Share Purchase and Award Program in an amount equal to the full extent of his base salary.

In accordance with the terms of the Share Purchase and Award Program, Mr. Ho acquired and will acquire restricted shares from Melco Resorts, in the forms of a purchase and a grant of restricted shares under the Melco Resorts Share Incentive Plan, in aggregate of 416,016 ADSs (equivalent to 1,248,048 Melco Resorts Shares).

The restricted shares that Mr. Ho acquired and will acquire represent approximately 0.09% of Melco Resorts' issued shares as at 7 July 2021. Based on the closing price of US$16.05 per ADS as quoted on the Nasdaq Global Select Market on 7 July 2021, the market value of the restricted shares Mr. Ho acquired is approximately US$6.68 million (equivalent to approximately HK$52.10 million).

Mr. Ho is a connected person of the Company, and the purchase of restricted shares by, and the grant of restricted shares of Melco Resorts to, Mr. Ho under the Share Purchase and Award Program constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the announcement of the Company dated 8 July 2021.

(II) Continuing Connected Transactions

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

On 14 December 2018, Melco Resorts Services Limited ("MRSL"), a subsidiary of the Company, for itself and on behalf of the Group, and Shun Tak-China Travel Ship Management Limited ("STCTSML") entered into a ferry ticket sales framework agreement (the "Ferry Ticket Sales Framework Agreement") relating to the purchases from time to time by the Group of the ferry tickets to and from Macau (the "Ferry Tickets") from STCTSML for a term of three years from 1 January 2019 to 31 December 2021.

The Company, through its subsidiary Melco Resorts, is engaged in the gaming and hospitality business in Macau. As part of the privileges offered to eligible customers, the Melco Resorts Group set up ticket terminals in its hotels and gaming areas allowing its eligible customers to directly redeem and print complimentary ferry ticketing services on site. On top of accommodating customers' preferences and needs, the price payable by the Group for Ferry Tickets pursuant to the Ferry Ticket Sales Framework Agreement and any implementation agreements in relation thereto is determined in accordance with the then prevailing market prices with bulk purchase discounts (net of departure tax and any fees) at which Ferry Tickets are offered to the general public by Shun Tak-China Travel Shipping Investments Limited (and its subsidiaries including STCTSML). As such, the Company considers that entering into of the Ferry Ticket Sales Framework Agreement and any related implementation agreements is beneficial to the Group.

MRSL is a subsidiary of Melco Resorts which, in turn, is a subsidiary of the Company. Mr. Ho, Lawrence Yau Lung is a substantial shareholder of the Company, the Chairman and Chief Executive Officer of the Company. When the Ferry Ticket Sales Framework Agreement was entered into on 14 December 2018, STCTSML was a majority-controlled company of certain family members of Mr. Ho, Lawrence Yau Lung and therefore an associate of Mr. Ho, Lawrence Yau Lung and a connected person of the Company under the Listing Rules.

The aggregate amount of the transactions under the Ferry Ticket Sales Framework Agreement is subject to annual caps for three years ended 31 December 2021. Annual caps of HK$34,200,000, HK$37,800,000 and HK$42,000,000 were set for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

Details of the Ferry Ticket Sales Framework Agreement and the annual caps set for each of the three years ended 31 December 2021 were set out in the announcement of the Company dated 14 December 2018.

For the year ended 31 December 2021, the total amount of fees paid by Melco Resorts Group to STCTSML under the Ferry Ticket Sales Framework Agreement was approximately HK$331,000 (the "Continuing Connected Transactions"), which is within the annual cap of 42,000,000 set for the year ended 31 December 2021 thereunder.

All the Independent Non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions 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 Ferry Ticket Sales 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.

On 15 December 2021, STCTSML is no longer a majority-controlled company of certain family members of Mr. Ho. Accordingly, the transactions contemplated under the Ferry Ticket Sales Framework Agreement are no longer subject to any of the reporting, annual review and announcement requirements thereafter.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2021, which did not constitute connected transactions under the Listing Rules, are disclosed in note 46 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, 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 were as follows:

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[1]	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	301,368,606	–	19.88%	2
Lasting Legend Ltd.	Beneficial owner	122,243,024	–	8.06%	2
	Interest of controlled corporation	301,368,606	–	19.88%	2
Trident Trust Company (Cayman) Limited	Trustee	423,611,630	–	27.94%	3
L3G Holdings Inc.	Beneficial owner	312,666,187	–	20.62%	5
Zedra Trust Company (Cayman) Limited	Trustee	312,666,187	–	20.62%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	91,445,132	14,030,000	6.96%	8
	Interest of controlled corporations	478,668,975	–	31.57%	4
	Interest of spouse	4,212,102	–	0.28%	6
	Others	312,666,187	–	20.62%	5
Ms. Lo Sau Yan, Sharen	Beneficial owner	4,212,102	–	0.28%	–
	Interest of spouse	882,780,294	14,030,000	59.15%	7, 8
Southeastern Asset Management, Inc.	Investment manager	212,537,781	–	14.02%	–

Notes:

1. As at 31 December 2021, the total number of issued shares of the Company was 1,516,205,755.

2. Better Joy Overseas Ltd. is a company controlled by Lasting Legend Ltd. and, therefore, Lasting Legend Ltd. was deemed to be interested in the 301,368,606 shares held by Better Joy Overseas Ltd. The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.

3. The 423,611,630 shares relate to the same block of shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. referred to in note 2 above.

4. The 478,668,975 shares relate to the 301,368,606 shares, 122,243,024 shares, 53,491,345 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and Maple Peak Investments Inc., respectively, representing approximately 19.88%, 8.06%, 3.53% and 0.10% of the total issued shares of the Company. All of such companies are owned by Mr. Ho, Lawrence Yau Lung and/or 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.

5. L3G Holdings Inc. is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members. Zedra Trust Company (Cayman) 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 L3G Holdings Inc. by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.

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

7. 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.

8. 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) are set out in the "Directors' interests in shares, underlying shares and debentures" section of this report.

Save as disclosed above, as at 31 December 2021, the Company has not been notified of any other interests or short positions 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.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Purchase Scheme purchased on the Hong Kong Stock Exchange a total of 11,409,000 shares of the Company at a total consideration of approximately HK$120,596,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Purchase Scheme.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Other than the share option schemes as disclosed in the "Share Options Schemes" section of this report, 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.

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 41 to 54 of this annual report.

REMUNERATION POLICY

The remuneration policy of the Company established a formal and transparent procedure for determining remuneration of the Executive Directors and all employees. The employees of the Group are selected, remunerated and promoted on the basis of their merits, qualifications and competence.

The emoluments payable by the Company to the Directors are determined by taking into account the Company's operating results, individual performances 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 has adopted a share option scheme and share award schemes as an incentive to Directors and employees. Details of the schemes are set out in the "Share Option Schemes" and "Share Award Schemes" sections of this report and in note 39 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 processes and overseeing the Group's risk management and internal control systems.

The Audit Committee, made up of a Non-executive Director and two Independent Non-executive Directors, met two 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 internal auditor, external auditor and management the auditing, risk management, internal control and financial reporting matters.

DONATIONS AND CONTRIBUTIONS

During the year ended 31 December 2021, donations and contributions by the Group for charitable and other purposes amounted to approximately HK$170,306,000 (2020: HK$264,415,000).

AUDITOR

The financial statements of the Company for the year ended 31 December 2021 have been audited by Ernst & Young, 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, 31 March 2022

INDEPENDENT AUDITOR'S REPORT

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 101 to 221, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 matter	How our audit addressed the key audit matter
Classification of interest-bearing borrowings	
Referring to notes 1 and 35 to the Group's consolidated financial statements for the subconcession contract (the "Subconcession") and interest-bearing borrowings, the Group classified the outstanding amounts under the notes and certain bank loans amounts (collectively the "Borrowings") as non-current liabilities at 31 December 2021. These Borrowings have maturity dates beyond 12 months from 31 December 2021. Under the relevant terms of the Borrowings, upon the occurrence of any event after which the Group's Subconcession is expired or terminated, or the Group does not continue to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner as of the issue dates of the respective notes or the dates of the facility agreements, for a period of 10 consecutive days, and such event has a material adverse effect on the financial condition, business, properties or results of operations of the Group taken as a whole, the noteholders and the banks can require the Group to repay all Borrowings, plus any accrued and unpaid interest; and any remaining credit facilities shall also be cancelled. The Group's current Subconcession ends on 26 June 2022 if the term of the Subconcession is not extended or the Subconcession is not replaced by a new gaming concession. We identified the classification of the Borrowings as non-current liabilities at 31 December 2021 as a key audit matter because it has involved significant management judgement. Factors taken into account by management in their assessment included, but were not limited to, whether there was a breach of covenants associated with the Borrowings at 31 December 2021 and as at the date of approval of the consolidated financial statements; and, as detailed in note 1 to the Group's consolidated financial statements, that the Group continues to believe that its Subconcession will be extended beyond 26 June 2022, and be replaced by a new gaming concession after the extension period.	We evaluated and tested the design and operating effectiveness of the controls over management's process to determine the classification of the Borrowings, including such controls over (i) assessing the Group's compliance with the requirements of the Group's Borrowings and, (ii) identifying and assessing applicable authoritative accounting standards and related interpretive literature, as well as the information used by management in those controls. We reviewed the relevant covenant requirements of the Borrowings, ensured the Group's compliance to these requirements as at the reporting date and as at the date of approval of these consolidated financial statements. We reviewed and considered management's assertion that the Group will continue to maintain its gaming business in its current form after the Subconcession's expiry on 26 June 2022, hence its ability to continue in complying with the relevant covenant requirements of the Borrowings. We assessed management's application of authoritative accounting standards and related interpretive literature pertaining to the current and non-current classification of the Borrowings. We assessed relevant information known to us, including information provided to us by the management and information that was publicly available, particularly regarding developments pertaining to the formulation by the Macau Government of the process and requirements for the extension of the Subconcession and tendering for a new concession. We assessed the adequacy of the Group's disclosures regarding the Borrowings, expectation of extension of the current Subconcession and replacement of a new concession agreement in the Group's consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
Referring to note 27 to the Group's consolidated financial statements, an impairment of trade receivables was recognized to reduce the Group's trade receivables based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The Group has made ECL allowance for trade receivables of approximately HK$1,562 million as at 31 December 2021. The Group is exposed to credit risk with its gaming promoters and approved casino customers. Any significant adverse changes in the business environment, collection trends in the gaming industry and financial condition of these gaming promoters and approved casino customers may impact the recoverability of the trade receivables. Changes in a region's economy or legal system can also provide a significant change in estimate between periods. We identified the recoverability of trade receivables as a key audit matter because of the subjective judgment used by management in estimating the ECL allowance. Further disclosures are included in notes 3 and 27 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 and ECL of trade receivables. In addition, we evaluated whether the ECL impairment model was calculated in accordance with HKFRS 9 *Financial Instruments*. We also checked and tested the data used in the Group's ECL impairment model, such as historical collection analysis, aging profile, security in front monies and/or deposits, and other background information in order to assess the adequacy of the provision made by the management for trade receivables. We also assessed whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and trademarks	
Referring to note 23 to the Group's consolidated financial statements for impairment testing on goodwill and trademarks, the Group carried goodwill and trademarks in the amounts of approximately HK$5,299 million and approximately HK$16,992 million, respectively, as at 31 December 2021. Management performs impairment test 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 2021 were determined by a value-in-use calculation. We identified the 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 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, gross margin, discount and growth rates. Further disclosures are included in notes 3 and 23 to the consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the annual impairment assessment including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We have also evaluated the reasonableness of the inputs and assumptions used to determine the profit and cash flow forecasts 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.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets (other than goodwill and trademarks)	
As at 31 December 2021, the aggregate carrying amounts of the Group's non-current non-financial assets, comprising property, plant and equipment, right-of-use assets, gaming license and subconcession and other intangible assets amounted to approximately HK$54,979 million. The management performed an impairment test, where an indication of impairment exists or when annual impairment testing for an asset is required. As the Group has incurred operating losses due to the severe decline in overall market conditions resulting from the continuing impact of coronavirus disease ("COVID-19") since 2020, the Group has therefore performed an impairment test on its non-current non-financial assets, and the assets' recoverable amounts as at 31 December 2021 were stated at the higher of the assets' value-in-use and their fair values less cost of disposal. We identified the impairment of non-current non-financial assets as a key audit matter because the impairment test and assessment were largely based on management's expectations and estimates of future results 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, gross margin, discount and growth rates, which can be affected by expectations about future market and economic conditions, including the continuing impact of COVID-19. Related disclosure are included in notes 3, 17, 19, 22 and 36 to the Group's consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the Group's impairment assessment, including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We have also evaluated the reasonableness of the inputs and assumptions used to determine the profit and 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 on 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.

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

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.

- 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.

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

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, actions taken to eliminate threats or safeguards applied.

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
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NET REVENUES	5	15,638,846	13,424,435
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	6	(6,554,174)	(5,856,534)
Employee benefits expenses	7	(5,562,700)	(5,921,358)
Depreciation and amortization	11	(5,437,161)	(5,706,046)
Other operating expenses, gains and losses, net	8	(3,359,860)	(4,173,091)
Total operating costs and expenses, net		(20,913,895)	(21,657,029)
OPERATING LOSS		(5,275,049)	(8,232,594)
NON-OPERATING INCOME/(EXPENSES)			
Interest income		51,858	42,422
Interest expenses, net of amounts capitalized	9	(2,926,666)	(2,869,289)
Losses on modification or extinguishment of debts, net		(102,856)	(133,419)
Other financing costs		(88,684)	(62,319)
Foreign exchange (losses)/gains, net		(10,275)	7,724
Other income/(expenses), net	10	455,273	(1,097,595)
Share of profits and losses of a joint venture	24	(1,789)	–
Share of profits and losses of associates	25	(1,791)	–
Total non-operating expenses, net		(2,624,930)	(4,112,476)
LOSS BEFORE TAX	11	(7,899,979)	(12,345,070)
Income tax expense	14	(43,282)	(32,858)
LOSS FOR THE YEAR		(7,943,261)	(12,377,928)

	Note	2021 HK$'000	2020 HK$'000
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		(541,086)	61,372
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain arising from defined benefit obligations		3,028	885
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(538,058)	62,257
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(8,481,319)	(12,315,671)
Loss for the year attributable to:			
Owners of the Company		(3,808,968)	(6,339,887)
Non-controlling interests		(4,134,293)	(6,038,041)
		(7,943,261)	(12,377,928)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(4,064,742)	(6,343,777)
Non-controlling interests		(4,416,577)	(5,971,894)
		(8,481,319)	(12,315,671)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		HK$(2.52)	HK$(4.19)
Diluted		HK$(2.52)	HK$(4.20)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	46,988,366	45,173,939
Right-of-use assets	36	7,069,510	7,297,089
Investment properties	18	–	356,000
Gaming license and subconcession	19	546,877	1,635,880
Goodwill	20	5,299,451	5,299,451
Trademarks	21	16,992,458	16,992,458
Other intangible assets	22	374,740	428,987
Investment in a joint venture	24	181,674	–
Investments in associates	25	29,278	–
Prepayments, deposits and other receivables	28	1,394,832	2,193,534
Other financial assets	31	20,320	130,929
Restricted cash	29	50,693	122,038
Deferred tax assets	37	31,423	49,430
Total non-current assets		78,979,622	79,679,735
CURRENT ASSETS			
Inventories	26	230,824	289,094
Trade receivables	27	425,098	1,005,073
Prepayments, deposits and other receivables	28	931,860	697,882
Tax recoverable		758	92
Bank deposits with original maturities over three months		–	39,500
Restricted cash	29	3,170	2,060
Cash and bank balances	30	13,452,432	13,821,297
		15,044,142	15,854,998
Assets classified as held for sale	32	169,513	–
Total current assets		15,213,655	15,854,998
CURRENT LIABILITIES			
Trade payables	33	46,779	73,575
Other payables, accruals and deposits received	34	7,345,052	7,748,623
Tax payable		105,123	123,599
Interest-bearing borrowings	35	4,712,947	4,278,102
Lease liabilities	36	509,977	831,172
		12,719,878	13,055,071
Liabilities directly associated with assets classified as held for sale	32	11,674	–
Total current liabilities		12,731,552	13,055,071
NET CURRENT ASSETS		2,482,103	2,799,927
TOTAL ASSETS LESS CURRENT LIABILITIES		81,461,725	82,479,662

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	34	239,858	258,036
Interest-bearing borrowings	35	53,163,654	46,356,559
Lease liabilities	36	3,201,416	2,683,688
Deferred tax liabilities	37	2,388,789	2,404,083
Total non-current liabilities		58,993,717	51,702,366
Net assets		22,468,008	30,777,296
EQUITY			
Share capital	38	5,696,445	5,692,080
Reserves		1,166,222	5,072,107
Equity attributable to owners of the Company		6,862,667	10,764,187
Non-controlling interests		15,605,341	20,013,109
Total equity		22,468,008	30,777,296

The accompanying notes are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 101 to 221 were approved and authorized for issue by the board of Directors on 31 March 2022 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 2021

	Attributable to owners of the Company												
	Share capital HK$'000 (note 38)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Legal reserve HK$'000 (note c)	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
At 1 January 2020	5,669,692	7,053	(5,870,965)	245,255	(1,905)	19,013	187,364	(95,628)	59,590	16,730,854	16,950,323	24,717,369	41,667,692
Exchange differences on translation of foreign operations	–	–	–	–	–	(4,374)	–	–	–	–	(4,374)	65,746	61,372
Actuarial gain arising from defined benefit obligations	–	–	–	–	484	–	–	–	–	–	484	401	885
Other comprehensive income/(loss) for the year	–	–	–	–	484	(4,374)	–	–	–	–	(3,890)	66,147	62,257
Loss for the year	–	–	–	–	–	–	–	–	–	(6,339,887)	(6,339,887)	(6,038,041)	(12,377,928)
Total comprehensive loss for the year	–	–	–	–	484	(4,374)	–	–	–	(6,339,887)	(6,343,777)	(5,971,894)	(12,315,671)
Exercise of share options	22,388	–	–	–	–	–	(10,612)	–	–	–	11,776	–	11,776
Recognition of share-based payments	–	–	137,260	–	–	–	64,365	–	138,714	–	340,339	163,665	504,004
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(1,055)	–	–	1,055	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	123,374	(114,227)	(9,147)	–	–	–
Purchase of shares for unvested shares under the share award schemes (note 38)	–	–	–	–	–	–	–	(30,767)	–	–	(30,767)	–	(30,767)
Reclassification of long-term incentive schemes from equity-settled to cash-settled (note 39(l))	–	–	–	–	–	–	–	–	(22,912)	–	(22,912)	–	(22,912)
Dividends declared (note 15)	–	–	–	–	–	–	–	–	–	(45,591)	(45,591)	–	(45,591)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(330,994)	(330,994)
Change in ownership interests of certain subsidiaries (note 41)	–	–	(95,204)	–	–	–	–	–	–	–	(95,204)	1,434,963	1,339,759
	22,388	–	42,056	–	–	–	52,698	92,607	1,575	(53,683)	157,641	1,267,634	1,425,275
At 31 December 2020	5,692,080	7,053*	(5,828,909)*	245,255*	(1,421)*	14,639*	240,062*	(3,021)*	61,165*	10,337,284*	10,764,187	20,013,109	30,777,296

	Attributable to owners of the Company												
	Share capital HK$'000 (note 38)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Legal reserve HK$'000 (note c)	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
At 1 January 2021	5,692,080	7,053	(5,828,909)	245,255	(1,421)	14,639	240,062	(3,021)	61,165	10,337,284	10,764,187	20,013,109	30,777,296
Exchange differences on translation of foreign operations	–	–	–	–	–	(257,477)	–	–	–	–	(257,477)	(283,609)	(541,086)
Actuarial gain arising from defined benefit obligations	–	–	–	–	1,703	–	–	–	–	–	1,703	1,325	3,028
Other comprehensive income/(loss) for the year	–	–	–	–	1,703	(257,477)	–	–	–	–	(255,774)	(282,284)	(538,058)
Loss for the year	–	–	–	–	–	–	–	–	–	(3,808,968)	(3,808,968)	(4,134,293)	(7,943,261)
Total comprehensive loss for the year	–	–	–	–	1,703	(257,477)	–	–	–	(3,808,968)	(4,064,742)	(4,416,577)	(8,481,319)
Exercise of share options	4,365	–	–	–	–	–	(1,490)	–	–	–	2,875	–	2,875
Recognition of share-based payments	–	–	345,807	–	–	–	29,142	–	102,301	–	477,250	286,487	763,737
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(1,793)	–	–	1,793	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	16,370	(25,706)	9,336	–	–	–
Purchase of shares for unvested shares under the share award schemes (note 38)	–	–	–	–	–	–	–	(120,596)	–	–	(120,596)	–	(120,596)
Reclassification of long-term incentive schemes from equity-settled to cash-settled (note 39(l))	–	–	–	–	–	–	–	–	(715)	–	(715)	–	(715)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(536)	(536)
Change in ownership interests of certain subsidiaries (note 41)	–	–	(195,592)	–	–	–	–	–	–	–	(195,592)	(277,142)	(472,734)
	4,365	–	150,215	–	–	–	25,859	(104,226)	75,880	11,129	163,222	8,809	172,031
At 31 December 2021	5,696,445	7,053*	(5,678,694)*	245,255*	282*	(242,838)*	265,921*	(107,247)*	137,045*	6,539,445*	6,862,667	15,605,341	22,468,008

* These reserve accounts comprise the consolidated reserves of HK$1,166,222,000 (2020: HK$5,072,107,000) in the consolidated statement of financial position.

The accompanying notes are an integral part of the consolidated financial statements.

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 asset 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 asset changes of a subsidiary resulting from the share repurchase or issuance by the subsidiary, which changed the Group's effective ownership therein; (8) share of net asset changes of a former 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; (9) share of special reserve of an associate; (10) the difference between the cash consideration and net assets acquired for privatization of a subsidiary; and (11) share of net asset change of subsidiaries in relation to their share-based compensation.

(c) All subsidiaries of the Group 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 the 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 at 31 December 2021, the aggregate balance of the reserves amounted to HK$245,255,000 (2020: HK$245,255,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(7,899,979)	(12,345,070)
Adjustments for:			
Depreciation of property, plant and equipment	11	3,772,164	4,089,834
Amortization of intangible assets	11	1,178,810	1,139,753
Depreciation of right-of-use assets	11	486,187	476,459
Loss on disposal of property, plant and equipment	8	6,278	7,736
Impairment losses on property, plant and equipment	8	28,376	63,189
Gain on disposal of investment properties	8	(54,300)	–
Gain on disposal of intangible and other assets		(5,982)	–
Loss/(gain) on lease modifications	8	847	(1,630)
Allowances for credit losses, net	8	95,727	1,058,708
Impairment losses on intangible assets	22	–	1,332
Impairment loss on goodwill	8	–	107,485
Share-based compensation	7	690,531	596,081
Gain on fair value change of investment properties	8	–	(8,000)
(Gain)/loss on fair value changes of financial assets at fair value through profit or loss	10	(428,057)	1,221,988
Interest income		(51,858)	(42,422)
Interest expenses, net of amounts capitalized	9	2,926,666	2,869,289
Losses on modification or extinguishment of debts, net		102,856	133,419
Adjustment of lease liabilities	8	(29,702)	(63,487)
Share of profits and losses of a joint venture	24	1,789	–
Share of profits and losses of associates	25	1,791	–
		822,144	(695,336)
Changes in working capital:			
Decrease in inventories		56,609	56,263
Decrease in trade receivables		488,665	208,608
Decrease/(increase) in prepayments, deposits and other receivables		385,875	(465,895)
Decrease in trade payables		(25,551)	(98,402)
Decrease in other payables, accruals and deposits received		(1,149,325)	(4,249,384)
Cash generated from/(used in) operations		578,417	(5,244,146)
Income tax paid, net of refunds		(36,890)	(42,641)
Net cash generated from/(used in) operating activities		541,527	(5,286,787)

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and deposits for property, plant and equipment		(5,009,080)	(3,333,847)
Payments for intangible and other assets		(60,904)	(212,011)
Placement of bank deposits with original maturities over three months		(2,603,741)	(74,300)
Payments for right-of-use assets		–	(5,799)
Proceeds from disposal of property, plant and equipment		37,273	4,254
Proceeds from disposal of investment properties		410,300	–
Proceeds from disposal of intangible and other assets		6,150	–
Investment in a joint venture		(180,150)	–
Investment in an associate		(31,084)	–
Withdrawals of bank deposits with original maturities over three months		2,643,241	34,800
Interest received		48,869	42,842
Proceeds from disposal of financial assets at fair value through profit or loss	31	558,106	3,177,866
Purchase of financial assets at fair value through profit or loss	31	(19,440)	–
Net cash used in investing activities		(4,200,460)	(366,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing borrowings		(13,305,487)	(11,399,573)
Interest paid		(2,673,798)	(1,944,327)
Payments of deferred financing costs		(378,692)	(617,790)
Dividends paid		(7)	(45,569)
Dividends paid to non-controlling shareholders		(64,205)	(265,307)
Payments of lease liabilities (including associated interest)		(295,569)	(259,406)
Purchase of shares for the share award schemes		(120,596)	(30,767)
Repurchase of shares of subsidiaries		(472,734)	(350,610)
Proceeds from exercise of share options		58,505	18,662
Net proceeds from issuance of shares by subsidiaries		(3,460)	1,694,139
Decrease in restricted cash		70,935	324,121
Proceeds from interest-bearing borrowings		20,405,948	20,982,599
Net cash generated from financing activities		3,220,840	8,106,172
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(438,093)	2,453,190
Cash and cash equivalents at beginning of year		13,821,297	11,213,138
Effect of foreign exchange rate changes, net		71,050	154,969
		13,454,254	13,821,297
Less: cash and bank balances classified within assets held for sale	32	(1,822)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		13,452,432	13,821,297
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	13,452,432	13,821,297

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. ORGANIZATION AND BUSINESS

(a) 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 integrated resort facilities in Asia and Europe. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited ("Melco Resorts"), a subsidiary of the Group, with its American depositary shares ("ADSs") listed on the Nasdaq Global Select Market in the United States of America (the "U.S."). Melco Resorts currently operates Altira Macau, an integrated resort located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated resort located at Cotai, Macau and Grand Dragon Casino, a casino located at Taipa, Macau. Melco Resorts' business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. Melco Resorts, through its subsidiaries, including Studio City International Holdings Limited ("SCIHL"), which is majority-owned by Melco Resorts and with its ADSs listed on the New York Stock Exchange in the U.S., also operates Studio City, a cinematically-themed integrated resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary of Melco Resorts operates and manages City of Dreams Manila, an integrated resort in the Entertainment City complex in Manila. In Europe, Melco Resorts, through its majority-owned subsidiaries, ICR Cyprus Holdings Limited ("ICR Cyprus") and its subsidiaries (collectively referred to as "ICR Group"), is currently developing City of Dreams Mediterranean, an integrated resort in Limassol, in the Republic of Cyprus ("Cyprus"). ICR Group is currently operating a temporary casino in Limassol and is licensed to operate four satellite casinos ("Cyprus Operations") in Cyprus. Upon the opening of City of Dreams Mediterranean, the ICR Group will continue to operate the satellite casinos while operation of the temporary casino will cease.

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.

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

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 2021	Directly 2020	Indirectly 2021	Indirectly 2020
Melco Resorts	Cayman Islands	Investment holding	Ordinary shares – United States dollars ("US$") 14,565,479	–	–	57.10%	56.80%
COD Resorts Limited	Macau	Integrated resort development and related operations	Quota capital – Macau Pataca ("MOP") 1,050,000	–	–	57.10%	56.80%
MCO Cotai Investments Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	57.10%	56.80%
MCO Europe Holdings (NL) B.V.	The Netherlands	Investment holding	Ordinary share – Euro ("EUR") 1	–	–	57.10%	56.80%
Melco Resorts Services Limited	Hong Kong	Investment holding and provision of management service to group companies	Ordinary share Hong Kong dollars ("HK$") 1	–	–	57.10%	56.80%
MCO Holdings Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	57.10%	56.80%
MCO International Limited	Cayman Islands	Investment holding	Ordinary shares – US$4	–	–	57.10%	56.80%
MCO Investments Limited ("MCO Investments")	Cayman Islands/ Hong Kong	Investment holding	Ordinary shares – US$2.02	–	–	57.10%	56.80%
MCO Nominee One Limited	Cayman Islands/ Hong Kong	Investment holding and financing	Ordinary share – US$0.01	–	–	57.10%	56.80%
Melco Resorts (Macau) Limited ("Melco Resorts Macau")	Macau	Casino operations and investment holding	Ordinary shares – Class A shares(1): MOP282,800,000 Class B shares(2): MOP727,200,000	–	–	57.10%(3)	56.80%(3)
Melco Resorts and Entertainment (Philippines) Corporation ("MRP")	The Philippines	Investment holding	Common shares – Philippine Peso ("PHP") 5,689,764,700	–	–	56.52%	55.61%
Melco Resorts Finance Limited ("Melco Resorts Finance")	Cayman Islands/ Hong Kong	Financing	Ordinary shares – US$12.02	–	–	57.10%	56.80%

1. ORGANIZATION AND BUSINESS (continued)

(a) 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 2021	Directly 2020	Indirectly 2021	Indirectly 2020
Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure")	The Philippines	Integrated resort development and related operations	Common shares – PHP2,281,894,500	–	–	56.52%	55.61%
MSC Cotai Limited ("MSC Cotai")	BVI	Investment holding	Ordinary shares – US$37,035.27	–	–	31.41%	31.24%
SCP One Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.41%	31.24%
SCP Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.41%	31.24%
SCP Holdings Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.41%	31.24%
Studio City Company Limited ("Studio City Company")	BVI	Investment holding and financing	Ordinary shares – US$3	–	–	31.41%	31.24%
Studio City Developments Limited	Macau	Integrated resort development	Quota capital – MOP6,001,000	–	–	31.41%	31.24%
Studio City Finance Limited ("Studio City Finance")	BVI/Hong Kong	Investment holding and financing	Ordinary shares – US$3	–	–	31.41%	31.24%
Studio City Holdings Limited	BVI	Investment holding	Ordinary share – US$1	–	–	31.41%	31.24%
Studio City Holdings Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.41%	31.24%
SCIHL	Cayman Islands	Investment holding	Ordinary shares – Class A shares(4): US$37,035.27 Class B shares(4): US$7,251.18	0.17%	0.17%	31.24%	31.07%
Studio City Investments Limited ("Studio City Investments")	BVI	Investment holding	Ordinary shares – US$3	–	–	31.41%	31.24%
ICR Cyprus	Cyprus	Investment holding	Ordinary shares – EUR1,000,000	–	–	42.82%	42.60%

1. ORGANIZATION AND BUSINESS (continued)

(a) 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 2021	2020	Indirectly 2021	2020
Integrated Casino Resorts Cyprus Limited	Cyprus	Operation of an integrated resort and satellite casinos	Ordinary shares – EUR11,001 (2020: EUR11,000)	–	–	42.82%	42.60%
ICR Cyprus Resort Development Co Limited	Cyprus	Integrated resort development and related operations	Ordinary shares – EUR11,001 (2020: EUR11,000)	–	–	42.82%	42.60%
Melco Leisure and Entertainment Group Limited ("Melco Leisure")	BVI/Hong Kong	Investment holding	Ordinary share – US$1	100%	100%	–	–
Melco Services Limited	BVI/Hong Kong	Provision of management service to group companies	Ordinary share – US$1	100%	100%	–	–
Melco Investment Resources Limited	BVI/Hong Kong	Financing	Ordinary share- US$1	100%	100%	–	–

* Class A share has no voting right.

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries (continued)

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

Notes:

(1) The holders of the Class A shares of Melco Resorts Macau, as a group, are entitled to an annual dividend in an amount in the aggregate of up to MOP1 (the "Class A Dividend") and a distribution in the event of liquidation of Melco Resorts Macau or return of capital to the Class A shares in an amount in the aggregate of up to MOP1 (the "Class A Capital Distribution"), and shall be entitled to no other dividends, distributions, return of capital, liquidation proceeds, return of par value, or other sum of any type from Melco Resorts Macau.

(2) The Class B shares of Melco Resorts Macau in the aggregate represent the entire rights to receive dividends and other distributions from, and capital of, Melco Resorts Macau, after payment of the Class A Dividend and the Class A Capital Distribution in respect of Class A shares. The holders of the Class B shares, in proportion to their ownership thereof, shall be entitled to receive any dividends, distributions, capital, liquidation proceeds, par value, or other emoluments that may at any time be paid to or received by the holders of the Class A shares, except the Class A Dividend and the Class A Capital Distribution.

(3) Certain Macau laws require companies limited by shares (sociedade anónima) incorporated in Macau to have a minimum of three shareholders, and all gaming concessionaires and subconcessionaires to be managed by a Macau permanent resident, the managing director, who must hold at least 10% of the share capital of the concessionaire or subconcessionaire. In accordance with such Macau laws, 90% of the share capital of Melco Resorts Macau is indirectly owned by Melco Resorts. While the Group complies with the Macau laws, Melco Resorts Macau is considered an indirectly 57.10% (2020: 56.80%) owned subsidiary of the Company for purposes of the consolidated financial statements of the Company because the economic interest of the 10% holding of the managing director is limited to, in aggregate with other Class A shareholders, MOP1 on the winding up or liquidation of Melco Resorts Macau and to receive an aggregate annual dividend of MOP1.

(4) Each Class A ordinary share and each Class B ordinary share entitles its holder to one vote on all matters to be voted on by shareholders generally and holders of Class A ordinary shares and Class B ordinary shares will vote together as a single class on all matters presented to the shareholders for their vote or approval, except as otherwise required by applicable law or the memorandum of association and articles of association. The Class A ordinary shares and the Class B ordinary shares have the same rights, except that holders of the Class B ordinary shares only have voting and no economic rights to receive dividends or distribution upon the liquidation or winding up of SCIHL. In addition, pursuant to the terms of a participation agreement ("Participation Agreement") signed in 2018 among SCIHL, MSC Cotai, a subsidiary of SCIHL, and New Cotai, LLC ("New Cotai"), the holders of all outstanding Class B ordinary shares, New Cotai has a non-voting, non-shareholding economic participation interest in MSC Cotai, which entitles New Cotai to receive from MSC Cotai an amount equal to a certain percentage of the MSC Cotai's distribution, subject to adjustments, exceptions and conditions as set out in the Participation Agreement. The Participation Agreement also provides that New Cotai is entitled to exchange all or a portion of its Participation Interest for a number of Class A ordinary shares subject to adjustments, exceptions and conditions as set out in the Participation Agreement and a proportionate number of Class B ordinary shares will be deemed surrendered and automatically cancelled for no consideration as set out in the Participation Agreement when New Cotai exchanges all or a portion of the Participation Interest for Class A ordinary shares.

The above table lists the subsidiaries of the Company which, in the opinion of the management of the Group, 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 Resorts Finance and Studio City Finance, subsidiaries of the Company, had issued debt securities of HK$31,873,047,000 and HK$16,278,230,000, respectively at the end of the year, as disclosed in note 35, in which the Group has no interest.

1. ORGANIZATION AND BUSINESS (continued)

(b) Recent developments related to COVID-19 and business operation

The disruptions to the Group's business caused by the coronavirus (COVID-19) outbreak continue to have a material effect on its financial condition and operations during 2021.

In Macau, the Group's operations have been impacted by periodic travel restrictions and quarantine requirements being imposed by the governments of Macau, Hong Kong and the People's Republic of China ("PRC") in response to various outbreaks and also due to the PRC's "dynamic zero" policy. The appearance of COVID-19 cases in Macau in early August 2021 and late September 2021 led to city-wide mandatory testing, mandatory closure of most entertainment and leisure venues (casinos and gaming areas excluded), and strict travel restrictions and requirements being implemented to enter and exit Macau. Since 19 October 2021, authorities have eased pandemic prevention measures such that travellers are no longer required to undergo a 14-day quarantine on arrival in Zhuhai, and the validity of nucleic acid tests to enter Zhuhai was extended from 24 hours to 7 days. The validity of nucleic acid tests to enter Macau and quarantine requirements upon entry to Macau vary from time to time and is currently set at 24 hours for entry from Zhuhai. Health-related precautionary measures remain in place and non-Macau resident individuals who are not residents of Taiwan, Hong Kong, or the PRC continue to be unable to enter Macau, except if they have been in Hong Kong or the PRC in the preceding 21 days and are eligible for an exemption application.

In the Philippines, City of Dreams Manila's operations have been impacted by the on-and-off travel restrictions and was operated at limited operational capacity under different levels of community quarantine measures in Metro Manila as imposed by the Philippine government in response to COVID-19 cases. During the period from 29 March 2021 to 30 April 2021 and from 6 August 2021 to 16 September 2021, City of Dreams Manila's operations were closed due to a resurgence in COVID-19 cases. On 16 October 2021, the Philippine government downgraded the community quarantine measure to Alert Level 3, allowing hotels to take vaccinated local guests on staycation packages, and was further downgraded to Alert Level 2 on 5 November 2021 allowing hotels to take leisure guests. The Philippine government re-opened the borders to fully vaccinated international tourists with a negative RT-PCR test taken within 48 hours of departure of their country of origin effective on 10 February 2022 and lowered COVID-19 restrictions to Alert Level 1 effective on 1 March 2022 which allows casinos to operate at 100% capacity, subject to certain guidelines.

In Cyprus, the Group's Cyprus Operations were closed during the period from 1 January 2021 to 16 May 2021 due to the Cyprus government mandated lockdown. The Cyprus Operations were resumed on 17 May 2021 at limited capacities after the Cyprus government relaxed COVID-19 restrictions. With a surge in COVID-19 cases, authorities stepped up COVID-19 restrictions from the end of December 2021 by reducing the capacity at certain venues and increasing restrictions for unvaccinated people, however, the casinos of the Cyprus Operations remained open during the period and such restrictions have been eased after 21 February 2022.

1. ORGANIZATION AND BUSINESS (continued)

(b) Recent developments related to COVID-19 and business operation (continued)

The COVID-19 outbreak has also impacted the construction schedules of the remaining development project at Studio City and the City of Dreams Mediterranean project in Cyprus. As announced by SCIHL in May 2021, the Macau government granted an extension of the development period under the Studio City land concession to 27 December 2022. The opening of City of Dreams Mediterranean is now expected to be in the second half of 2022.

The pace of recovery from COVID-19-related disruptions continues to depend on future events, including duration of travel and visa restrictions, the pace of vaccination progress, development of new medicines for COVID-19 as well as customer sentiment and consumer behavior related to discretionary spending and travel, all of which remain highly uncertain.

Also, there have been concerns over the recent military conflict between Russia and Ukraine which has led to sanctions and export controls imposed by the U.S., the European Union, the United Kingdom and other countries targeting Russia, its financial system and major financial institutions and certain Russian entities and persons. Such military conflict and the new and growing lists of sanctions and measures are extensive and rapidly changing, could be difficult to comply with and could also significantly increase the Group's business and compliance costs as well as having a negative impact on the Group's business and ability to accept certain customers from Russia, and may materially and adversely affect the Group's business in Cyprus.

The Group is currently unable to reasonably estimate the financial impact to its future results of operations, cash flows and financial condition from these disruptions.

As at 31 December 2021, the Group had total cash and bank balances of HK$13,452,432,000 and available unused borrowing capacity of HK$13,380,737,000, subject to the satisfaction of certain conditions precedent.

The Group has taken various mitigating measures to manage through the current COVID-19 outbreak challenges, such as implementing cost reduction programs to minimize cash outflows for non-essential items, rationalizing the Group's capital expenditure programs with deferrals and reductions, refinancing certain existing borrowings and raising additional capital through debt and equity offerings.

The Group believes it will be able to support continuing operations and capital expenditures for at least twelve months after the reporting period end date of these consolidated financial statements.

Unrelated to the COVID-19 outbreak, in December 2021, Melco Resorts Macau, a subsidiary of the Group, ceased all gaming promoter arrangements in Macau. The Group is currently unable to reasonably estimate the financial impact to its future results of operations, cash flows and financial condition from this change in its operations.

1. ORGANIZATION AND BUSINESS (continued)

(c) Macau gaming subconcession contract

On 8 September 2006, Melco Resorts Macau entered into a subconcession contract to operate its gaming business in Macau. Melco Resorts Macau's subconcession contract expires on 26 June 2022. Under current applicable Macau gaming law, a concession or subconcession may be extended or renewed by order of the Macau Chief Executive, one or more times, up to a maximum of five years.

Melco Resorts Macau and Studio City Entertainment Limited ("Studio City Entertainment"), a subsidiary of the Group, entered into a services and right to use agreement dated 11 May 2007, as amended on 15 June 2012, together with related agreements (the "Services and Right to Use Arrangements") under which Melco Resorts Macau agreed to operate the gaming area at Studio City ("Studio City Casino") since Studio City Entertainment does not hold a gaming license in Macau. Under such arrangements, Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with its operations from Studio City Casino's gross gaming revenues. Studio City Entertainment receives the residual amount and recognizes such residual amount as its revenue from provision of gaming related services. These arrangements remain effective until 26 June 2022, and will be extended if Melco Resorts Macau obtains a gaming concession, subconcession or other right to legally operate gaming in Macau beyond 26 June 2022 and if the Macau government permits such extension.

In January 2022, the Macau government put forth a proposed law amending the Macau gaming law which is under review and a revised proposed law amending the Macau gaming law is expected to be put forth by the Macau government for final approval by the Macau Legislative Assembly in April 2022.

The Macau government has publicly stated that the concessions and subconcessions contracts may be extended until 31 December 2022 to enable the conclusion of the proposed amendments to Macau gaming law and the completion of the tender process for new concessions. On 11 March 2022, Melco Resorts Macau filed an application with the Macau government for the extension of its subconcession contract until 31 December 2022 and, in connection with such application, will be required to pay an extension premium of up to MOP47,000,000 (equivalent to HK$45,631,000) and provide a bank guarantee in favour of the Macau government for the payment of potential labour liabilities should Melco Resorts Macau not be granted a new concession (or have its subconcession further extended) after 31 December 2022. The extension of the subconcession contract is subject to the approval of the Macau government and execution of an addendum to the subconcession contract.

1. ORGANIZATION AND BUSINESS (continued)

(c) Macau gaming subconcession contract (continued)

Under the indentures of the Group's senior notes, holders of the senior notes can require the respective issuer to repurchase all or any part of the senior notes at par, plus any accrued and unpaid interest (the "Special Put Option") (i) upon the occurrence of any event after which none of Melco Resorts Finance, a subsidiary of the Group, or any of its subsidiaries has such licenses, concessions, subconcessions or other permits or authorizations as are necessary to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as such relevant issuers and its subsidiaries were entitled, permitted or authorized to as of the issue date of the respective senior notes or, in the case of Studio City Finance and Studio City Company, subsidiaries of the Group, in which Melco Resorts Macau's subconcession or other permits or authorizations as are necessary for the operation of the Studio City Casino in substantially the same manner and scope as operations were conducted at the issue date of the respective senior notes issued by Studio City Finance and Studio City Company cease to be in full force and effect, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties or results of operations of the respective issuers and its subsidiaries, taken as a whole; or (ii) if the termination, rescission, revocation or modification of Melco Resorts Macau's subconcession has had a material adverse effect on the financial condition, business, properties, or results of operations of the respective issuer and its subsidiaries.

In addition, in relation to the Group's various credit facilities, any termination, revocation, rescission or modification of Melco Resorts Macau's subconcession which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, would constitute a mandatory prepayment event, which would result in (i) the cancellation of available commitments; and (ii) subject to each lender's election, such electing lender's share of all outstanding amounts under such facilities becoming immediately due and payable.

The Group believes Melco Resorts Macau is in a position to satisfy the requirements related to the extension of its subconcession and the award of a new concession as they may be established by the Macau government and, the Services and Right to Use Arrangements will be extended, at least for the transition period of three years. Accordingly, the accompanying consolidated financial statements are prepared on a going concern basis.

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. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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 2021. 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 adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in HK$ and US$ based on the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. Since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the Amendment to HKFRS 16 on 1 January 2021 but did not apply the practical expedient. Accordingly, the adoption of the amendment did not have any material impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 resulting from a downstream transaction 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.

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are 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)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 investment in an associate becomes 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 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 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred tax 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. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

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	5 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in properties (including the leasehold interest 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.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired either individually or at the CGU 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.

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new software is capitalized when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

The Group recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are subject to impairment, if applicable.

(b) *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to all leases that have lease terms of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income includes minimum operating lease income and variable lease income and is recognized in "Entertainment, retail and other revenues" and "Property rental income". Minimum operating lease income is accounted for on the straight-line basis over the lease terms. Variable lease income or contingent rent that does not depend on an index or a rate is recognized as income in the accounting period in which it is earned. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as minimum operating lease income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets at amortized cost are subject to impairment under the general approach for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. At each reporting date, the Group defines a financial asset as credit-impaired, when it meets one or more of the following criteria indicating the debtor is in significant financial difficulty:

- a breach of contract, such as a default or past due event;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the Group would not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Where ECL provisions modelled on a collective basis or cater for cases where evidence at the individual instrument level may not be available, the financial instruments are grouped based on shared credit risk characteristics and days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

The Group applies the simplified approach in calculating ECLs for trade receivables. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed using a provision matrix that is based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities.

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 interest expenses in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 interest expenses 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, and 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 from contracts with customers

The Group's revenues from contracts with customers consist of casino wagers, sales of rooms, catering, entertainment, retail and other goods and services.

(a) *Casino revenues*

Gross casino revenues are measured by the aggregate net difference between gaming wins and losses. The Group accounts for its casino wagering transactions on a portfolio basis versus an individual basis as all wagers have similar characteristics. Commissions rebated to customers either directly or indirectly through gaming promoters and cash discounts and other cash incentives earned by customers are recorded as a reduction of gross casino revenues. In addition to the wagers, casino transactions typically include performance obligations related to complimentary goods or services provided to incentivize future gaming or in exchange for incentives or points earned under the Group's non-discretionary incentive programs (including loyalty programs).

For casino transactions that include complimentary goods or services provided by the Group to incentivize future gaming, the Group allocates the standalone selling price of each good or service to the appropriate revenue type based on the good or service provided. Complimentary goods or services that are provided under the Group's control and discretion and supplied by third parties are recorded as other operating expenses, gains and losses, net.

The Group operates different non-discretionary incentive programs in certain of its properties which include loyalty programs (the "Loyalty Programs") to encourage repeat business mainly from loyal slot machine customers and table games patrons. Customers earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include points earned under the Loyalty Programs, the Group defers a portion of the revenue by recording the estimated standalone selling prices of the earned points that are expected to be redeemed as a liability. Upon redemption of the points for Group-owned goods or services, the standalone selling price of each good or service is allocated to the appropriate revenue type based on the good or service provided. Upon the redemption of the points with third parties, the redemption amount is deducted from the liability and paid directly to the third party.

After allocating amounts to the complimentary goods or services provided and to the points earned under the Loyalty Programs, the residual amount is recorded as casino revenue when the wagers are settled.

(b) *Entertainment and resort facilities revenue*

The transaction prices of rooms, catering, entertainment, retail and other goods and service are the net amounts collected from customers for such goods and services and are recorded as revenues when the goods are provided, services are performed or events are held. Service taxes and other applicable taxes collected by the Group are excluded from revenues. Advance deposits on rooms and convention space and advance tickets sales are recorded as customer deposits until services are provided to the customers. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or service based on its relative standalone selling price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Revenue from other sources

(a) Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(b) Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably; and

(c) Rental income is included in "Entertainment, retail and other revenues" and "Property rental income" and is recognized in accordance with HKFRS 16. See Leases for the accounting policy of rental income.

Contract and contract-related liabilities

A contract and contract-related liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract and contract-related liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract and contract-related liabilities are recognized as revenue when the Group performs under the contract.

Share-based payments

Equity-settled share options/share awards granted to employees

The Group operates share option and share award schemes 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 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 the Black-Scholes valuation model, further details of which are given in note 39 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Equity-settled share options/share awards granted to employees (continued)

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.

Equity-settled 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, when the counterparties render services, unless the services qualify for recognition as assets.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognized for cash-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 awards that will ultimately vest. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognized in profit or loss.

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 HKFRS 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange 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 HK$ 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 HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, 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 which have legal lives of 7 to 10 years and are renewable for the same consecutive period upon expiry at minimal cost. The Group is of the opinion that the Group will renew the trademarks continuously and has the ability to do so. Such trademarks are considered by 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.

Lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

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.

Provision for expected credit losses on trade receivables

The Group applies HKFRS 9 simplified approach in calculating ECLs for its trade receivables. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns and adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. Should there be any change in such estimates, it could have a material effect to the carrying amount of trade receivables.

The information about the ECLs on the Group's trade receivables is disclosed in note 27.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 judgment 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 2021 were HK$46,988,366,000 (2020: HK$45,173,939,000) and HK$374,740,000 (2020: HK$428,987,000), respectively.

Impairment of non-current non-financial assets (other than goodwill, trademarks and investment properties)

The Group performs an impairment test on all non-financial assets (including the right-of-use assets), where an indication of impairment exists or when annual impairment testing for an asset is required. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its value-in-use and its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or the CGU and chooses a suitable discount rate in order to calculate the present value of those cash flows.

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 are 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 2021, the carrying amounts of goodwill and trademarks were HK$5,299,451,000 (2020: HK$5,299,451,000) and HK$16,992,458,000 (2020: HK$16,992,458,000), respectively. Details of the recoverable amount calculation are disclosed in note 23.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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 the operation of casino and the provision of hospitality services and facilities through Melco Resorts; and

(b) the "Others" segment comprises, principally, other gaming, leisure and entertainment, and property investments.

Management monitors the results of the Group's operating and reportable segments separately for the purpose of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, is the loss for the year before interest, income tax, depreciation and amortization, share-based compensation expenses, pre-opening costs, development costs, property charges and other, payments to the Philippine Parties (as defined in note 43), corporate expenses, other non-operating income and expenses, share of profits and losses of a joint venture and share of profits and losses of associates. This is the measure reported to the chief operating decision-maker for the purposes of resource allocations and performance assessments. 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 those deferred tax assets and other corporate unallocated assets which are managed on a group basis.

Segment liabilities exclude those borrowings, dividends payable, deferred tax liabilities and other corporate unallocated liabilities which are managed on a group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made and services provided to third parties at the prevailing market prices.

4. SEGMENT INFORMATION (continued)

Segment net revenues and results

Year ended 31 December 2021

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment net revenues			
Sales to external customers (note 5)	15,633,143	5,703	15,638,846
Intersegment sales	10,446	98	10,544
	15,643,589	5,801	15,649,390
Elimination of intersegment sales			(10,544)
Total net revenues			15,638,846
Adjusted EBITDA	1,552,521	(8,035)	1,544,486
Operating costs and expenses			
Depreciation and amortization			(5,437,161)
Share-based compensation expenses			(690,531)
Pre-opening costs			(31,903)
Development costs			(243,388)
Property charges and other			(177,671)
Payments to the Philippine Parties			(204,929)
Corporate expenses			(33,952)
Operating loss			(5,275,049)
Non-operating income/(expenses)			
Interest income			51,858
Interest expenses, net of amounts capitalized			(2,926,666)
Losses on modification or extinguishment of debts, net			(102,856)
Other financing costs			(88,684)
Foreign exchange losses, net			(10,275)
Other income, net			455,273
Share of profits and losses of a joint venture			(1,789)
Share of profits and losses of associates			(1,791)
Total non-operating expenses, net			(2,624,930)
Loss before tax			(7,899,979)
Income tax expense			(43,282)
LOSS FOR THE YEAR			(7,943,261)

4. SEGMENT INFORMATION (continued)

Segment net revenues and results (continued)

Year ended 31 December 2020

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment net revenues			
Sales to external customers (note 5)	13,414,853	9,582	13,424,435
Intersegment sales	11,789	–	11,789
	13,426,642	9,582	13,436,224
Elimination of intersegment sales			(11,789)
Total net revenues			13,424,435
Adjusted EBITDA	(1,172,802)	(25,388)	(1,198,190)
Operating costs and expenses			
Depreciation and amortization			(5,706,046)
Share-based compensation expenses			(596,081)
Pre-opening costs			(10,193)
Development costs			(193,987)
Property charges and other			(378,134)
Payments to the Philippine Parties			(100,945)
Corporate expenses			(49,018)
Operating loss			(8,232,594)
Non-operating income/(expenses)			
Interest income			42,422
Interest expenses, net of amounts capitalized			(2,869,289)
Losses on modification or extinguishment of debts, net			(133,419)
Other financing costs			(62,319)
Foreign exchange gains, net			7,724
Other expenses, net			(1,097,595)
Total non-operating expenses, net			(4,112,476)
Loss before tax			(12,345,070)
Income tax expense			(32,858)
LOSS FOR THE YEAR			(12,377,928)

4. SEGMENT INFORMATION (continued)

31 December 2021

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	93,240,148	698,917	93,939,065
Corporate and other unallocated assets			254,212
Total assets			94,193,277
Segment liabilities	64,969,743	57,642	65,027,385
Corporate and other unallocated liabilities			6,697,884
Total liabilities			71,725,269

31 December 2020

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	94,641,475	437,357	95,078,832
Corporate and other unallocated assets			455,901
Total assets			95,534,733
Segment liabilities	57,902,919	100,787	58,003,706
Corporate and other unallocated liabilities			6,753,731
Total liabilities			64,757,437

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2021

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	6,073,032	–	6,073,032
Investment in a joint venture	–	181,674	181,674
Investments in associates	–	29,278	29,278
Share of profits and losses of a joint venture	–	(1,789)	(1,789)
Share of profits and losses of associates	–	(1,791)	(1,791)

Year ended 31 December 2020

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	3,367,547	–	3,367,547

Geographical information

The Group's operations are mainly located in Macau, the Philippines, Cyprus, Hong Kong and Japan. Information about the Group's net revenues 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 a joint venture and associates, by location of its head office and excludes deferred tax assets.

Net revenues from external customers

	2021			2020		
	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Macau	13,107,623	–	13,107,623	11,237,658	–	11,237,658
The Philippines	2,086,762	–	2,086,762	1,748,156	–	1,748,156
Cyprus	409,593	–	409,593	397,090	–	397,090
Hong Kong	–	5,703	5,703	–	9,582	9,582
Japan	29,165	–	29,165	31,949	–	31,949
Total	15,633,143	5,703	15,638,846	13,414,853	9,582	13,424,435

4. SEGMENT INFORMATION (continued)

Geographical information (continued)

Non-current segment assets

	2021 HK$'000	2020 HK$'000
Macau	71,083,086	72,785,605
The Philippines	3,157,927	3,316,051
Cyprus	3,136,894	2,062,468
Hong Kong	1,245,711	839,767
The PRC	181,677	–
Japan	10,153	363,211
The U.S.	29,278	–
Total	78,844,726	79,367,102

Net revenues from major products and services

The Group's net revenues from major products and services are disclosed in note 5.

Information about major customers

During the years ended 31 December 2021 and 2020, no individual customer contributed over 10% of the total net revenues of the Group.

5. NET REVENUES

For the year ended 31 December 2021

Segments	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Casino revenue	13,030,429	–	13,030,429
Entertainment and resort facilities:			
Rooms	1,224,589	–	1,224,589
Catering service income	759,277	–	759,277
Entertainment, retail and other	618,848	–	618,848
Property rental income	–	5,703	5,703
Sales to external customers (note 4)	15,633,143	5,703	15,638,846

5. NET REVENUES (continued)

For the year ended 31 December 2020

Segments	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Casino revenue	11,417,797	–	11,417,797
Entertainment and resort facilities:			
Rooms	842,625	–	842,625
Catering service income	578,282	2,986	581,268
Entertainment, retail and other	576,149	–	576,149
Property rental income	–	5,988	5,988
Others	–	608	608
Sales to external customers (note 4)	13,414,853	9,582	13,424,435

For the year ended 31 December 2021, entertainment, retail and other include rental income of HK$389,585,000 (2020: HK$291,684,000).

For the year ended 31 December 2021, the revenue from contracts with customers was HK$15,243,558,000 (2020: HK$13,126,763,000).

Contract and contract-related liabilities

In providing goods and services to its customers, there may be a timing difference between cash receipts from customers and recognition of revenue, resulting in a contract or contract-related liability.

The Group primarily has three types of liabilities related to contracts with customers: (1) outstanding gaming chips, which represent the amounts owed in exchange for gaming chips held by a customer, (2) loyalty program liabilities, which represent the deferred allocation of revenues relating to incentives earned from Loyalty Programs, and (3) advance customer deposits and ticket sales, which represent casino front money deposits that are funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as advance ticket sales and deposits on rooms and convention space. These liabilities are generally expected to be recognized as revenue within one year of being purchased, earned or deposited and are recorded within other payables, accruals and deposits received in the consolidated statement of financial position. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips held by customers, increase in unredeemed incentives relating to the Loyalty Programs and additional deposits made by customers.

5. NET REVENUES (continued)

Contract and contract-related liabilities (continued)

Details of contract and contract-related liabilities are as follows:

	Outstanding gaming chips		Advance customer deposits and ticket sales		Loyalty program liabilities	
	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	1,609,730	3,686,769	2,139,878	1,993,084	226,189	308,375
Balance at 31 December	562,637	1,609,730	2,415,338	2,139,878	189,891	226,189
Increase/(decrease)	(1,047,093)	(2,077,039)	275,460	146,794	(36,298)	(82,186)

6. GAMING TAX AND LICENSE FEES

According to the gaming subconcession agreement for the gaming business in Macau as disclosed in note 19, 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. In addition, the Group 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 19, Licensees under the Regular License (as defined in note 43) are required to pay license fees to the Philippine Amusement and Gaming Corporation ("PAGCOR") ranging from 15% to 25% of its gross gaming revenues of the gaming operation in the Philippines on a monthly basis starting from the date the casino commences operations. 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 45.

According to the gaming license for development and operation of an integrated casino resort in Limassol, Cyprus and up to four satellite casinos in Cyprus, for a term of 30 years from 26 June 2017 with exclusive right in the first 15 years of the term (the "Cyprus License"), the Group is required to pay casino tax at the rate of 15% of the gross gaming revenues of the gaming operation in Cyprus on a monthly basis and the rate shall not be increased during the period of exclusivity of the Cyprus License. The Group is also subject to the annual license fees for the temporary casino, integrated casino resort and satellite casinos as further discussed in note 45.

7. EMPLOYEE BENEFITS EXPENSES

	2021 HK$'000	2020 HK$'000
Wages, salaries and staff welfare	4,046,768	4,472,822
Discretionary bonus	249,128	334,329
Defined contribution plans and social security funds	198,631	229,372
Share-based compensation – equity-settled	686,345	588,025
Share-based compensation – cash-settled	4,186	8,056
Others	377,642	288,754
Total employee benefits expenses including directors' emoluments	5,562,700	5,921,358

8. OTHER OPERATING EXPENSES, GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Repairs and maintenance	573,727	579,158
Utilities and fuel	449,442	420,104
Costs of inventories	369,297	311,228
Advertising and promotions	323,188	281,426
Other gaming operations expenses	310,212	227,250
Legal and professional fees	266,499	217,769
Payments to the Philippine Parties	204,929	100,945
Transportation expenses	175,544	158,917
Insurance	147,625	152,518
Other taxes and licenses	111,312	56,045
Impairment loss on goodwill	–	107,485
Allowances for credit losses, net	95,727	1,058,708
Operating supplies	68,402	63,599
Rental and other expenses	43,939	57,500
Impairment losses on property, plant and equipment	28,376	63,189
Auditor's remuneration		
– Audit services to the Company	1,550	1,402
– Audit services to the subsidiaries	14,581	22,450
Loss on disposal of property, plant and equipment	6,278	7,736
Loss/(gain) on lease modifications	847	(1,630)
Gain on disposal of investment properties	(54,300)	–
Bad debt recovery	(39,521)	(11,117)
Adjustment of lease liabilities	(29,702)	(63,487)
Gain on fair value change of investment properties	–	(8,000)
Others	291,908	369,896
	3,359,860	4,173,091

9. INTEREST EXPENSES, NET OF AMOUNTS CAPITALIZED

	2021 HK$'000	2020 HK$'000
Interest on:		
– interest-bearing borrowings	2,733,913	2,482,669
– lease liabilities	283,949	367,695
Amortization of deferred financing costs	146,203	107,798
	3,164,065	2,958,162
Less: capitalized in construction in progress (note)	(237,399)	(88,873)
	2,926,666	2,869,289

Note: Borrowing costs capitalized during the year ended 31 December 2021 were calculated by applying a capitalization rate of 5.77% (2020: 6.92%) to expenditure on qualifying assets.

10. OTHER INCOME/(EXPENSES), NET

	2021 HK$'000	2020 HK$'000
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss	428,057	(1,221,988)
Dividend income from financial assets at fair value through profit or loss	–	101,980
Others	27,216	22,413
	455,273	(1,097,595)

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2021 HK$'000	2020 HK$'000
Depreciation of property, plant and equipment	17	3,772,164	4,089,834
Amortization of gaming license and subconcession	19	1,089,003	1,089,003
Depreciation of right-of-use assets	36	514,905	505,226
Less: capitalized in construction in progress	36	(28,718)	(28,767)
Amortization of other intangible assets	22	89,807	50,750
		5,437,161	5,706,046
Gross rental income from investment properties	5	(5,703)	(5,988)
Less: direct operating expenses incurred for investment properties that generated rental income during the year		254	323
		(5,449)	(5,665)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2020: eight) directors were as follows:

2021

	Mr. Ho, Lawrence Yau Lung HK$'000 (note b)	Mr. Evan Andrew Winkler HK$'000 (note b)	Mr. Chung Yuk Man, Clarence HK$'000 (note b)	Mr. Ng Ching Wo HK$'000 (note c)	Mr. Tsui Che Yin, Frank HK$'000 (note d)	Mr. John William Crawford HK$'000 (note d)	Ms. Karuna Evelyne Shinsho HK$'000 (note d)	Total HK$'000
Fees	–	–	2,054	420	340	1,514	320	4,648
Other emoluments:								
Salaries and other benefits	1,857	34	4,094	–	–	34	–	6,019
Pension costs – defined contribution plans	29	–	18	–	–	–	–	47
Share-based compensation	248,375	40,029	9,940	512	406	2,124	394	301,780
Total emoluments	250,261	40,063	16,106	932	746	3,672	714	312,494

2020

	Mr. Ho, Lawrence Yau Lung HK$'000 (note b)	Mr. Evan Andrew Winkler HK$'000 (note b)	Mr. Chung Yuk Man, Clarence HK$'000 (note b)	Mr. Ng Ching Wo HK$'000 (note c)	Mr. Tsui Che Yin, Frank HK$'000 (notes c, d&f)	Mr. Chow Kwong Fai, Edward HK$'000 (notes d & e)	Mr. John William Crawford HK$'000 (note d)	Ms. Karuna Evelyne Shinsho HK$'000 (note d)	Total HK$'000
Fees	–	–	2,070	370	320	158	2,051	320	5,289
Other emoluments:									
Salaries and other benefits	15,955	68	4,296	–	–	–	68	–	20,387
Pension costs – defined contribution plans	24	–	18	–	–	–	–	–	42
Share-based compensation	216,232	105,026	8,243	465	319	771	2,512	326	333,894
Total emoluments	232,211	105,094	14,627	835	639	929	4,631	646	359,612

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

Notes:

(a) The discretionary bonus was determined based on the Group's financial performance for the years ended 31 December 2021 and 2020.

(b) The individuals represent the Executive Directors of the Company and certain subsidiaries of the Group. The Executive Directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

(c) 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.

(d) The individuals represent the Independent Non-executive Directors of the Company and certain subsidiaries of the Group. The Independent Non-executive Directors' emoluments shown above were for their services as directors of the Company and the Group.

(e) Mr. Chow Kwong Fai, Edward passed away on 1 June 2020.

(f) Mr. Tsui Che Yin, Frank had been re-designated from a Non-executive Director to an Independent Non-executive Director of the Company with effect from 1 July 2020.

Mr. Ho, Lawrence Yau Lung ("Mr. Ho") 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$14,166,120 (2020: HK$19,320,470), no other directors waived any emoluments in the years ended 31 December 2021 and 2020.

During both years, all directors 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 39.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2020: two) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor the Chief Executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	19,632	22,668
Pension costs – defined contribution plans	1,135	770
Share-based compensation	56,404	43,709
	77,171	67,147

The number of the highest paid employees (excluding directors and the Chief Executive) whose remuneration fell within the following bands are as follows:

	Number of employees 2021	2020
HK$18,000,001 to HK$18,500,000	1	–
HK$18,500,001 to HK$19,000,000	–	1
HK$20,000,001 to HK$20,500,000	–	1
HK$24,000,001 to HK$24,500,000	1	–
HK$25,500,001 to HK$30,000,000	–	1
HK$34,000,001 to HK$34,500,000	1	–
	3	3

During both years, all highest paid employees (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 39.

14. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau Complementary Tax has been provided at the rate of 12% (2020: 12%) on the estimated taxable income earned in or derived from Macau during the year, if applicable. Pursuant to the approval notice issued by the Macau government in September 2016, Melco Resorts Macau, the holder of the gaming subconcession in Macau, was granted an extension of the Macau Complementary Tax exemption on profits generated from gaming operations for an additional five years from 2017 to 2021. One of the Group's subsidiaries in Macau was also exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau for an additional five years from 2017 to 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 in January 2017. The exemption coincides with Melco Resorts Macau's exemption from Macau Complementary Tax. Pursuant to Dispatch of the Macau Chief Executive dated 17 February 2022, Melco Resorts Macau was granted an extension of the Macau Complementary Tax exemption on profits generated from gaming revenues for the period from 1 January 2022 to 26 June 2022. Such subsidiary has applied for the extension of the Macau Complementary Tax exemption for the same period in 2022 and the application is currently pending approval by the Macau government. 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.

In August 2017, Melco Resorts Macau received an extension of the agreement with the Macau government for an additional five years applicable to tax years from 2017 through 2021, in which the extension agreement provides for an annual payment of MOP18,900,000 (equivalent to approximately HK$18,350,000) as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year. Melco Resorts Macau has applied for an extension of such arrangement from 1 January 2022 to 26 June 2022 at an amount to be set by the Macau government.

On 26 March 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was signed by President Duterte of the Philippines as Republic Act (RA) No. 11534 and took effect on 11 April 2021. CREATE reduced the minimum corporate income tax in the Philippines from 2% to 1% starting 1 July 2020 until 30 June 2023 and the corporate income tax rate in the Philippines from 30% to 25% starting 1 July 2020. The gaming operations of Melco Resorts Leisure, the operator of City of Dreams Manila, are exempt from Philippine Corporate Income Tax, among other taxes, pursuant to the PAGCOR charter and are subject to license fees which are inclusive of the 5% franchise tax payable to PAGCOR based on gross gaming revenue in the Philippines, in lieu of all other taxes.

Cyprus Corporate Income Tax has been provided at the rate of 12.5% (2020: 12.5%) on the estimated assessable profits arising in Cyprus during the year ended 31 December 2021.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

14. INCOME TAX EXPENSE (continued)

An analysis of the income tax expense for the year is as follows:

	2021 HK$'000	2020 HK$'000
Current tax:		
Macau Complementary Tax	1,342	49,632
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	18,350
Hong Kong Profits Tax	431	301
Philippine Corporate Income Tax	3	455
Philippine withholding tax on dividends	22,906	–
Cyprus Corporate Income Tax	1,463	–
Other jurisdictions	2,517	18,498
Sub-total	47,012	87,236
(Over)/under provision in prior years:		
Macau Complementary Tax	(6,800)	(4,214)
Hong Kong Profits Tax	137	21
Philippine Corporate Income Tax	(1,120)	(41)
Cyprus Corporate Income Tax	–	452
Other jurisdictions	112	3,730
Sub-total	(7,671)	(52)
Deferred tax (note 37)	3,941	(54,326)
Total	43,282	32,858

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

	2021 HK$'000	2020 HK$'000
Loss before tax	(7,899,979)	(12,345,070)
Tax at the Macau Complementary Tax rate of 12% (2020: 12%)	(947,997)	(1,481,408)
Effect of different tax rates of the Company and subsidiaries operating in other jurisdictions	(238,947)	(312,715)
Effect of tax losses that cannot be carried forward	52,419	252,909
Effect of tax exemption granted by the government	(84,360)	–
Effect of income not taxable for income tax purposes	(168,898)	(79,772)
Effect of expenses not deductible for income tax purpose	960,261	980,511
Effect of tax losses and temporary differences not recognized	333,816	657,544
Utilization of tax losses previously not recognized	(1,004)	(2,509)
Lump sum in lieu of Macau Complementary tax on dividends	18,350	18,350
Overprovision in prior years	(7,671)	(52)
Change in income tax rate	127,313	–
Income tax expense for the year	43,282	32,858

15. DIVIDENDS

Dividends recognized as distributions during the year:

	2021 HK$'000	2020 HK$'000
2020 Final – nil (2020: 2019 Final of HK3.01 cents) per share	–	45,591

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	(3,808,968)	(6,339,887)
Effect of dilutive potential ordinary shares:		
Parent's proportionate adjustment in relation to participation interest in a subsidiary of the Company	–	(10,565)
Loss for the purpose of diluted loss per share attributable to owners of the Company	(3,808,968)	(6,350,452)

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,511,925	1,512,181

The number of shares adopted in the calculation of the basic and diluted loss per share has been derived by excluding the shares of the Company held under trust arrangements for the Company's share award schemes.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares, and the earnings as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the year ended 31 December 2021, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the outstanding share options and unvested awarded shares had an anti-dilutive effect on the basic loss per share amounts presented.

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	Transportation HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 January 2020	655,591	42,975,170	1,509,274	81,205	6,461,796	5,176,940	1,491,799	1,116,341	59,468,116
Exchange adjustments	53,020	299	43,318	–	136,081	75,961	1,476	70,926	381,081
Additions	14,343	–	81,188	–	935,287	392,403	502	1,943,909	3,367,632
Reclassification	(70)	(4,871)	13,064	–	(1,268)	1,463	–	(8,318)	–
Disposals and write-off	–	(140)	(31,292)	(13,956)	(76,116)	(161,469)	(2,645)	(3,210)	(288,828)
At 31 December 2020	722,884	42,970,458	1,615,552	67,249	7,455,780	5,485,298	1,491,132	3,119,648	62,928,001
Exchange adjustments	(57,948)	(607)	(43,221)	–	(133,427)	(70,842)	(1,620)	(134,534)	(442,199)
Additions	–	4,511	47,508	–	495,759	451,177	15,704	5,058,409	6,073,068
Reclassification	–	–	10,202	–	(153,399)	144,086	1,701	(2,590)	–
Classified as assets held for sale (note 32)	(193,725)	(5,638)	–	–	(3,369)	(6,014)	(4,881)	(4,340)	(217,967)
Disposals and write-off	(4,790)	(56,049)	(22,294)	–	(169,976)	(151,443)	(9,079)	(21,826)	(435,457)
At 31 December 2021	466,421	42,912,675	1,607,747	67,249	7,491,368	5,852,262	1,492,957	8,014,767	67,905,446
Accumulated depreciation and impairment:									
At 1 January 2020	49,018	6,397,433	841,918	81,205	2,743,144	3,280,664	316,112	–	13,709,494
Exchange adjustments	2,451	14	28,257	–	73,622	63,185	854	–	168,383
Provided for the year	–	1,864,021	253,683	–	1,039,775	766,265	166,090	–	4,089,834
Impairment	–	16,897	211	–	9,439	33,432	–	3,210	63,189
Eliminated on disposals and write-off	–	(92)	(30,672)	(13,956)	(75,336)	(151,195)	(2,377)	(3,210)	(276,838)
At 31 December 2020	51,469	8,278,273	1,093,397	67,249	3,790,644	3,992,351	480,679	–	17,754,062
Exchange adjustments	(4,764)	(85)	(31,502)	–	(84,680)	(60,964)	(1,012)	–	(183,007)
Provided for the year	–	1,834,680	229,462	–	994,564	551,331	162,127	–	3,772,164
Classified as assets held for sale (note 32)	(55,652)	(1,116)	–	–	(805)	(2,950)	(2,086)	–	(62,609)
Impairment	8,947	6,645	–	–	10,202	2,310	–	272	28,376
Eliminated on disposals and write-off	–	(56,049)	(21,377)	–	(162,074)	(143,055)	(9,079)	(272)	(391,906)
At 31 December 2021	–	10,062,348	1,269,980	67,249	4,547,851	4,339,023	630,629	–	20,917,080
Carrying values:									
At 31 December 2021	466,421	32,850,327	337,767	–	2,943,517	1,513,239	862,328	8,014,767	46,988,366
At 31 December 2020	671,415	34,692,185	522,155	–	3,665,136	1,492,947	1,010,453	3,119,648	45,173,939

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amount of property, plant and equipment pledged to secure against the Group's interest-bearing borrowings as at 31 December 2021 was HK$42,983,538,000 (2020: HK$40,834,176,000) (note 35).

During the year ended 31 December 2021, total impairment losses of HK$19,429,000 (2020: HK$63,189,000) were recognized in full against the carrying amounts of certain property, plant and equipment which belong to the Casino and Hospitality segment due to reconfigurations of and renovations to the Group's operating properties.

During the year ended 31 December 2021, an impairment loss of HK$8,947,000 was recognized against a parcel of freehold land which belongs to the Casino and Hospitality segment due to a decrease in its market value. The recoverable amount of Japanese Yen ("JPY") 1,838,000,000 (equivalent to approximately HK$124,586,000) was its fair value less costs of disposal and the fair value was determined using level 3 inputs based on the direct comparison approach. The direct comparison approach made reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation. A key assumption was the sale rate, which was adjusted by certain factors including time, use, location, regional and circumstances of the properties, of approximately JPY312,000 (equivalent to approximately HK$21,000) per square meter.

All impairment losses are included in "other operating expenses, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENT PROPERTIES

	2021 HK$'000	**2020** HK$'000
At 1 January	356,000	348,000
Net increase in fair value recognized in profit or loss	–	8,000
Disposal	(356,000)	–
At 31 December	–	356,000
Gain on fair value change of investment properties included in other operating expenses, gains and losses, net (note 8)	–	8,000

The investment properties were car parking spaces in Hong Kong held by a subsidiary.

For the year ended 31 December 2020 and up to the date of disposal as disclosed below, the car parking spaces were rented out under operating leases to earn rentals or for capital appreciation purposes, measured using the fair value model. All of the Group's investment properties had been pledged to secure the Group's interest-bearing borrowings (note 35).

In June 2021, the Group initiated a public tender process to invite tenderer bids to purchase the car parking spaces. The tender offer was closed on 15 July 2021 and the Group accepted an offer contained in the tenders at an aggregate purchase price of HK$410,300,000 on 22 July 2021. The transaction was completed in September 2021 and the Group recognized a gain on disposal of investment properties of HK$54,300,000 during the year ended 31 December 2021.

18. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes as at 31 December 2020

In estimating the fair value of investment properties, the Group engaged independent professionally qualified valuers, who had appropriate recent experience in the relevant location to perform the valuation. The management worked closely with the valuers to establish the appropriate valuation technique and inputs. The valuation technique was determined based on the availability and validity of the assumptions and inputs when performing the valuation and applying professional judgment. The fair value as at 31 December 2020 was determined based on the direct comparison method.

The direct comparison method made reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate. The bulk discount rate was derived from analysing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. Also, the bulk discount rate had taken into account the restriction on the terms that the car parking spaces had to be disposed of as a whole lot rather than on an individual unit basis.

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

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

Level 3 fair value measurement

Description	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Fair value 2020 HK$'000
Car parking spaces	Direct comparison method			356,000
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking spaces between the comparable and the property, of sales amount ranging from HK$650,000 to HK$1,250,000 per car parking space.	An increase in the unit sale rate used would result in an increase in fair value, and vice versa.	
	(2) Bulk discount rate	Bulk discount rate approximated to 23% of the fair value of the car parking spaces had been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.	

19. GAMING LICENSE AND SUBCONCESSION

	2021 HK$'000	2020 HK$'000
Cost:		
At 1 January and 31 December	6,702,315	6,702,315
Accumulated amortization:		
At 1 January	(5,066,435)	(3,977,432)
Charge for the year	(1,089,003)	(1,089,003)
At 31 December	(6,155,438)	(5,066,435)
Net carrying values	546,877	1,635,880

Gaming license and subconcession 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 43) issued by PAGCOR on 29 April 2015 for the gaming business in the Philippines. 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 will expire on 26 June 2022 and 11 July 2033, respectively. During the years ended 31 December 2021 and 2020, the Group determined that there was no impairment in gaming license and subconcession.

20. GOODWILL

	Notes	**Deemed Acquisition of Melco Resorts** HK$'000 (note a)	**Japan Ski Resort** HK$'000 (note b)	**Total** HK$000
Cost:				
At 1 January 2020, 31 December 2020 and 1 January 2021		5,299,451	107,485	5,406,936
Classified as assets held for sale	32	–	(107,485)	(107,485)
At 31 December 2021		5,299,451	–	5,299,451
Accumulated impairment:				
At 1 January 2020		–	–	–
Impairment	23(a)	–	(107,485)	(107,485)
At 31 December 2020 and 1 January 2021		–	(107,485)	(107,485)
Classified as assets held for sale	32	–	107,485	107,485
At 31 December 2021		–	–	–
Carrying values:				
At 31 December 2021		5,299,451	–	5,299,451
At 31 December 2020		5,299,451	–	5,299,451

(a) The goodwill arose from the deemed acquisition of Melco Resorts in 2016 which was allocated to a group of CGUs under Melco Resorts. Melco Resorts belongs to the "Casino and Hospitality" segment.

(b) The goodwill arose from the acquisition of a 100% equity interest of Kabushiki Kaisha Okushiga Kogen Resort (the "Japan Ski Resort") in 2019, an individual CGU under Melco Resorts. The Japan Ski Resort was a disposal group classified as held for sale as at 31 December 2021 (note 32).

Particulars regarding impairment testing on goodwill are disclosed in note 23.

21. TRADEMARKS

	2021 HK$'000	2020 HK$'000
Cost:		
At 1 January and 31 December	16,992,458	16,992,458

The trademarks have legal lives of 7 to 10 years and are renewable for the same consecutive period upon expiry at minimal cost. These trademarks are considered by 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 are 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 23.

22. OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Internal-use software HK$'000	Proprietary rights HK$'000	Total HK$'000
Cost:				
At 1 January 2020	5,700	249,550	–	255,250
Additions	–	165,808	93,133	258,941
Write-off	–	(13,129)	–	(13,129)
At 31 December 2020 and at 1 January 2021	5,700	402,229	93,133	501,062
Additions	–	35,967	–	35,967
Disposal	(120)	–	–	(120)
Exchange adjustments	–	(653)	–	(653)
At 31 December 2021	5,580	437,543	93,133	536,256
Accumulated amortization:				
At 1 January 2020	–	33,122	–	33,122
Charge for the year	–	49,301	1,449	50,750
Impairment	–	1,332	–	1,332
Write-off	–	(13,129)	–	(13,129)
At 31 December 2020 and 1 January 2021	–	70,626	1,449	72,075
Charge for the year	–	80,494	9,313	89,807
Exchange adjustments	–	(366)	–	(366)
At 31 December 2021	–	150,754	10,762	161,516
Carrying values:				
At 31 December 2021	5,580	286,789	82,371	374,740
At 31 December 2020	5,700	331,603	91,684	428,987

22. OTHER INTANGIBLE ASSETS (continued)

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 3 to 15 years are amortized on a straight-line basis.

In November 2020, the Group completed an asset acquisition of the proprietary rights relating to an entertainment show in City of Dreams for a cash consideration of US$12,000,000 (equivalent to approximately HK$93,133,000). The estimated useful life of the proprietary rights is 10 years and the proprietary rights are amortized on a straight-line basis.

23. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS

(a) Goodwill

For the purpose of impairment testing on goodwill, the recoverable amounts of the group of CGUs under Melco Resorts and the Japan Ski Resort have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The rates used to discount the forecast cash flows from the group of CGUs under Melco Resorts and the Japan Ski Resort are 9.84% (2020: 10.77%) and nil (2020: 11.42%), respectively. The discount rates used are pre-tax and reflect specific risks relating to the group of CGUs under Melco Resorts and the Japan Ski Resort. The cash flow projections beyond the five-year period for the group of CGUs under Melco Resorts and the Japan Ski Resort are extrapolated with growth rates ranging from 1.9% to 3.0% and nil (2020: 1% to 18% and 0.5%), respectively.

The estimated recoverable amount of the Japan Ski Resort as at 31 December 2020 was JPY231,773,000 (equivalent to approximately HK$17,413,000). The goodwill of the Japan Ski Resort was fully impaired and an impairment loss of HK$107,485,000 was recognized during the year ended 31 December 2020 as a result of significant decline in profits due in large part to the COVID-19 outbreak.

23. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS (continued)

(b) Trademarks

For the purpose of impairment testing, trademarks as set out in note 21 were allocated to four individual CGUs operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2021 and 2020 allocated to these units are as follows:

	2021 HK$'000	**2020** HK$'000
City of Dreams	11,184,643	11,184,643
Studio City	5,088,329	5,088,329
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 amount of each of the CGUs as above has 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 growth rates ranging from 2.0% to 3.0% (2020: 1% to 10%). The rates used to discount the forecast cash flows from City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs are 9.02%, 10.61%, 11.21% and 10.02% (2020: 10.76%, 11.50%, 20.24% and 10.76%), 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, capital expenditure and working capital requirements during the budget period. The assumptions and estimations are based on the CGU's past performance, management's expectations of the market development 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.

Other than the impairment of goodwill of the Japan Ski Resort recognized during the year ended 31 December 2020, management determined that there was no further impairment of its CGUs or group of CGUs containing goodwill and trademarks under Melco Resorts during the years ended 31 December 2021 and 2020.

24. INVESTMENT IN A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Cost of investment in a joint venture	180,150	–
Share of loss	(1,789)	–
Share of changes in exchange reserve	3,313	–
	181,674	–

Particulars of the Group's joint venture are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of: Ownership interest	Voting power	Profit sharing	Principal activities
Zhongshan Melco Yachuang Real Estate Development Co., Ltd.* 中山新濠雅創房地產開發有限公司	Renminbi 1,000,000,000	The PRC	51%	50%	Refer to below	Property development

* *for identification purposes only*

Notwithstanding that the above joint venture is held as to 51% by the Group, under a cooperation agreement and its supplemental agreements (collectively, the "Joint Venture Cooperation Agreement"), the Group is solely entitled to all profits or losses arising from its ownership and operation of a theme park to be developed therein. The other joint venture partner is solely entitled to all profits or losses arising out of its ownership and operation of the remaining portion of the property, except for residential units of 5,000 square meters in aggregate to be constructed on the remaining portion which will be allocated to the Group at nil cost upon completion of construction.

The Company has agreed to provide a guarantee in favour of the joint venture partner to support the Group's obligations under the Joint Venture Cooperation Agreement. Similarly, the joint venture partner, Agile Group Holdings Limited, has agreed to provide a guarantee in favour of the Group, to support the obligations of the joint venture partner under the Joint Venture Cooperation Agreement.

Further details of the Joint Venture Cooperation Agreement are disclosed in the public announcement of the Company dated 23 June 2021.

As at 31 December 2021, certain interest in the joint venture held by the Group was pledged to a third party to secure against the financing of the joint venture partner. Notwithstanding the above, pursuant to the Joint Venture Cooperation Agreement, the Group's interests in the joint venture will not be affected by the pledge.

24. INVESTMENT IN A JOINT VENTURE (continued)

Information of the joint venture that is not material to the Group

	2021 HK$'000	2020 HK$'000
The Group's share of loss for the year	(1,789)	–
The Group's share of other comprehensive income for the year	3,313	–
The Group's share of total comprehensive income for the year	1,524	–

25. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of investments in associates		
Listed in Canada	339,601	339,601
Unlisted in the U.S.	31,084	–
Net changes in investments in associates	54,355	54,370
Share of changes in net assets and exchange reserve	7,616	7,616
Share of post-acquisition results, net of dividends received	(82,683)	(80,892)
Impairment losses recognized	(320,695)	(320,695)
	29,278	–

Particulars of the 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 2021	2020	Principal activities
CleanRobotics Technologies, Inc ("CleanRobotics") (note a)	The U.S.	29.03%	–	Waste management
Mountain China Resorts (Holding) Limited ("MCR") (note b)	Canada/the PRC	18.85%	18.85%	Operation of ski resorts

25. INVESTMENTS IN ASSOCIATES (continued)

Notes:

(a) On 17 August 2021, the Group acquired preferred stocks issued by CleanRobotics, a private company, for an aggregate consideration of US$4,000,000 (equivalent to approximately HK$31,084,000). The preferred stocks shall vote together with the common stocks of CleanRobotics on an as-converted basis and the Group is entitled to appoint one director to the board of CleanRobotics in accordance with the terms of the agreements. CleanRobotics became an associate of the Group on 17 August 2021. As at 31 December 2021, goodwill on acquisition of US$2,337,000 (equivalent to approximately HK$18,199,000) was included in the cost of investment (2020: nil).

(b) 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 at the year end on the Canada Stock Exchange (Level 1 fair value measurement). As at 31 December 2021, the fair value of the investment is HK$3,563,000 (2020: HK$7,081,000). The Group is entitled to appoint one director to the board of MCR provided that any part of the loans to the associate 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 2021 and 2020.

Aggregate information of the associates that are not individually material

	2021 HK$’000	**2020** HK$’000
The Group’s share of loss for the year	(1,791)	–
The Group’s share of other comprehensive income for the year	–	–
The Group’s share of total comprehensive loss for the year	(1,791)	–
Aggregate carrying amount of the Group’s investments in associates	29,278	–
Unrecognized share of loss of the associates for the year	(6,505)	(6,665)
Cumulative unrecognized share of loss of the associates	(452,725)	(446,220)

26. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	159,119	191,668
Food and beverages	71,705	97,426
	230,824	289,094

27. 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. In December 2021, the Group ceased all gaming promoter arrangements in Macau.

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 up to 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 at 31 December 2021, the gross amounts of casino receivables are HK$2,266,656,000 (2020: HK$3,288,335,000) and the aggregate amounts of the commissions payable and front money deposits are HK$288,404,000 (2020: HK$750,058,000).

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 would be granted.

27. TRADE RECEIVABLES (continued)

An aging analysis of trade receivables as at the end of the reporting period, based on the due dates, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	167,894	827,455
More than 1 month but within 3 months	208,513	38,499
More than 3 months but within 6 months	222,600	30,331
More than 6 months	1,387,949	1,661,909
	1,986,956	2,558,194
Allowances for credit losses	(1,561,858)	(1,553,121)
	425,098	1,005,073
Non-current portion	–	–
Current portion	425,098	1,005,073

Movement in the allowances for credit losses

	2021 HK$'000	2020 HK$'000
At 1 January	1,553,121	583,613
Allowances for credit losses, net	89,371	1,034,672
Write-off	(80,634)	(65,164)
At 31 December	1,561,858	1,553,121

For the year ended 31 December 2021, allowances for credit losses, net, of HK$89,371,000 (2020: HK$1,034,672,000) was recognized in profit or loss and included in the Casino and Hospitality segment.

The Group applies a simplified approach in calculating ECLs for its trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns and adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that are available without undue cost or effort.

27. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Expected credit loss rate	**Gross carrying amount** HK$'000	**Expected credit losses** HK$'000
Current	6.9%	138,191	9,554
Past due:			
Within 1 month	23.8%	29,703	7,072
More than 1 month but within 3 months	45.5%	208,513	94,839
More than 3 months but within 6 months	28.1%	222,600	62,477
More than 6 months	99.9%	1,387,949	1,387,916
	78.6%	1,986,956	1,561,858

As at 31 December 2020

	Expected credit loss rate	**Gross carrying amount** HK$'000	**Expected credit losses** HK$'000
Current	5.1%	777,532	39,931
Past due:			
Within 1 month	0%	49,923	–
More than 1 month but within 3 months	5.6%	38,499	2,156
More than 3 months but within 6 months	53.1%	30,331	16,096
More than 6 months	90.0%	1,661,909	1,494,938
	60.7%	2,558,194	1,553,121

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Current assets		
Prepayments and other assets	663,654	387,395
Other receivables	217,510	269,766
Deposits	50,696	40,721
	931,860	697,882
Non-current assets		
Long-term prepayments and other assets	1,142,318	1,984,037
Rental, utilities and other deposits	90,530	108,639
Deposits for acquisition of property, plant and equipment	158,558	90,605
Other receivables	3,426	10,253
	1,394,832	2,193,534

During the year ended 31 December 2021, impairment losses on other receivables of HK$9,371,000 (2020: HK$13,598,000) and reversal of impairment losses on other assets of HK$3,015,000 (2020: impairment losses of HK$10,438,000) were recognized in profit or loss and included in the Casino and Hospitality and Others segments, respectively.

29. RESTRICTED CASH

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 the terms of the respective agreements within the next 12 months, while the non-current portion of restricted cash represents those funds that will not be released or utilized within next 12 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.

30. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with original maturities of three months or less, carrying prevailing deposit interest rate.

31. OTHER FINANCIAL ASSETS

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through profit or loss	20,320	130,929

Senior Unsecured Convertible Note (the "Convertible Note")

As at 31 December 2021, the amount represented an investment in the Convertible Note issued by an independent private limited liability company (the "Issuer") which was subscribed for at par by the Group on 26 April 2021 in the principal amount of US$2,500,000 (equivalent to approximately HK$19,440,000) (the "Investment").

In accordance with the relevant purchase agreement, within six months of the occurrence of a specific fundraising exercise to be conducted by the Issuer (the "Conversion Event"), the Group has the right to (a) convert the Convertible Note into shares or other securities of the Issuer; or (b) require the Issuer to redeem the principal amount of the Convertible Note together with redemption interest at a rate of 6.0% per annum on the principal amount.

As at 31 December 2021, the fair value of the Investment was US$2,606,000 (equivalent to approximately HK$20,320,000). The Investment is grouped under Level 3 hierarchy and the following table provides information on how the fair value of the Investment is determined by virtue of the valuation technique and input bases used.

Description	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Convertible Note	Discounted cash flow method	(1) Probability for the occurrence of Conversion Event	5% increase/(decrease) in the probability would result in an increase/(decrease) in fair value by approximately 1.5%
		(2) Discount rate	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by approximately 1.6%

For the year ended 31 December 2021, an increase in fair value of the Investment of HK$880,000 was recognized in "Other income/(expenses), net" in the consolidated statement of profit or loss and other comprehensive income.

EHang Holdings Limited ("EHang")

As at 31 December 2020, the amount represented the equity investment in EHang. During the year ended 31 December 2021, the Company sold all the ADSs of EHang on the open market for an aggregate consideration of US$71,983,000 (equivalent to approximately HK$558,106,000). For the year ended 31 December 2021, an increase in fair value of EHang of HK$427,177,000 (2020: HK$63,944,000) was recognized as a profit in "Other income/(expenses), net" in the consolidated statement of profit or loss and other comprehensive income.

32. ASSETS CLASSIFIED AS HELD FOR SALE

In September 2021, the Group announced discontinuing its pursuit of a Yokohama integrated resort development in Japan. In December 2021, an external advisor was engaged to locate potential buyers and prepare marketing materials for the disposal of the Group's assets in Japan, including the Japan Ski Resort (as defined in note 20) and a parcel of freehold land together with the accompanying building structures in Hakone, Japan (collectively be referred to as the "Disposal Group"). As of 31 December 2021, the disposal was in progress and was anticipated to be completed within one year. After consideration of the relevant facts, the Group concluded the assets and liabilities of the Disposal Group met the criteria for classification as held for sale which is reported under the Casino and Hospitality segment.

The major classes of assets of the Disposal Group classified as held for sale as at 31 December 2021 were mainly comprised of:

	2021 HK$'000
Property, plant and equipment	155,358
Right-of-use assets	4,924
Cash and bank balances	1,822
Others	7,409
	169,513

Liabilities directly associated with assets classified as held for sale of HK$11,674,000 as at 31 December 2021 mainly represented trade and other payables, lease liabilities and other current liabilities. As at 31 December 2021, other comprehensive loss of HK$6,804,000 relating to the Disposal Group has been accumulated in equity.

During the year ended 31 December 2021, an impairment loss of HK$8,947,000 was recognized for a parcel of freehold land included in the Disposal Group due to a decrease in its market value as of 31 December 2021.

33. TRADE PAYABLES

An aging analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2021 HK$'000	**2020** HK$'000
Within 1 month	36,096	26,098
More than 1 month but within 3 months	8,206	30,520
More than 3 months but within 6 months	1,288	7,034
More than 6 months	1,189	9,923
	46,779	73,575

The trade payables are non-interest-bearing and are normally settled on credit terms of 15 to 45 days.

34. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Note	2021 HK$'000	2020 HK$'000
Current liabilities			
Advance customer deposits and ticket sales	5	2,415,338	2,139,878
Construction cost payable		1,001,198	443,456
Interest payable		829,123	753,633
Accrued operating expenses and other liabilities		793,492	683,043
Gaming tax and license fee payables		666,520	676,980
Accrued employee benefits expenses		599,990	770,686
Outstanding gaming chips	5	562,637	1,609,730
Payable for acquisition of property, plant and equipment		283,837	378,099
Loyalty program liabilities	5	189,891	226,189
Dividends payable		3,026	66,929
		7,345,052	7,748,623
Non-current liabilities			
Other liabilities		175,334	187,302
Accrued employee benefits expenses		39,146	38,513
Deposits received		25,378	32,221
		239,858	258,036

35. INTEREST-BEARING BORROWINGS

	Notes	2021 HK$'000	2020 HK$'000
Unsecured notes	a	48,151,277	42,016,516
Secured bank loans	b	6,608,324	6,680,645
Unsecured bank loans	c	3,117,000	1,937,500
		57,876,601	50,634,661
Non-current portion		(53,163,654)	(46,356,559)
Current portion		4,712,947	4,278,102
Analysed into borrowings repayable:			
Within one year or on demand		4,712,947	4,303,099
In the second year		429,228	4,342,556
In the third to fifth years, inclusive		20,318,490	16,280,836
After five years		32,754,645	25,971,808
		58,215,310	50,898,299
Less: deferred financing costs and original issue premiums		(338,709)	(263,638)
		57,876,601	50,634,661

The interest rate exposure of the Group's interest-bearing borrowings is as follows:

	2021 HK$'000	2020 HK$'000
Fixed-rate borrowings	48,151,277	42,016,516
Variable-rate borrowings	9,725,324	8,618,145
	57,876,601	50,634,661

The carrying amounts of the Group's interest-bearing borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	54,757,601	48,695,161
HK$	3,119,000	1,939,500
	57,876,601	50,634,661

During the year ended 31 December 2021, the Group obtained new interest-bearing borrowings of HK$20,405,948,000 (2020: HK$20,982,599,000) and repaid interest-bearing borrowings of HK$13,305,487,000 (2020: HK$11,399,573,000).

35. INTEREST-BEARING BORROWINGS (continued)

Notes:

(a) The unsecured notes bear interest rates ranging from 4.875% to 7.25% per annum and are repayable at maturities from 2024 to 2029. The unsecured notes are denominated in US$.

On 15 July 2020, the Group issued US$500,000,000 (equivalent to approximately HK$3,875,368,000) in aggregate principal amount of 6.00% senior notes due 2025 and US$500,000,000 (equivalent to approximately HK$3,875,368,000) in aggregate principal amount of 6.50% senior notes due 2028. On 14 August 2020, the Group used a portion of the net proceeds to redeem in full the US$850,000,000 (equivalent to approximately HK$6,588,126,000) in aggregate principal amount of 7.25% secured senior notes due 2021, together with accrued interest and redemption premium. Accordingly, the Group recorded a loss on extinguishment of debt of HK$106,386,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

On 21 July 2020, the Group issued US$500,000,000 (equivalent to approximately HK$3,875,368,000) in aggregate principal amount of 5.75% senior notes due 2028 (the "Original 2028 Senior Notes"). On 29 July 2020, the Group used a portion of the net proceeds to repay an outstanding revolving credit facility under the 2020 Credit Facilities (as defined in note c) in aggregate principal amount of HK$2,730,000,000, together with accrued interest and associated costs.

On 11 August 2020, the Group issued US$350,000,000 (equivalent to approximately HK$2,712,758,000) in aggregate principal amount of 5.75% senior notes due 2028 and priced at 101% (the "Additional 2028 Senior Notes") in addition to the Original 2028 Senior Notes. The Additional 2028 Senior Notes were consolidated and formed a single series with the Original 2028 Senior Notes with the net proceeds to be used for general corporate purposes.

On 14 January 2021, the Group issued US$750,000,000 (equivalent to approximately HK$5,815,126,000) in aggregate principal amount of 5.00% senior notes due 2029 at an issue price of 100% of the principal amount (the "First 2029 Senior Notes"). The net proceeds from the offering of the First 2029 Senior Notes were used to (i) fund the conditional cash tender offer announced by the Group on 4 January 2021 to purchase any and all of its outstanding US$600,000,000 (equivalent to approximately HK$4,652,101,000) 7.25% senior notes due 2024 (the "2024 Senior Notes") plus accrued and unpaid interest, out of which US$347,056,000 (equivalent to approximately HK$2,690,899,000) aggregate principal amount of the 2024 Senior Notes were tendered; (ii) fully redeem the remaining 2024 Senior Notes following the completion of the conditional cash tender offer as mentioned above, in aggregate principal amount of US$252,944,000 (equivalent to approximately HK$1,961,202,000) plus accrued and unpaid interest on 17 February 2021; and (iii) with the remaining balance to partially fund capital expenditures of the remaining development project of Studio City and for general corporate purposes. As a result of the full redemption of the 2024 Senior Notes, the Group recorded a loss on extinguishment of debt of HK$177,088,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

On 21 January 2021, the Group issued US$250,000,000 (equivalent to approximately HK$1,938,375,000) in aggregate principal amount of 5.375% senior notes due 2029 at an issue price of 103.25% of the principal amount (the "Additional 2029 Senior Notes") in addition to the original US$900,000,000 (equivalent to approximately HK$6,977,501,000) 5.375% senior notes due 2029 issued in December 2019 (the "2029 Senior Notes"). The net proceeds from the offering of the Additional 2029 Senior Notes were used to repay the outstanding principal amount of HK$1,937,500,000 drawn under a revolving credit facility of the 2020 Credit Facilities (as defined in note c), together with accrued interest and associated costs. The Additional 2029 Senior Notes were consolidated and form a single series with the 2029 Senior Notes. On 29 June 2021, the 2029 Senior Notes and the Additional 2029 Senior Notes, which were originally listed on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX"), were also listed on the Chongwa (Macao) Financial Asset Exchange Co., Limited.

On 20 May 2021, the Group issued an additional US$350,000,000 (equivalent to approximately HK$2,716,695,000) in aggregate principal amount of the First 2029 Senior Notes at an issue price of 101.50% of the principal amount (the "Additional First 2029 Senior Notes"). The net proceeds from the offering of the Additional First 2029 Senior Notes were used to partially fund capital expenditures for the remaining development project of Studio City and for general corporate purposes. The Additional First 2029 Senior Notes were consolidated and form a single series with the First 2029 Senior Notes. Certain subsidiaries of the Group and other future restricted subsidiaries as defined in the First 2029 Senior Notes and the Additional First 2029 Senior Notes are guarantors to guarantee the indebtedness under the First 2029 Senior Notes and the Additional First 2029 Senior Notes. On 26 July 2021, the First 2029 Senior Notes and the Additional First 2029 Senior Notes, which were originally listed on the SGX, were also listed on the Chongwa (Macao) Financial Asset Exchange Co., Limited.

35. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(a) (continued)

The indenture governing the unsecured notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of the issuer of the unsecured notes to, among other things, effect a consolidation or merger or sell assets. The indenture governing the unsecured notes also contains conditions and events of default customary for such financings. In the events that relate to a change of control or a termination of the gaming subconcession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing the unsecured notes, each holder of the unsecured notes will have the right to require the Group to repurchase all or any part of such holder's unsecured notes at a fixed redemption price.

(b) The secured bank loans bear interest at HIBOR or LIBOR plus applicable margins ranging from 1.00% to 4.00% per annum. The secured bank loans are denominated in HK$ or US$ and are repayable in instalments or at maturity within the period from 2022 to 2028. Certain of the secured bank loans consisted of term loan facilities and revolving credit facilities. The secured bank loans are guaranteed by certain subsidiaries of the Group.

On 19 March 2020, the Group drew down HK$1,950,000,000 from revolving credit facilities under a senior secured credit facilities agreement (the "2015 Credit Facilities"). On 7 May 2020, following the repayment of all outstanding loan amounts under the 2015 Credit Facilities together with accrued interest and associated costs funded by the 2020 Credit Facilities (as defined in note c), other than HK$1,000,000 which remained outstanding under the term loan facility, a part of the revolving credit facility commitments under the 2015 Credit Facilities were cancelled. Post-cancellation, the available revolving credit facility commitments under the 2015 Credit Facilities were HK$1,000,000. The Group recorded a net loss on modification or extinguishment of debts of HK$25,281,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

Pursuant to a waiver letter dated 29 April 2020 from Bank of China Limited, Macau Branch ("BOC Macau") (in its capacity as the sole lender under the 2015 Credit Facilities) to Melco Resorts Macau as borrower, a subsidiary of the Group, which became effective on 7 May 2020, BOC Macau agreed, among other things, to relax the borrower's obligations under the 2015 Credit Facilities by way of a waiver of (i) to extend the maturity date of the 2015 Credit Facilities to 24 June 2022; (ii) the repayment term of the 2015 term loan facility; (iii) interest rate of the borrowings change to HIBOR plus a margin of 1% per annum; (iv) the requirement to comply with substantially all information undertakings, financial covenants, general undertakings and mandatory prepayment provisions, (v) the requirement to make substantially all of the representations, and (vi) certain current and/or future defaults and events of default that may arise under the terms of the 2015 Credit Facilities, subject to certain conditions and terms. In the event of a change of control, the Group may be required, at the election of any lender under the facilities agreements, to repay such lender in full. In addition, termination or rescission of Melco Resorts Macau's subconcession contract or land concessions would constitute an event of default. As with substantially all of the undertakings and covenants under the respective agreements, however, these provisions are subject to continuing waiver under the terms of the waiver letter.

On 8 May 2020 and 3 December 2020, the Group obtained consents from lenders of a senior secured term loan and revolving credit facilities agreement (the "2017 Credit Facilities") to amend the repayment schedule of the term loan by deferring instalments totalling US$70,000,000 (equivalent to approximately HK$542,695,000) from the years 2020 and 2021 to February 2022. The consent obtained on 3 December 2020 also permits the Group to withdraw no more than US$14,000,000 (equivalent to approximately HK$108,539,000) from the Debt Service Account as defined in the 2017 Credit Facilities until 3 Business Days prior to the date falling 54 months after the first utilization date as long as no Event of Default as defined in the 2017 Credit Facilities is outstanding at the time of withdrawal. The Group recorded a loss on modification of debts of HK$1,752,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. As at 31 December 2021, following the full prepayment in 2021 disclosed below, the outstanding principal amount, net of deferred financing costs of the 2017 Credit Facilities was nil (2020: HK$6,678,645,000).

On 15 March 2021, the Group amended the terms of a senior secured credit facilities agreement, including the extension of the maturity date for a term loan facility of HK$1,000,000 and a revolving credit facility of HK$233,000,000 from 30 November 2021 to 15 January 2028 (the "Extended Maturity Date"). The term loan facility shall be repaid at the Extended Maturity Date with no interim amortization payments. The revolving credit facility is available up to the date that is one month prior to the Extended Maturity Date. Changes have also been made to the covenants in order to align them with those of certain other financings of the Group, including amending the threshold sizes and measurement dates of the covenants. In the event of a change of control, the Group may be required, at the election of any lender under the senior secured credit facilities, to repay such lender in full (other than the principal amount of the term loan facility). In addition, modification, expiry or termination of the gaming subconcession of Melco Resorts Macau in circumstances that have a material adverse effect on the borrowing group under the facility agreement (as a whole) will allow lenders to elect for the mandatory prepayment of all outstanding loan amounts.

35. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(b) (continued)

On 7 June 2021, the Group entered into a US$1.0 billion 5-year secured credit facility agreement (the "2021 Credit Facilities") to fully refinance the 2017 Credit Facilities. The 2021 Credit Facilities consist of a term loan facility of US$688,000,000 (equivalent to approximately HK$5,340,952,000) and a revolving credit facility of US$312,000,000 (equivalent to approximately HK$2,422,059,000).

On 15 June 2021, the Group drew down US$688,000,000 (equivalent to approximately HK$5,340,952,000) from the term loan facility and US$177,000,000 (equivalent to approximately HK$1,374,053,000) from the revolving credit facility under the 2021 Credit Facilities, together with cash on hand, to fully prepay the outstanding loan principal amount under the 2017 Credit Facilities of US$865,000,000 (equivalent to approximately HK$6,715,005,000) and the accrued interest and associated costs. As a result of such prepayment, the Group recorded a net gain on modification or extinguishment of debts of HK$74,232,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

The borrowings under the 2021 Credit Facilities bear interest at LIBOR plus a margin of 2.35% per annum. The term loan facility under the 2021 Credit Facilities is repayable in instalments within the period from 2022 to 2026. The revolving credit facility under the 2021 Credit Facilities is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally being one month, or rolled over subject to compliance with certain covenants and satisfaction of conditions precedent.

The indebtedness under the 2021 Credit Facilities is guaranteed by the Company and Melco Leisure, a subsidiary of the Group. As at 31 December 2021, the outstanding principal amount, net of deferred financing costs of the 2021 Credit Facilities was US$847,129,000 (equivalent to approximately HK$6,606,324,000).

In the event of a change of control, the Group may be required, at the election of any lender under the 2021 Credit Facilities, to repay such lender in full. In addition, the Group may be required to repay the loan in full if Melco Resorts Macau's subconcession contract is terminated or otherwise expires on its terms.

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.

(c) On 29 April 2020, the Group entered into a senior credit facilities agreement with a syndicate of banks (the "2020 Credit Facilities") for a HK$14,850,000,000 revolving credit facility with a term of five years. The maturity date of the 2020 Credit Facilities is 29 April 2025. Each loan made under the 2020 Credit Facilities is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Group is also subject to mandatory prepayment requirements in respect of various amounts as specified in the 2020 Credit Facilities. In the event of a change of control or if Melco Resorts Macau's subconcession contract or land concessions are terminated or otherwise expire on its terms, the Group may be required, at the election of any lender under the 2020 Credit Facilities, to repay such lender in full. As at 31 December 2021, the outstanding principal amount of the 2020 Credit Facilities was HK$3,117,000,000 (2020: HK$1,937,500,000).

The indebtedness under the 2020 Credit Facilities is guaranteed by Melco Resorts Macau and MCO Investments, a subsidiary of the Group. The 2020 Credit Facilities are unsecured.

35. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(c) (continued)

The 2020 Credit Facilities contain certain covenants customary for such financings including, but not limited to, limitations on, except as permitted (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) the disposal of certain key assets; and (iv) carrying on businesses which are not the permitted business activities of MCO Investments and its subsidiaries. The 2020 Credit Facilities also contain conditions and events of default customary for such financings and the financial covenants including a leverage ratio, total leverage ratio and interest cover ratio.

Borrowings under the 2020 Credit Facilities bear interest at HIBOR plus a margin ranging from 1.00% to 2.00% per annum as adjusted in accordance with the leverage ratio in respect of the borrowing group as defined in the facility agreement under the 2020 Credit Facilities. The Group may select an interest period for borrowings under the 2020 Credit Facilities ranging from one to six months or any other agreed period.

On 26 November 2020, the Group received confirmation that the majority of lenders of the 2020 Credit Facilities consented and agreed to waive certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities, in each case in respect of the relevant periods ended on the following applicable test dates: (a) 31 December 2020; (b) 31 March 2021; (c) 30 June 2021; (d) 30 September 2021; and (e) 31 December 2021. Such consent became effective on 2 December 2020.

On 5 November 2021, the Group further received confirmation that the majority of lenders of the 2020 Credit Facilities consented and agreed to waive certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities, in each case in respect of the relevant periods ended or ending on the following applicable test dates: (a) 31 March 2022; (b) 30 June 2022; (c) 30 September 2022; and (d) 31 December 2022. Such consent become effective on 9 November 2021.

(d) As at 31 December 2021, an unsecured credit facility amounting to PHP2,350,000,000 (equivalent to approximately HK$360,941,000) (2020: PHP2,350,000,000 (equivalent to approximately HK$379,278,000)) was available for future drawdown, subject to satisfaction of certain conditions precedent. The availability period of this facility was extended from 31 January 2021 to 31 January 2022 during the year ended 31 December 2021, and was further extended to 1 May 2022 in January 2022, on substantially similar terms as before.

(e) As at 31 December 2021, the Group had a total available and unutilized borrowing capacity of HK$13,380,737,000 (2020: HK$13,704,092,000), subject to satisfaction of certain conditions precedent.

(f) Borrowings amounting to HK$6,608,324,000 (2020: HK$6,680,645,000) as at 31 December 2021 are secured by the following assets of the Group:

(i) certain property, plant and equipment (note 17);

(ii) certain land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent) (note 36);

(iii) certain bank deposits;

(iv) receivables and other assets including certain inter-group loans; and

(v) issued shares of certain subsidiaries of the Group.

(g) The Group's subconcession contract ends on 26 June 2022 if the term of the subconcession is not extended or the subconcession is not replaced by a new gaming concession.

At the end of the reporting period, the interest-bearing borrowings with maturities of more than 12 months from the reporting period end (the "Borrowings") were classified as non-current liabilities as there was no breach of covenants associated with the Borrowings at 31 December 2021 and as at the date of approval of these consolidated financial statements; and the Group believes that its subconcession will be extended beyond 26 June 2022, and be awarded of a new gaming concession after the extension period.

36. LEASES

Group as a lessee

The Group has lease contracts for land, buildings, gaming equipment, transportation assets and furniture, fixtures and equipment used in its operations. The Group leases the land and certain of the building structures for City of Dreams Manila under the MRP Lease Agreement as described in note 43(d), Cyprus Operations sites, Mocha Clubs sites, office space, warehouses, staff quarters, and certain parcels of land in Macau on which Altira Macau, City of Dreams and Studio City are located. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors and in some cases contingent rental expenses stated as a percentage of turnover. Certain leases include options to extend the lease term and options to terminate the lease term. The land concession contracts in Macau have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The estimated term related to the land concession contracts in Macau is 40 years.

Set out below are the carrying amounts of the right-of-use assets and lease liabilities and the movements during the year.

	Right-of-use assets						
	Land HK$'000	**Buildings** HK$'000	**Gaming equipment** HK$'000	**Transportation** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000	**Lease liabilities** HK$'000
As at 1 January 2020	5,867,057	1,800,462	3,673	979	22,592	7,694,763	3,304,557
Additions	29,818	35,053	342	9,706	264	75,183	69,384
Depreciation	(191,105)	(296,793)	(1,231)	(4,684)	(11,413)	(505,226)	–
Modification	(1,479)	(35,476)	–	–	(8,023)	(44,978)	(46,608)
Adjustment of lease liabilities	–	–	–	–	–	–	(63,487)
Interest expense	–	–	–	–	–	–	367,695
Payments	–	–	–	–	–	–	(259,406)
Exchange adjustments	9,933	66,719	278	235	182	77,347	142,725
As at 31 December 2020	5,714,224	1,569,965	3,062	6,236	3,602	7,297,089	3,514,860
Additions	–	78,616	–	–	618	79,234	79,234
Depreciation	(189,185)	(318,307)	(1,219)	(3,468)	(2,726)	(514,905)	–
Modification	(48,536)	339,609	–	1,140	(721)	291,492	340,187
Reclassified to assets held for sale (note 32)	(4,773)	–	–	(97)	(54)	(4,924)	(8,565)
Adjustment of lease liabilities	–	–	–	–	–	–	(29,702)
Interest expense	–	–	–	–	–	–	283,949
Payments	–	–	–	–	–	–	(295,569)
Exchange adjustments	(8,873)	(69,095)	(179)	(257)	(72)	(78,476)	(173,001)
As at 31 December 2021	5,462,857	1,600,788	1,664	3,554	647	7,069,510	3,711,393

	2021 HK$'000	**2020** HK$'000
Analysed of lease liabilities into:		
Current portion	509,977	831,172
Non-current portion	3,201,416	2,683,688
	3,711,393	3,514,860

The maturity analysis of lease liabilities is disclosed in note 47(b).

36. LEASES (continued)

Group as a lessee (continued)

The following are the amounts recognized in profit or loss in relations to leases:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets	514,905	505,226
Less: capitalized in construction in progress	(28,718)	(28,767)
Interest expense on lease liabilities	283,949	367,695
Expense relating to short-term leases	3,788	3,251
Adjustment of lease liabilities	(29,702)	(63,487)
Variable lease payments not included in the measurement of lease liabilities	24,816	20,310
Loss/(gain) on lease modifications	847	(1,630)
Total amount recognized in profit or loss	769,885	802,598

The Group has total cash outflows for leases of HK$324,173,000 during the year ended 31 December 2021 (2020: HK$282,967,000).

As at 31 December 2021, certain right-of-use land with an aggregate carrying amount of HK$5,055,753,000 (2020: HK$5,221,811,000) were pledged to secure against the Group's interest-bearing borrowings (note 35).

Group as a lessor

The Group entered into non-cancellable operating leases mainly for its investment properties and 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 2035. Certain of the operating leases include minimum base fees with contingent fee clauses based on percentages of turnover. For the years ended 31 December 2021 and 2020, the Group earned minimum operating lease income of HK$344,895,000 and HK$268,815,000, respectively, and variable lease income of HK$50,394,000 and HK$28,857,000, respectively.

At the end of the reporting period, undiscounted future lease payments to be received under all non-cancellable operating leases were as follows:

	2021 HK$'000	2020 HK$'000
Within one year	375,394	395,564
More than one year but within two years	340,380	377,143
More than two years but within three years	341,485	345,547
More than three years but within four years	345,519	347,105
More than four years but within five years	158,205	358,528
After five years	21,509	190,918
	1,582,492	2,014,805

The total future minimum rentals do not include any escalated contingent fee amounts.

37. 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:

	2021 HK$'000	**2020** HK$'000
Deferred tax assets	31,423	49,430
Deferred tax liabilities	(2,388,789)	(2,404,083)
	(2,357,366)	(2,354,653)

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

	Accelerated tax depreciation HK$'000	**Right-of-use assets** HK$'000	**Lease liabilities** HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2020	(2,450,604)	(517,072)	517,072	62,715	(19,853)	(2,407,742)
Credit/(charge) to profit or loss for the year (note 14)	27,950	308,712	(288,797)	32,477	(26,016)	54,326
Exchange adjustments	(925)	(12,852)	13,976	710	(2,146)	(1,237)
At 31 December 2020	(2,423,579)	(221,212)	242,251	95,902	(48,015)	(2,354,653)
Credit/(charge) to profit or loss for the year (note 14)	28,814	13,597	(20,418)	(36,371)	10,437	(3,941)
Exchange adjustments	653	10,446	(11,248)	(729)	2,106	1,228
At 31 December 2021	(2,394,112)	(197,169)	210,585	58,802	(35,472)	(2,357,366)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$13,526,390,000 (2020: HK$13,840,951,000). A deferred tax asset has been recognized in respect of HK$339,181,000 (2020: HK$537,998,000) 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$13,187,209,000 (2020: HK$13,302,953,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$11,797,921,000 (2020: HK$12,211,476,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 3 to 20 years (2020: 3 to 20 years). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$5,030,698,000 (2020: HK$4,377,929,000). No deferred tax asset has been recognized in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

38. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021	2020	2021 HK$'000	2020 HK$'000
Issued and fully paid:				
At 1 January	1,515,763,755	1,514,266,755	5,692,080	5,669,692
Exercise of share options	442,000	1,497,000	4,365	22,388
At 31 December	1,516,205,755	1,515,763,755	5,696,445	5,692,080

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

During the year ended 31 December 2021, the trustee of the Share Purchase Scheme as defined in note 39 under the Company's share award schemes purchased 11,409,000 (2020: 2,495,000) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$120,596,000 (2020: HK$30,767,000) which are for future vesting of unvested shares under the Company's Share Purchase Scheme.

As at 31 December 2021, 12,136,925 (2020: 1,129,085) and 75,000 (2020: 75,000) issued shares of the Company were held by the Company's Share Purchase Scheme and Share Subscription Scheme as defined in note 39 under the Company's share award schemes, respectively.

39. 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 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 2021, the total number of shares available for issue under the 2012 Share Option Scheme is 55,443,538 shares and a total of 35,613,000 shares may be issued upon exercise of all options which had been granted and yet to be exercised under the 2012 Share Option Scheme, representing 3.66% and 2.35% of the shares in issue, respectively.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

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 2 to 3 years.

Certain rules of the 2012 Share Option Scheme were amended by adding the Net Settlement Arrangement on 5 June 2020. Details are disclosed in the section "Share award schemes" of note 39(I).

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, 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 is based upon the vesting term, and expected life adopted by other 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 life.

The fair values of share options granted under the 2012 Share Option Scheme were estimated on the dates of grant using the following assumptions:

	Grant date of the share options	
	7 April 2021	**14 April 2020**
Share price at date of grant of share options	HK$16.38	HK$12.70
Exercise price	HK$16.38	HK$12.70
Expected volatility	43% – 45%	44% – 46%
Expected life	3.1 – 6.1 years	3.1 – 6.1 years
Risk-free rate	0.27% – 0.88%	0.55% – 0.63%
Expected dividend yield	0%	0.47%
Weighted average fair value of a share option at date of grant	HK$6.07	HK$4.35

39. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(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 2020	2,241,000	6.03
Exercised	(706,000)	5.14
Lapsed	(60,000)	3.76
Outstanding at 31 December 2020 and 1 January 2021	1,475,000	6.55
Exercised	(387,000)	5.88
Lapsed	(250,000)	5.75
Outstanding at 31 December 2021	838,000	7.11
Exercisable at 31 December 2021	838,000	7.11
Exercisable at 31 December 2020	1,475,000	6.55

The weighted average share price at the date of exercise was HK$15.40 (2020: HK$15.56) during the year ended 31 December 2021.

The range of exercise prices and the weighted average remaining contractual term of the above share options outstanding as at the dates indicated are as follows:

	2021		2020	
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)
5.01 – 6.00	–	–	600,000	0.27
7.01 – 8.00	838,000	0.07	875,000	1.07
	838,000		1,475,000	

39. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(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 2020	33,131,000	18.21
Granted	2,931,000	12.70
Exercised	(791,000)	10.30
Lapsed	(174,000)	15.00
Forfeited	(148,000)	15.72
Outstanding at 31 December 2020 and 1 January 2021	34,949,000	18.03
Granted	1,002,000	16.38
Exercised	(55,000)	10.91
Lapsed	(165,000)	18.46
Forfeited	(118,000)	15.30
Outstanding at 31 December 2021	35,613,000	18.08
Exercisable at 31 December 2021	29,219,000	17.88
Exercisable at 31 December 2020	22,819,000	17.82

The weighted average share price at the date of exercise was HK$13.15 (2020: HK$14.66) during the year ended 31 December 2021.

39. 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 term of the above share options outstanding as at the dates indicated are as follows:

	2021		2020	
Range of exercise prices	**Number of share options outstanding**	**Weighted average remaining contractual life**	**Number of share options outstanding**	**Weighted average remaining contractual life**
HK$		(years)		(years)
10.01 – 11.00	5,965,000	4.27	6,005,000	5.27
12.01 – 13.00	2,726,000	8.29	2,837,000	9.29
14.01 – 15.00	616,000	5.27	616,000	6.27
16.01 – 17.00	927,000	9.27	–	–
18.01 – 19.00	14,200,000	7.68	14,200,000	8.68
19.01 – 20.00	3,019,000	7.28	3,077,000	8.28
23.01 – 24.00	8,160,000	6.28	8,214,000	7.28
	35,613,000		34,949,000	

Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, which have 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 and providing that the Board and such committee delegated by the Board to administer the relevant schemes may resolve to increase such limit at its sole discretion). 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.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

Under the existing arrangements of the 2012 Share Option Scheme, Share Purchase Scheme and Share Subscription Scheme (collectively referred to as the "Schemes"), a grantee shall satisfy any tax or other liabilities to which he or she may become subject to as a result of his or her participation in the Schemes by his or her own cash.

During the year ended 31 December 2020, to enhance administration flexibility of the Board in the implementation of the Schemes, the Company revised the rules of the Schemes so as to give authority to the Company to deduct or withhold a portion of the awards granted to the grantee pursuant to the Schemes (the "Awards") if the Company is statutorily required to deduct or withhold an amount to satisfy the tax obligation of any grantee arising from the grant of the Awards (the "Grantee Tax Obligation"), or if a grantee otherwise elects to satisfy his/her Grantee Tax Obligation (which is not statutorily required to be deducted or withheld) and/or exercise cost (in case a grantee exercises his/her share options granted under the 2012 Share Option Scheme) by way of deduction or withholding of the relevant portion of his/her Awards (the "Net Settlement Arrangement"). The Net Settlement Arrangement was approved by the Board on 31 March 2020 and further approved by the shareholders of the Company for amendments to the 2012 Share Option Scheme on 5 June 2020.

During the year ended 31 December 2021, certain eligible participants elected the Net Settlement Arrangement on certain awards under the Share Purchase Scheme and 64,320 (2020: 2,643,031) awarded shares were modified from equity-settled to cash-settled with all other terms unchanged (the "Modified Awards"). The Group recognized a liability associated with the Modified Awards of approximately HK$715,000 (2020: HK$22,912,000) with a corresponding reduction in the share award reserve on the modification date. The Modified Awards were modified so as to become cash-settled, but other terms were otherwise unchanged. Accordingly, the fair values of the Modified Awards and the original awards, which were determined by the share price of the ordinary shares of the Company on the modification date were the same and no incremental share-based compensation expenses resulted.

As at 31 December 2021, the accrued liability associated with the cash-settled awarded shares was HK$7,412,000 (2020: HK$16,246,000). Remeasurement gain of the liability associated with the cash-settled awarded shares of HK$5,022,000 (2020: remeasurement loss of HK$87,000) was recognized for the year ended 31 December 2021.

39. 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$
Equity-settled		
Unvested at 1 January 2020	7,706,000	19.32
Granted	7,646,000	12.70
Vested	(6,952,384)	15.94
Modified to cash-settled	(2,643,031)	18.99
Unvested at 31 December 2020 and 1 January 2021	5,756,585	14.76
Granted	6,335,720	16.38
Vested	(1,206,689)	18.30
Forfeited	(39,000)	15.32
Modified to cash-settled	(64,320)	15.75
Unvested at 31 December 2021	10,782,296	15.31
Cash-settled		
Unvested at 1 January 2020	–	–
Modified from equity-settled	2,643,031	18.99
Vested	(856,616)	18.96
Unvested at 31 December 2020 and 1 January 2021	1,786,415	19.00
Granted	41,280	16.38
Vested	(933,311)	18.92
Modified from equity-settled	64,320	15.75
Unvested at 31 December 2021	958,704	18.75
Total unvested awarded shares at 31 December 2021	11,741,000	15.59
Total unvested awarded shares at 31 December 2020	7,543,000	15.77

(b) Share Subscription Scheme

No award was granted or outstanding under the Share Subscription Scheme during the years ended 31 December 2021 and 2020.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts

Melco Resorts share incentive plans

Melco Resorts adopted a share incentive plan in 2006 (as amended) (the "Melco Resorts 2006 Share Incentive Plan"), a share incentive plan in 2011 (as amended) (the "Melco Resorts 2011 Share Incentive Plan") and a share incentive plan in 2021 (the "Melco Resorts 2021 Share Incentive Plan"). Under the plans, Melco Resorts may grant 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.

All share incentive plans of Melco Resorts have a term of 10 years. The Melco Resorts 2006 Share Incentive Plan had been succeeded by the Melco Resorts 2011 Share Incentive Plan in 2011. In view of impending expiry of the Melco Resorts 2011 Share Incentive Plan, Melco Resorts adopted the Melco Resorts 2021 Share Incentive Plan effective on 6 December 2021 (also the termination date of the Melco Resorts 2011 Share Incentive Plan). Upon the succession/termination of the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan, no further awards can be granted under the Melco Resorts 2006 Share Incentive Plan or the Melco Resorts 2011 Share Incentive Plan but the provisions of such plans shall remain in full force and effect in all other respects for any awards granted prior to the date of the succession/termination of such plans. During the year ended 31 December 2021, neither share options nor restricted shares were granted under the Melco Resorts 2021 Share Incentive Plan.

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 under the Melco Resorts 2021 Share Incentive Plan may be increased from time to time, provided that the maximum aggregate number of Melco Resorts' ordinary shares which may be issued upon exercise of options granted under the Melco Resorts 2021 Share Incentive Plan shall not be more than 10% of the total number of the issued share capital of Melco Resorts on the date the new plan limit is approved by the shareholders of the Company in accordance with the applicable listing rules in Hong Kong. As at 31 December 2021, there were 145,654,794 ordinary shares available for grants of various share-based awards under the Melco Resorts 2021 Share Incentive Plan (representing approximately 10.0% of the Melco Resorts' ordinary shares in issue).

The exercise price of a share option grant is determined at the market closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the date of grant. The outstanding share options generally vest over vesting periods of 2 to 3 years.

Melco Resorts uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, 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 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.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

The fair values of the restricted shares are determined with reference to the market closing prices of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the dates of grant.

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		
	11 June 2021	**7 April 2021**	**31 March 2020**
Share price at date of grant of share options	US$5.83	US$6.89	US$4.13
Exercise price	US$5.83	US$6.89	US$4.13
Expected volatility	44.85%	45.50%	43.5%
Expected life	5.6 years	5.6 years	5.6 years
Risk-free rate	0.88%	1.01%	0.43%
Expected dividend yield	2.50%	2.50%	3.1%
Weighted average fair value of share options at the date of grant	US$1.91	US$2.31	US$1.21

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 years ended 31 December 2021 and 2020 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 1 January 2020	2,151,432	1.72
Exercised	(267,141)	1.49
Outstanding at 31 December 2020 and 1 January 2021	1,884,291	1.75
Exercised	(1,867,743)	1.75
Forfeited or expired	(16,548)	1.75
Outstanding at 31 December 2021	–	–
Exercisable at 31 December 2021	–	–
Exercisable at 31 December 2020	1,884,291	1.75

The weighted average share price at the date of exercise was US$5.70 (2020: US$4.28) during the year ended 31 December 2021.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

Share options (continued)

(a) Melco Resorts 2006 Share Incentive Plan (continued)

The range of exercise prices and the weighted average remaining contractual term of the above share options outstanding as at the dates indicated are as follows:

Range of exercise prices	2021 Number of share options outstanding	2021 Weighted average remaining contractual life	2020 Number of share options outstanding	2020 Weighted average remaining contractual life
US$		(years)		(years)
1.01 – 2.00	–	–	1,884,291	0.22
	–		1,884,291	

(b) Melco Resorts 2011 Share Incentive Plan

Movements of the share options granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2021 and 2020 are set out below:

	Number of share options	Weighted average exercise price
		US$
Outstanding at 1 January 2020	19,790,160	7.01
Granted	12,159,207	4.13
Exercised	(122,040)	5.44
Forfeited or expired	(2,981,100)	5.82
Outstanding at 31 December 2020 and 1 January 2021	28,846,227	5.93
Granted	4,606,884	6.84
Exercised	(787,074)	5.52
Forfeited or expired	(1,969,931)	5.99
Outstanding at 31 December 2021	30,696,106	6.07
Exercisable at 31 December 2021	15,886,549	6.77
Exercisable at 31 December 2020	13,002,909	6.21

The weighted average share price at the date of exercise was US$7.61 (2020: US$6.50) during the year ended 31 December 2021.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (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 term of the above share options outstanding as at the dates indicated are as follows:

	2021		2020	
Range of exercise prices	**Number of share options outstanding**	**Weighted average remaining contractual life**	**Number of share options outstanding**	**Weighted average remaining contractual life**
US$		(years)		(years)
3.01 – 4.00	724,953	0.24	777,801	1.24
4.01 – 5.00	9,766,851	8.19	10,587,759	9.19
5.01 – 6.00	5,526,051	3.91	5,903,289	4.64
6.01 – 7.00	7,510,704	7.44	3,954,381	6.25
7.01 – 8.00	34,518	5.69	34,518	6.69
8.01 – 9.00	3,125,025	7.25	3,338,166	8.25
9.01 – 10.00	4,008,004	6.25	4,250,313	7.25
	30,696,106		28,846,227	

39. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

Restricted shares

Certain restricted shares were approved by Melco Resorts to be granted under the Melco Resorts 2011 Share Incentive Plan to the eligible management personnel of the Group in lieu of the 2020 bonus for their services performed during 2020. A total of 1,899,897 restricted shares were granted and vested immediately on 31 March 2021 (the "2020 Bonus Shares") with the grant date fair value of US$19.91 per ADS or US$6.6367 per share, which was the closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the date of grant. Share-based compensation expenses of HK$107,007,000, of which HK$7,142,000 were capitalized, were recognized for such grant during the year ended 31 December 2020 based on the estimated bonus amount.

Certain restricted shares were approved by Melco Resorts be granted under the Melco Resorts 2021 Share Incentive Plan to the eligible management personnel of the Group in lieu of the 2021 bonus for their services performed during 2021 (the "2021 Bonus Shares"). The 2021 Bonus Shares are expected to be granted in April 2022 and vest immediately on its grant date. Based on the estimated bonus amount, share-based compensation expenses of HK$87,349,000, of which HK$5,683,000 were capitalized, were recognized for such grant during the year ended 31 December 2021 for the management personnel rendered services to the Group.

Other than the restricted shares granted/to be granted under the 2020 Bonus Shares and 2021 Bonus Shares as described above, during the years ended 31 December 2021 and 2020, the grant date fair values for restricted shares granted under the Melco Resorts 2011 Share Incentive Plan, with vesting periods of generally three months to three years, were determined with reference to the market closing prices of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the dates of grant.

Movements of the restricted shares granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2021 and 2020 are set out below:

	Number of restricted shares	Weighted average grant date fair value US$
Unvested at 1 January 2020	7,105,176	7.94
Granted	9,497,823	4.17
Vested	(2,822,235)	7.20
Forfeited	(424,134)	6.62
Unvested at 31 December 2020 and 1 January 2021	13,356,630	5.46
Granted	12,098,709	6.07
Vested	(6,297,699)	6.91
Forfeited	(626,256)	5.66
Unvested at 31 December 2021	18,531,384	5.35

39. LONG-TERM INCENTIVE SCHEMES (continued)

(III) MRP

MRP share incentive plan

MRP adopted a share incentive plan (the “MRP Share Incentive Plan”), effective on 24 June 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase MRP common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of MRP and its subsidiaries, and the Company and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the MRP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MRP from time to time over 10 years. On 24 April 2019 and 24 June 2019, the board of directors and the shareholders of MRP approved an amendment to the Amended Articles of Incorporation of MRP, respectively, whereby, without changing the total amount of the authorized capital stock, the par value per MRP common share was increased from PHP1 (equivalent to HK$0.2) per share to PHP500,000 (equivalent to approximately HK$81,000) per share, thereby decreasing the total number of MRP common shares on a pro-rata basis (“Reverse Stock Split”). The Reverse Stock Split was approved by the Philippine Securities and Exchange Commission (the “Philippine SEC”) on 12 May 2020. As at 31 December 2021, there were 305 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan. All share and per share data of MRP common shares relating to the transactions carried out before 12 May 2020 as disclosed in the accompanying consolidated financial statements represent the number of shares or value per share of MRP common shares before the Reverse Stock Split.

On 22 May 2019, MRP offered to all eligible participants of the MRP Share Incentive Plan the option to retire all outstanding equity awards, including the unvested share options, vested but unexercised share options and unvested restricted shares (collectively, the “Outstanding Awards”) by the payment of cash to the eligible participants (the “SIP Retirement Arrangements”) in light of the delisting of MRP and the acquiescence of the Philippine SEC on 17 May 2019. As a result of all eligible participants electing to participate in the SIP Retirement Arrangements, all the Outstanding Awards, including a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the MRP Share Incentive Plan, were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019 (the “SIP Modification”).

Under the SIP Retirement Arrangements, MRP will pay the eligible participants a fixed amount in cash (“Settlement Amount”) according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions. The Settlement Amount of the outstanding restricted shares is PHP7.25 per share, based on the offer price of a voluntary tender offer in 2018 and the Settlement Amount of the outstanding share options which was determined using the Black-Scholes valuation model. The weighted average fair value of the outstanding share options at the modification date was PHP4.23 per option.

As at 31 December 2021 and 2020, the accrued liability associated with the Outstanding Awards under the SIP Modification was nil and HK$3,084,000 respectively. No fair value gain or loss on remeasurement of the liability associated with the Outstanding Awards under the SIP Modification was recognized for the years ended 31 December 2021 and 2020.

39. LONG-TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

Share options

Movements of share options granted under the MRP Share Incentive Plan during the years ended 31 December 2021 and 2020 are set out below:

	Number of share options
Cash-settled	
Outstanding at 1 January 2020	7,383,408
Vested	(6,357,751)
Outstanding at 31 December 2020 and 1 January 2021	1,025,657
Vested	(1,025,657)
Outstanding at 31 December 2021	–

Restricted shares

Movements of the restricted shares granted under the MRP Share Incentive Plan during the years ended 31 December 2021 and 2020 are set out below:

	Number of restricted shares	Weighted average grant date fair value PHP
Cash-settled		
Unvested at 1 January 2020	8,235,686	8.08
Vested	(5,922,184)	8.35
Unvested at 31 December 2020 and 1 January 2021	2,313,502	7.37
Vested	(2,313,502)	7.37
Unvested at 31 December 2021	–	–

40. EMPLOYEE BENEFIT PLANS

The Group has obligations to make the required contributions with respect to the defined contribution retirement benefits schemes as set out below.

The Group operates defined contribution fund schemes in different jurisdictions, which allow eligible employees to participate in defined contribution plans (the "Defined Contribution Fund Schemes"). The Group either contributes a fixed percentage of the eligible employees' relevant income, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of relevant income to the Defined Contribution Fund Schemes. The Group's contributions to the Defined Contribution Fund Schemes are vested with employees in accordance to vesting schedules, achieving full vesting ranging from upon contribution to 10 years (2020: 4 to 10 years) from the date of employment. The Defined Contribution Fund Schemes were established under trusts with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in different jurisdictions are members of government-managed social security fund schemes (the "Social Security Fund Schemes"), which are operated by the respective governments, if applicable. The Group is required to pay monthly fixed contributions or certain percentages of employee relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

Forfeited contributions totalling HK$18,384,000 (2020: HK$24,815,000) were utilized during the year ended 31 December 2021. As at 31 December 2021, HK$7,776,000 (2020: HK$6,055,000) was available to reduce future contributions.

During the year ended 31 December 2021, the Group's contributions into the defined contribution retirement benefits schemes and social security funds were HK$198,631,000 (2020: HK$229,372,000).

41. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES

Melco Resorts

For the year ended 31 December 2021, Melco Resorts repurchased 5,372,045 ADSs (equivalent to 16,116,135 ordinary shares) (2020: 3,148,824 ADSs (equivalent to 9,446,472 ordinary shares)) from the open market for an aggregate consideration of approximately US$52,026,000 (equivalent to approximately HK$405,387,000) (2020: approximately US$44,977,000 (equivalent to approximately HK$350,610,000)) which increased the Group's ownership interest in Melco Resorts. On the other hand, certain share options and restricted shares under the Melco Resorts share incentive plans were exercised and vested, which decreased the Group's ownership interest in Melco Resorts.

As a net result of the above transactions, the Group's ownership interest in Melco Resorts increased from 56.54% on 1 January 2020 to 56.80% on 31 December 2020 and to 57.10% on 31 December 2021. The Group recognized a decrease of HK$165,182,000 (2020: HK$98,718,000) in the Group's special reserve and a decrease of HK$240,205,000 (2020: HK$252,213,000) in non-controlling interests.

41. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES (continued)

SCIHL

During July and August 2020, SCIHL announced and completed a series of private offers of its 72,185,488 Class A ordinary shares and 14,087,299 ADSs, representing 56,349,196 Class A ordinary shares, to certain existing shareholders and holders of its ADSs, including the Group, with gross proceeds amounting to US$500,000,000 (equivalent to approximately HK$3,875,368,000), out of which approximately US$219,198,000 (equivalent to approximately HK$1,698,946,000) was from shareholders outside the Group.

As a result of the above transactions and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in SCIHL increased from 30.84% on 1 January 2020 to 31.24% on 31 December 2020. The Group recognized an increase of HK$3,514,000 in the Group's special reserve and an increase of HK$1,687,176,000 in non-controlling interests.

The Philippine subsidiaries

As a result of the Reverse Stock Split, only those shareholders of MRP who originally owned 500,000 MRP common shares with a par value of PHP1 (equivalent to HK$0.2) per share (each an "Original Share") and in multiples thereof immediately prior to the Reverse Stock Split would now own whole shares (each a "MRP Whole Share") of stock of MRP. Other holders of the Original Shares could now only hold a fractional share of MRP ("MRP Fractional Share"). To facilitate the elimination of MRP Fractional Shares held by other shareholders of MRP, a subsidiary of the Group, offered to purchase the resulting MRP Fractional Shares at the purchase price to be calculated by multiplying the number of Original Shares represented by the relevant MRP Fractional Shares (which were equal to the number of Original Shares held by the relevant shareholder immediately prior to the Reverse Stock Split) by the price of PHP7.25 (equivalent to HK$1.11) per Original Share ("Fractional Share Elimination Plan"). A shareholder could also sell any MRP Whole Shares to another subsidiary of the Group under the Fractional Share Elimination Plan. Any holder of MRP Fractional Shares and/or MRP Whole Shares may accept this offer during the two-year period commencing from 5 June 2020.

During the year ended 31 December 2021, the Group through the subsidiaries, purchased 123.103 common shares of MRP at a total consideration of PHP440,032,000 (equivalent to HK$67,347,000) from the non-controlling interests, which increased Group's ownership interest in MRP.

As a result of the above transaction and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in MRP increased from 55.61% on 1 January 2021 to 56.52% on 31 December 2021. The Group recognized a decrease of HK$30,410,000 in the Group's special reserve and a decrease of HK$36,937,000 in non-controlling interests.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, property, plant and equipment amounting to HK$1,297,758,000 (2020: HK$746,161,000) were purchased from external parties and remained unsettled as at 31 December 2021.

(b) Changes in liabilities arising from financing activities during the years ended 31 December 2021 and 2020

	Interest-bearing borrowings HK$'000	**Lease liabilities** HK$'000
At 1 January 2020	41,328,817	3,304,557
New leases	–	69,384
Net changes of cash flows from financing activities	9,431,814	(259,406)
Exchange adjustments	(189,066)	142,725
Other (note)	63,096	257,600
At 31 December 2020	50,634,661	3,514,860
New leases	–	79,234
Net changes of cash flows from financing activities	6,933,302	(295,569)
Exchange adjustments	324,922	(173,001)
Other (note)	(16,284)	585,869
At 31 December 2021	57,876,601	3,711,393

Note:

"Other" mainly represents the effect of movement of deferred financing costs, modification or extinguishment of debts, lease modification and interest incurred on lease liabilities during the year.

43. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

Pursuant to a memorandum of agreement entered into by a subsidiary of the Group with the Philippine Parties and certain of its subsidiaries in 2012 for the development of City of Dreams Manila, the relevant parties of the Licensees and certain of its subsidiaries entered into the following agreements which became effective on 13 March 2013 and end on the date of expiry of the Regular License, currently expected to be on 11 July 2033 unless terminated earlier in accordance with the respective terms of the individual agreements.

43. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA (continued)

(a) Regular License

On 29 April 2015, PAGCOR issued a regular casino gaming license, as amended (the "Regular License") in replacement of a provisional license granted by PAGCOR as of 13 March 2013, to the co-licensees (the "Licensees") namely, MPHIL Holdings No.1 Corporation, a subsidiary of MRP, and its subsidiaries including Melco Resorts Leisure (collectively the "MPHIL Holdings Group"), SM Investments Corporation ("SMIC"), Belle Corporation ("Belle") and PremiumLeisure and Amusement, Inc. ("PLAI") (SMIC, Belle and PLAI are collectively referred to as the "Philippine Parties") for the establishment and operation of City of Dreams Manila, with Melco Resorts Leisure, a co-licensee, as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees in dealings with PAGCOR. 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 45.

(b) Cooperation Agreement

The Licensees and certain of its subsidiaries entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements which govern the rights and obligations of the Licensees. Under the Cooperation Agreement, Melco Resorts Leisure is appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and is designated as the operator to operate and manage City of Dreams Manila. Further details of the commitments under the Cooperation Agreement are included in note 45.

(c) Operating Agreement

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. 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 operation and management of City of Dreams Manila (including the gaming and non-gaming operations). The Operating Agreement also includes terms of certain monthly payments to PLAI from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila and is included in payments to the Philippine Parties in the consolidated statement of profit or loss and other comprehensive income, and further provides that Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

As a result of the disruptions and impact caused by the COVID-19 outbreak, on 22 March 2021, Melco Resorts Leisure and PLAI entered into a supplemental agreement to the Operating Agreement where the monthly payments paid or payable by Melco Resorts Leisure from 2019 to 2022 were adjusted.

(d) MRP Lease Agreement

Melco Resorts Leisure and Belle entered into a lease agreement, as amended from time to time (the "MRP Lease Agreement") under which Belle agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex.

As a result of the disruptions caused by the COVID-19 outbreak, on 22 March 2021, Melco Resorts Leisure and Belle entered into a supplemental agreement to the MRP Lease Agreement to make certain adjustments to the rental payments paid and payable by Melco Resorts Leisure for 2020 and 2021.

44. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	3,530,362	5,977,481

45. OTHER COMMITMENTS

Gaming Subconcession – Macau

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 approximately HK$29,126,000);

(ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- MOP300,000 (equivalent to approximately HK$291,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kinds of games or to certain players;
- MOP150,000 (equivalent to approximately HK$146,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and
- MOP1,000 (equivalent to approximately 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; and

(v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favour of the Macau government for a maximum amount of MOP300,000,000 (equivalent to approximately HK$291,262,000) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee issued by the bank to the Macau government as disclosed above, a sum of 1.75% per annum of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

45. OTHER COMMITMENTS (continued)

Regular License – Philippines

Other commitments required by PAGCOR under the Regular License are as follows:

(i) to secure a surety bond in favour of PAGCOR in the amount of PHP100,000,000 (equivalent to approximately HK$15,359,000) to ensure prompt and punctual remittances/payments of all license fees;

(ii) 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 operations. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR Charter;

(iii) the Licensees 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;

(iv) PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not subject to the 5% fee except for rental income received from retail concessionaires; and

(v) grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) the holder has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of 31 December 2021 and 2020, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under the definition as agreed with PAGCOR.

Cooperation Agreement – Philippines

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 losses suffered or incurred by that Licensee 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 warranties.

45. OTHER COMMITMENTS (continued)

Gaming License – Cyprus

Pursuant to the Cyprus License, the Group has committed to pay the Cyprus government the following:

(i) annual license fee for the temporary casino and integrated casino resort of EUR2,500,000 (equivalent to approximately HK$22,077,000) per year for the first four years, and EUR5,000,000 (equivalent to approximately HK$44,154,000) 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 approximately HK$44,154,000) 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) aggregate annual license fee for three operating satellite casinos of EUR2,000,000 (equivalent to approximately HK$17,661,000);

(iii) a casino tax of an amount equal to 15% of the gross gaming revenue on a monthly basis and the rate shall not be increased during the period of exclusivity for the Cyprus License; and

(iv) if the Group fails to open the integrated casino resort by the opening date, as defined in the Cyprus License as 30 April 2021 which was further extended to 30 September 2022 based on the approval of the Steering Committee and the Council of Ministers in Cyprus made in February 2021 (the “Opening Date”), the Group shall pay to the Cyprus government the amount of EUR10,000 (equivalent to approximately HK$88,000) for each day the integrated casino resort remains unopened past the Opening Date, up to a maximum of EUR1,000,000 (equivalent to approximately HK$8,831,000). If the integrated casino resort does not open for 100 business days past the Opening Date, the Cyprus government may terminate the Cyprus License.

Studio City Land Concession – Macau

In accordance with the Studio City land concession and the extension granted by the Macau government as announced by SCHIL in May 2021, the land on which Studio City is located must be fully developed by 27 December 2022.

45. OTHER COMMITMENTS (continued)

Guarantees

Except as disclosed in note 35 and the bank guarantee under "Gaming Subconcession - Macau" section of this note, the Group had made the following significant guarantees as at 31 December 2021:

(i) Melco Resorts Macau has issued a promissory note ("Livrança") of MOP550,000,000 (equivalent to approximately HK$533,981,000) to a bank in respect of the bank guarantee issued to the Macau government under its gaming subconcession;

(ii) Melco Resorts has entered into two deeds of guarantee with third parties amounting to US$35,000,000 (equivalent to approximately HK$272,947,000) to guarantee certain payment obligations of the City of Dreams' operations;

(iii) in October 2013, one of the Group's subsidiaries entered into a trade credit facility agreement for HK$200,000,000 ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on 31 August 2021 was further extended to 31 August 2023, with no material changes in the underlying terms and conditions, and is guaranteed by Studio City Company. As at 31 December 2021, approximately HK$5,000,000 of the Trade Credit Facility had been utilized; and

(iv) Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to approximately HK$15,359,000) to a bank in respect of a surety bond issued to PAGCOR as disclosed above under the Regular License.

Investment commitment to the joint venture

	2021 HK$000	**2020** HK$000
Investment commitment to the joint venture	305,775	–

45. OTHER COMMITMENTS (continued)

Litigation

Car parking spaces litigation

Aberdeen Restaurant Enterprises Limited ("AREL"), a subsidiary of the Group is a plaintiff in a defence and counterclaim filed with the High Court of Hong Kong.

In relation to a sale and purchase agreement dated 17 March 2017 (the "Agreement") signed between AREL as seller and Gain Premium Holdings Limited ("Gain Premium") as purchaser for certain car parking spaces in Aberdeen, Hong Kong ("Property") for HK$500,000,000 (the "Purchase Consideration") (the "Sale Transaction"), AREL received a deposit of HK$50,000,000 (the "Deposit") from Gain Premium and the Sale Transaction was to complete on or before 31 May 2017 (the "Completion Date").

The Sale Transaction did not complete by the Completion Date. On 11 September 2017, AREL (as a plaintiff) commenced action against Gain Premium (as a defendant) in the High Court of Hong Kong (the "Court") to seek declarations that AREL has validly and effectively terminated the Agreement and is entitled to forfeit the Deposit and claims damages. On 23 October 2017, Gain Premium filed a defence and counterclaim seeking among other things, full refund of the Deposit and damages of up to HK$160,000,000. AREL and Gain Premium have obtained expert evidence on the market value of the Property as at the Completion Date (the "Market Value") that ranged from HK$356,900,000 to HK$660,000,000. If the Court considers the Market Value is equivalent to, or below, the Purchase Consideration, AREL will be entitled to damages from Gain Premium if AREL is successful in its claims, and will not be liable to Gain Premium for damages even in the event that Gain Premium is successful in its defence and counterclaim.

The proceedings are currently pending.

Based on legal advice, the Group is of the view that the chance that Gain Premium is successful in its defence and counterclaim is less than 50% and therefore no provision for counterclaim liability has been made by the Group in these consolidated financial statements.

ILGA litigation

On 7 December 2021, the Independent Liquor and Gaming Authority in Australia ("ILGA") commenced proceedings in the Supreme Court of New South Wales against Melco Resorts and six individual directors and/or officers of Melco Resorts, principally seeking a payment of Australian dollars 3,676,000 (equivalent to approximately HK$20,781,000) together with (i) the corresponding interest on such amount from 3 August 2020 to the date of judgment, and (ii) ILGA's legal costs in the proceedings by ILGA allegedly associated with its seeking in its assessment of whether a major change was proposed or occurred as a result of Melco Resorts' acquisition of shares in Crown Resorts Limited in 2019. Based on the progress of such proceedings to date, the Group is currently unable to determine the range of reasonably possible losses, if any, and believes that the outcomes of such proceedings will have no material financial impact on the Group. No provision for disputed costs has been made in these consolidated financial statements.

General litigation

As of 31 December 2021, the Group was a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcomes of such proceedings have been adequately provided for or have no material impact on the Group's consolidated financial statements as a whole.

46. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	20,451	38,629
Post-employment benefits	472	350
Share-based compensation	329,379	353,817
	350,302	392,796

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.

(b) Other related party transaction

As at 31 December 2021, Mr. Ho and his controlled entity held an aggregate principal amount of US$60,000,000 (equivalent to approximately HK$467,909,000) (2020: US$60,000,000 (equivalent to approximately HK$465,167,000)) senior notes issued by a subsidiary of the Group, which is unsecured, not convertible or exchangeable. Mr. Ho and his controlled entity purchased the senior notes at their face values.

During the year ended 31 December 2021, total interest expenses of US$4,494,000 (equivalent to approximately HK$34,924,000) (2020: US$1,740,000 (equivalent to approximately HK$13,487,000)) in relation to the senior notes issued by this subsidiary were paid or accrued to Mr. Ho and his controlled entity.

47. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

2021

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortized cost HK$'000
Trade receivables	–	425,098
Financial assets included in prepayments, deposits and other receivables	–	362,162
Cash and bank balances	–	13,452,432
Other financial assets	20,320	–
Restricted cash	–	53,863
	20,320	14,293,555

47. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

Financial assets (continued)

2020

	Financial assets at fair value through profit or loss	Financial assets at amortized cost
	HK$'000	HK$'000
Trade receivables	–	1,005,073
Financial assets included in prepayments, deposits and other receivables	–	429,379
Cash and bank balances	–	13,821,297
Other financial assets	130,929	–
Bank deposits with original maturities over three months	–	39,500
Restricted cash	–	124,098
	130,929	15,419,347

Financial liabilities

	Financial liabilities at amortized cost	
	2021	**2020**
	HK$'000	HK$'000
Trade payables	46,779	73,575
Financial liabilities included in other payables, accruals and deposits received	4,611,062	4,538,899
Interest-bearing borrowings	57,876,601	50,634,661
Lease liabilities	3,711,393	3,514,860
	66,245,835	58,761,995

47. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, restricted cash, other financial assets, bank deposits with original maturities over three months, cash and bank balances, trade and other payables, interest-bearing borrowings and lease liabilities. 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.

Market risk

(i) Currency risk

The Group operates in various countries in Asia and Europe and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities denominated in a currency that is not the functional currency of the relevant group entities. The Group has certain cash and bank balances, trade and other receivables, restricted cash, other financial assets, trade and other payables and interest-bearing borrowings 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 2021 and 2020. 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 US$-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2021	**2020**	**2021**	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000
US$	9,145,658	24,552,658	(9,657,840)	(21,707,624)

47. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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 a decrease in loss (2020: a negative number below indicated an increase in loss) 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 loss.

	US$ Impact (note) HK$'000
2021: Loss for the year	5,122
2020: Loss for the year	(28,450)

Note: This is mainly attributable to the exposure on outstanding US$-denominated cash and bank balances, receivables, payables and other financial assets at the end of the reporting period.

(ii) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to borrowings which carried interest at floating rate (see note 35 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for variable-rate borrowings. The analysis is prepared by assuming the amount of variable-rate borrowings at the end of the reporting period was outstanding for the whole year. 50 basis points is the sensitivity rate used for variable-rate borrowings, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The following analysis details the Group's sensitivity to a 50 basis points increase or decrease on its variable-rate borrowings.

47. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

A negative number below indicates an increase in loss if the interest rate had been 50 basis points higher and all other variables were held constant. If the interest rate had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the loss.

	Borrowings
	HK$'000
2021: Loss for the year	(49,323)
2020: Loss for the year	(43,228)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades only with recognized and creditworthy third 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. Credit is also given to its gaming promoters in the Philippines, and historically, to gaming promoters in Macau, which receivables can be offset against commissions payable and front money deposits held by the Group to the respective customers and for which the Group intends to set-off when required. In this regard, the management of the Group considers that the Group's credit risk is adequately monitored.

As at 31 December 2021, the Group has concentration of credit risk as 63% (2020: 65%) 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.

Maximum exposure and year-end staging

Credit risk from the financial assets of the Group was mainly comprised cash and cash equivalents, bank deposits with original maturities over three months, restricted cash, trade receivables, other financial assets, deposits and other receivables. The carrying amounts of these financial assets represented the maximum exposure to credit risk.

The credit risk on cash and cash equivalents, bank deposits with original maturities over three months and restricted cash was limited because they were deposited with several banks with high credit ratings assigned by international credit-rating agencies. Trade receivables, deposits and other receivables and other financial assets were considered as high grade as the Group only trades with recognized and creditworthy parties.

The Group applies the general approach for impairment of these financial assets except for trade receivables and other financial assets. For the years ended 31 December 2021 and 2020, the credit risks for the financial assets that are subject to impairment under the general approach have not increased significantly since initial recognition and for which the loss allowances are measured at an amount equal to 12-month ECLs. The Group applies the simplified approach for impairment of trade receivables (note 27).

47. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

For 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 35. As at 31 December 2021, the Group had available unused banking facilities of HK$13,380,737,000 (2020: HK$13,704,092,000), subject to the satisfaction of certain conditions precedent.

The table below summarizes the maturity profile of the Group's financial liabilities based on 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 at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	On demand or less than one year HK$'000	**In the second year** HK$'000	**In the third to fifth years** HK$'000	**Over five years** HK$'000	**Total undiscounted cash flows** HK$'000
2021					
Trade and other payables	4,457,390	180,442	12,867	7,142	4,657,841
Borrowings	7,542,473	3,249,770	27,505,784	36,036,641	74,334,668
Lease liabilities	527,407	454,813	1,327,951	3,252,992	5,563,163
	12,527,270	3,885,025	28,846,602	39,296,775	84,555,672
2020					
Trade and other payables	4,393,235	114,139	95,500	9,600	4,612,474
Borrowings	6,932,812	6,823,340	22,679,426	29,393,570	65,829,148
Lease liabilities	863,018	511,697	1,412,297	3,880,323	6,667,335
	12,189,065	7,449,176	24,187,223	33,283,493	77,108,957

Other price risk

The Group is exposed to price risk through its investment in the Convertible Note included as financial assets at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments.

Sensitivity analysis is disclosed at note 31.

47. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines the 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 values of the financial assets are determined.

Fair value hierarchy as at 31 December

	2021 HK$'000	**2020** HK$'000
Financial assets at fair value through profit or loss		
Level 1		
Equity securities	–	130,929
Level 3		
Convertible Note	20,320	–
	20,320	130,929

The fair value of the Convertible Note as at 31 December 2021 was determined based on the discounted cash flow method as detailed in note 31 and was classified as Level 3 of the fair value hierarchy.

The fair values of the equity securities as at 31 December 2020 were determined based on the 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 value on a recurring basis

The fair values of the financial assets and liabilities that are not measured at fair value on a recurring basis have been assessed by the management of the Group based on a discounted cash flow analysis.

Based on the results of the assessment, the Group considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements that are not measured at fair value on a recurring basis approximate their fair values.

48. 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 35, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

	2021 HK$'000	2020 HK$'000
Debt – interest-bearing borrowings (note 35)	57,876,601	50,634,661
Equity attributable to owners of the Company	6,862,667	10,764,187

The Group reviews 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 the directors' assessment, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt or the redemption of existing debt.

49. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of non-wholly-owned subsidiaries 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		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Melco Resorts Group	Cayman Islands/Macau/ the Philippines/Cyprus	42.90%	43.20%	(4,141,711)	(6,037,487)	15,548,377	19,963,563
Individually immaterial subsidiaries with non-controlling interests				7,418	(554)	56,964	49,546
				(4,134,293)	(6,038,041)	15,605,341	20,013,109

The summarized financial information of Melco Resorts Group below represents amounts before intragroup eliminations.

49. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Melco Resorts Group

	2021 HK$'000	**2020** HK$'000
Current assets	14,577,468	15,588,100
Non-current assets	78,664,694	83,809,404
Current liabilities	11,004,764	10,653,663
Non-current liabilities	53,976,962	47,322,669

	2021 HK$'000	**2020** HK$'000
Revenue	15,643,589	13,426,323
Expenses	23,751,470	25,458,764
Loss for the year	(8,107,881)	(12,032,441)
Other comprehensive (loss)/income for the year	(551,193)	52,886
Total comprehensive loss for the year	(8,659,074)	(11,979,555)
Dividend to non-controlling shareholders	536	330,994

	2021 HK$'000	**2020** HK$'000
Net cash outflow from operating activities	(2,089,649)	(6,678,025)
Net cash outflow from investing activities	(5,244,461)	(413,511)
Net cash inflow from financing activities	6,388,857	9,801,115
Effect of foreign exchange rate changes	226,523	(255,261)
Net cash (outflow)/inflow	(718,730)	2,454,318

50. SUBSEQUENT EVENTS

(a) On 16 February 2022, the Group issued US$350,000,000 (equivalent to approximately HK$2,733,499,000) in aggregate principal amount of 7.00% senior secured notes due 2027 at an issue price of 100% of the principal amount (the "2027 Senior Notes"). The net proceeds will be used to fund the capital expenditures of the remaining development project at Studio City and for general corporate purposes. All of the existing subsidiaries of Studio City Investments (other than Studio City Company) and any other future restricted subsidiaries as defined in the 2027 Senior Notes are guarantors to guarantee the indebtedness under the 2027 Senior Notes.

(b) During February and March 2022, SCIHL respectively announced and completed a series of private offers of its 400,000,000 Class A ordinary shares to certain existing shareholders and holders of its ADSs, including the Group, with gross proceeds amounting to US$300,000,000 (equivalent to approximately HK$2,342,999,000), of which approximately US$134,944,000 (equivalent to approximately HK$1,053,912,000) was from non-controlling interests and with approximately US$165,056,000 (equivalent to approximately HK$1,289,087,000) from the Group (the "2022 Private Placements"). The 2022 Private Placements increased the Group's shareholding in SCIHL which was funded by the Group's drawdown of US$170,000,000 (equivalent to approximately HK$1,327,700,000) from the 2020 Credit Facilities on 23 February 2022. The Group retains its controlling financial interests in SCIHL before and after the 2022 Private Placements.

(c) In March 2022, the Group obtained confirmation from the facility agent that certain provisions contained in the facility agreement under the 2021 Credit Facilities are waived subject to certain conditions, including placing cash collateral of US$220,000,000 (equivalent to approximately HK$1,718,200,000). As of 21 March 2022, cash collateral of US$20,000,000 (equivalent to approximately HK$156,200,000) was placed in a pledged account and the remaining amount of US$200,000,000 (equivalent to approximately HK$1,562,000,000) is expected to be placed in the pledged account on or before 8 April 2022.

(d) On 28 March 2022, the Company entered into a facility agreement (the "Facility Agreement") with Melco Resorts pursuant to which a US$250,000,000 (equivalent to approximately HK$1,952,500,000) revolving loan facility was granted by Melco Resorts as lender to the Company as borrower for a period of 12 months after the first utilization date (the last day of such period being the "Final Repayment Date"). The Company may request utilization of all or part of the loan from the date of the Facility Agreement until one month prior to the Final Repayment Date for general corporate purposes of the Company and its subsidiaries (excluding Melco Resorts and its subsidiaries). Principal amounts outstanding under the Facility Agreement bear interest at an annual rate of 11%, with outstanding principal amounts and accrued interest payable by the Company on the Final Repayment Date. As at 31 March 2022, the Facility Agreement remains undrawn.

51. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the Group considers the new presentation is more relevant and appropriate to the Group's consolidated financial statements.

52. 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:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	6,245,348	5,871,579
Other intangible assets	5,580	5,700
Other financial assets	–	130,929
Amount due from a subsidiary	6,502,807	6,618,957
Total non-current assets	12,753,735	12,627,165
CURRENT ASSETS		
Prepayments, deposits and other receivables	16,324	11,442
Amounts due from subsidiaries	1,216,506	1,809,875
Amount due from a joint venture	835	–
Cash and bank balances	126,795	89,225
Total current assets	1,360,460	1,910,542
CURRENT LIABILITIES		
Other payables, accruals and deposits received	37,338	21,051
Amounts due to subsidiaries	866,320	871,756
Loan from a subsidiary	1,380,332	2,147,520
Total current liabilities	2,283,990	3,040,327
NET CURRENT LIABILITIES	(923,530)	(1,129,785)
TOTAL ASSETS LESS CURRENT LIABILITIES	11,830,205	11,497,380
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	28,903	28,903
Other payables, accruals and deposits received	132	29,632
Total non-current liabilities	29,035	58,535
Net assets	11,801,170	11,438,845
EQUITY		
Share capital	5,696,445	5,692,080
Reserves (note)	6,104,725	5,746,765
Total equity	11,801,170	11,438,845

The Company's statement of financial position was approved and authorized for issue by the board of Directors on 31 March 2022 and are signed on its behalf by:

Ho, Lawrence Yau Lung *Director*	**Evan Andrew Winkler** *Director*

52. 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 2020	7,053	187,364	(95,628)	59,590	5,379,113	5,537,492
Profit for the year	–	–	–	–	116,076	116,076
Exercise of share options	–	(10,612)	–	–	–	(10,612)
Recognition of share-based payments	–	64,365	–	138,714	–	203,079
Transfer of share option reserve upon expiry of share options	–	(1,055)	–	–	1,055	–
Shares vested under the share award schemes	–	–	123,374	(114,227)	(9,147)	–
Purchase of shares for unvested shares under the share award schemes (note 38)	–	–	(30,767)	–	–	(30,767)
Reclassification of long-term incentive schemes from equity-settled to cash-settled (note 39(l))	–	–	–	(22,912)	–	(22,912)
Dividends declared (note 15)	–	–	–	–	(45,591)	(45,591)
At 31 December 2020	7,053	240,062	(3,021)	61,165	5,441,506	5,746,765
Profit for the year	–	–	–	–	349,318	349,318
Exercise of share options	–	(1,490)	–	–	–	(1,490)
Recognition of share-based payments	–	29,142	–	102,301	–	131,443
Transfer of share option reserve upon expiry of share options	–	(1,793)	–	–	1,793	–
Shares vested under the share award schemes	–	–	16,370	(25,706)	9,336	–
Purchase of shares for unvested shares under the share award schemes (note 38)	–	–	(120,596)	–	–	(120,596)
Reclassification of long-term incentive schemes from equity-settled to cash-settled (note 39(l))	–	–	–	(715)	–	(715)
At 31 December 2021	7,053	265,921	(107,247)	137,045	5,801,953	6,104,725

FIVE-YEAR FINANCIAL SUMMARY

31 December 2021

RESULTS

	For the year ended 31 December				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net revenues	41,180,086	40,724,673	44,987,768	13,424,435	15,638,846
Profit/(loss) for the year	1,062,534	1,600,168	1,768,158	(12,377,928)	(7,943,261)
Attributable to:					
Owners of the Company	474,136	522,571	689,772	(6,339,887)	(3,808,968)
Non-controlling interests	588,398	1,077,597	1,078,386	(6,038,041)	(4,134,293)
	1,062,534	1,600,168	1,768,158	(12,377,928)	(7,943,261)

ASSETS AND LIABILITIES

	At 31 December				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	98,270,226	98,026,241	100,361,573	95,534,733	94,193,277
Total liabilities	(52,418,180)	(57,323,215)	(58,693,881)	(64,757,437)	(71,725,269)
	45,852,046	40,703,026	41,667,692	30,777,296	22,468,008
Equity attributable to owners of the Company	18,988,887	16,232,230	16,950,323	10,764,187	6,862,667
Non-controlling interests	26,863,159	24,470,796	24,717,369	20,013,109	15,605,341
	45,852,046	40,703,026	41,667,692	30,777,296	22,468,008

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. John William Crawford
Mr. Tsui Che Yin, Frank
Ms. Karuna Evelyne Shinsho

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

Mr. John William Crawford *(Chairman)*
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

REMUNERATION COMMITTEE

Mr. Tsui Che Yin, Frank *(Chairman)*
Mr. Ng Ching Wo
Ms. Karuna Evelyne Shinsho

NOMINATION COMMITTEE

Mr. John William Crawford *(Chairman)*
Mr. Ng Ching Wo
Ms. Karuna Evelyne Shinsho

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Ching Wo *(Chairman)*
Mr. John William Crawford
Ms. Karuna Evelyne Shinsho
Mr. Leung Hoi Wai, Vincent*

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

* non-voting co-opted member

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

Gibson, Dunn & Crutcher LLP
King & Wood Mallesons

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

200 (Listed on the Hong Kong Stock Exchange)

WEBSITE

www.melco-group.com

Election of Language or Means of Receipt of Corporate Communications
This Annual Report is printed in English and Chinese, and is available in the "Investor Relations" section of the Company's website at www.melco-group.com.

Shareholders are encouraged to access the Company's corporate communications (including but not limited to annual reports, interim reports, notices of meeting, listing documents, circulars and proxy forms) electronically via the Company's website to help protect the environment. Shareholders may at any time change their choice of language or means of receiving the Company's corporate communications free of charge by giving not less than 7 days' notice in writing to the Company's share registrar, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to melco200-ecom@hk.tricorglobal.com.

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