MELCO

ANNUAL REPORT 2019

MELCO INTERNATIONAL DEVELOPMENT LIMITED

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

CONTENTS

THE ICON OF LUXURY

Morpheus at City of Dreams has won multiple awards since its grand opening in June 2018 that recognize its commitment to excellence and determination to push boundaries. The iconic architectural masterpiece further exemplifies the Group's position as a pioneer and innovator in premium travel, leisure and entertainment through offering sophisticated travelers the most remarkable experiences that go beyond gaming.

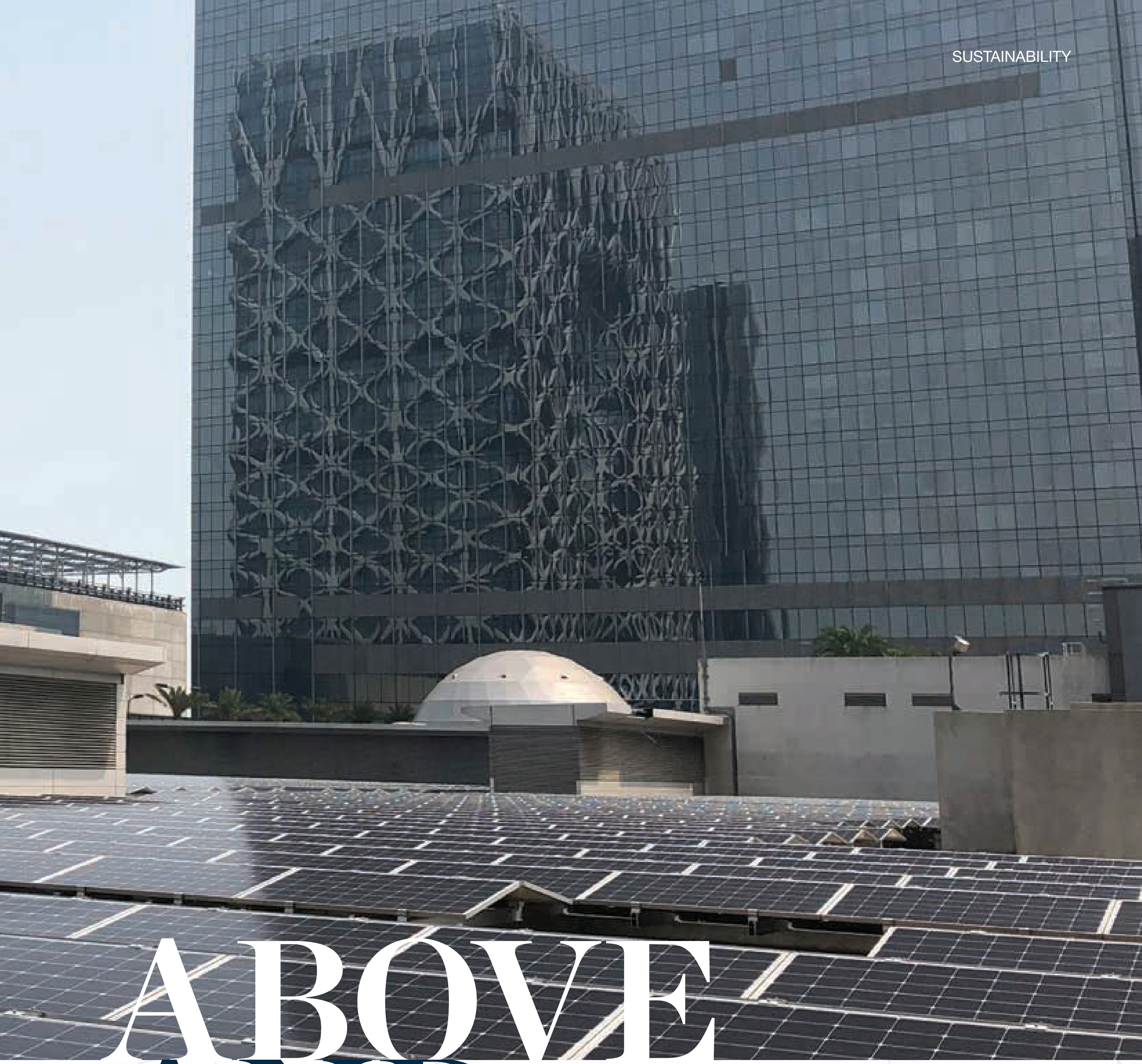
Boasting the most exhilarating entertainment offerings in town, Studio City is an unparalleled travel destination for families and visitors of all ages. Studio City is ready to bring further excitement to the city with the addition of approximately 900 luxury hotel rooms, one of the world's largest indoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE spaces.

ADDED EXCITEMENT

OUR VISION FOR JAPAN

Japan remains a core target for the Group. The Group announced its ‘Yokohama First’ policy as it focuses on bringing to Yokohama the best integrated resort the world has ever seen. With its focus on the Asian premium segment, a portfolio of high quality assets, devotion to craftsmanship, dedication to world-class entertainment offerings, market-leading social safeguard systems, established track record of successful partnerships, culture of exceptional guest service, and commitment to employee development, the Group is in a strong position to help Yokohama realize the vision of developing world-leading integrated resorts with a unique Japanese touch.

Sustainability is a key focus area of the Group's business philosophy. As part of the Group's sustainability strategy 'Above & Beyond', effective systems are adopted to provide service excellence to visitors in the most sustainable way. The systems enable high performance efficiency at its properties, greatly reducing the Group's carbon footprint while enhancing its guests' comfort level and experience.



ABOVE AND BEYOND

ABOVE AND BEYOND

The Group's corporate social responsibility ("CSR") vision is focused on making a difference in the lives of those in the communities in which it operates by devoting the greatest efforts to creating and implementing one-of-a-kind CSR programs. Beyond philanthropy, it is about identifying societal issues applicable to the business to ensure the Group is part of the proactive solution. The Group collaborates with non-governmental organizations, charities, educational institutions and the government to develop and realize differentiated programs, marrying its business strategy and societal needs through a sustainable approach.

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$45.0 billion** Representing an increase of HK$4.3 billion or 10.5%, compared to HK$40.7 billion for the year ended 31 December 2018	**ADJUSTED EBITDA** **HK$12.5 billion** Representing an increase of HK$1.6 billion or 15.1%, compared to HK$10.9 billion for the year ended 31 December 2018
PROFIT FOR THE YEAR **HK$1.8 billion** Representing an increase of HK$0.2 billion or 10.5%, compared to HK$1.6 billion for the year ended 31 December 2018	**BASIC EARNINGS PER SHARE** **HK$0.46** Compared to basic earnings per share attributable to owners of the Company of HK$0.34 for the year ended 31 December 2018

Despite the overall operating environment in 2019 was impacted by macro headwinds including the Sino-US trade war, economic slowdown in China and social events in Hong Kong, Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") delivered robust growth in its financial results in 2019.

For the year ended 31 December 2019, net revenues increased by 10.5% to HK$45.0 billion, profit for the year increased by 10.5% to HK$1.8 billion, while Adjusted EBITDA grew 15.1% to HK$12.5 billion.

The strong and stable performance was a result of our commitment to excellence and determination to push boundaries with our portfolio of award-winning integrated resorts. Opened in June 2018, Morpheus has been well-received by guests and was honoured as the world's first and only establishment to attain Forbes Travel Guide ("FTG") Five-star recognition across its entire hotel, spa and dining facilities after a year of its grand opening. This iconic landmark exemplifies the Group's position as a pioneer and innovator in premium leisure and entertainment and has become a key revenue driver of the Group.

Internationally, City of Dreams Manila's mass table game operations saw strong double-digit growth during the fourth quarter of 2019. In Cyprus, we continue to ramp up our temporary casino and the four satellite casinos, while the construction of City of Dreams Mediterranean is progressing well.

We are confident that with our high quality assets across the globe, we are well positioned to be a leader in the global gaming market.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Following the launch of the Sustainability and Corporate Social Responsibility strategy 'Above & Beyond' last year, the Group continued to prioritize sustainability in its operations and focus efforts on contributing to the betterment of society through a wide range of activities.

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 2019 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 its 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$133 million in charitable and in-kind donations or contributions in 2019	27,282 employee participants participated in CSR activities in 2019

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 progress towards carbon neutrality, energy saving and waste and water reduction at its properties around the world.

Greenhouse Gas ("GHG") Emissions

	2017	2018	2019
Total GHG Emissions (MtCO_2e)	343,357	26,175	32,568
Emissions Intensity by Gross Floor Area (square feet)	0.027	0.0016	0.0019

Energy Consumption

	2017	2018	2019
Total Energy Consumption (MWh)	465,430	508,604	517,946
Energy Intensity by Gross Floor Area (square feet)	0.037	0.031	0.031

Waste Footprint

	2017	2018	2019
Waste Disposal (tons)	16,154	15,611	18,394
Waste Intensity by Gross Floor Area (square feet)	0.0013	0.00094	0.0011

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 2019, Melco International has been honoured with the "Corporate Governance Asia Annual Recognition Awards" for 14 consecutive years since 2006, and the "Best Investor Relations Company in Hong Kong" for eight consecutive years 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. He was also awarded "Asia's Best CEO" at the Asia Excellence Awards and won the "Asian Corporate Director Recognition Award" by Corporate Governance Asia magazine both for the eighth time in 2019.

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: 200)

INTEGRATED RESORT BUSINESS

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

MACAU

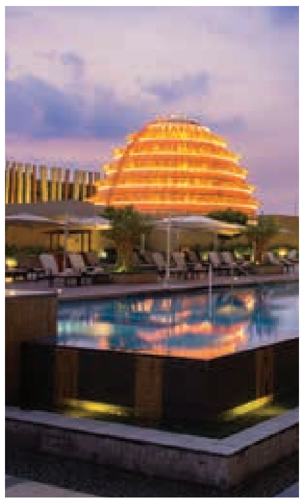
City of Dreams, Cotai
Premium Market

Studio City, Cotai
Mass Market

Altira Macau, Taipa
VIP Market

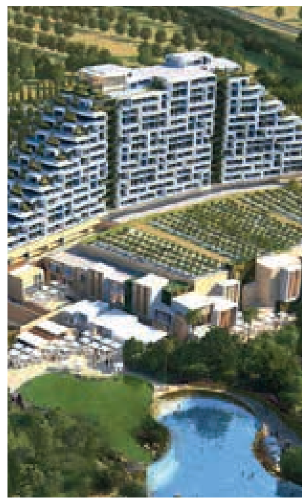
Mocha Clubs, all over Macau
Leisure Market

THE PHILIPPINES



City of Dreams Manila,
Entertainment City, Manila
Mass Market

CYPRUS



City of Dreams
Mediterranean,
Cyprus
(under development)

OTHER BUSINESS

ENTERTAINMENT GAMING ASIA INC.

Social Gaming Platforms Development

CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

Rarely has the difference between the recent past and the immediate future been as stark as it is today. Looking back to 2019, we have much to be proud of, with our resorts receiving a record breaking number of stars from the FTG, our restaurants placing us first globally for the number of Michelin stars won by an integrated resort operator, and our iconic show The House of Dancing Water being named Asia's "Best Integrated Resorts Non-Gaming Attraction" at the Global Gaming Expo (G2E) Asia Awards 2019.

This commitment to excellence, desire to push boundaries and ability to set new standards translated to a strong performance across the board last year. The operating environment in 2019 was by no means straightforward, with global economic growth threatened by the Sino-US trade war. At the same time, the Asian markets were impacted by the economic slowdown in China and social unrest in Hong Kong in the second half of 2019. Still, we were able to increase our Macau mass table revenues by approximately 17% and, in contrast to the market-wide decline, we increased our VIP revenues modestly, expanding the Group's market share by approximately 180 basis points to 16%.

Continued hard work and dedication from the entire workforce and all our partners delivered a year of strong and stable performance, with net revenues growing by 10.5% to HK$45.0 billion, profit increasing by 10.5% to HK$1.8 billion, and Adjusted EBITDA growing 15.1% to HK$12.5 billion. Despite the year's inherent obstacles, the Group's luck-adjusted EBITDA reached an all-time record high in 2019, and we finished the year with the fourth quarter setting new records.

So, while 2020 will inevitably be dominated by the unfolding of the COVID-19 crisis, we enter this year of uncertainty in the best of financial and operational health. Our modest gearing ratio, recent cost cutting measures and CapEx deferrals allow us to maintain our regular dividend programme and position us well to counter the hurdles posed by COVID-19.

We are long-term thinkers and acutely aware that a rolling programme of re-investment and improvement is key to retaining existing and attracting new guests. In 2019, this was proven by significant returns in both revenue and visibility from our iconic Macau hotel Morpheus which opened in mid-2018. In fact, this ultra-luxurious destination has been so popular that we are already increasing the number of villas contained within the hotel. However, our big news is that work has begun on our next major landmark, Studio City Phase 2, centering around two striking hotel towers that will incorporate approximately 900 luxury rooms and suites. Phase 2 will also be home to one of the world's largest indoor water parks, a cineplex and state-of-the-art meetings, incentives, conventions and exhibitions ("MICE") facilities. Meanwhile, renovation of Nüwa at City of Dreams was also started in early 2020.

The year also saw our management team increase their activities around the opportunity being created by the Japan government's successful introduction of their Integrated Resorts Implementation Bill. In September 2019, the Group announced its 'Yokohama First' strategy, focusing its efforts on Japan's second largest city which boasts an excellent location, well established communication links, and an exciting downtown harbour-front site for the resort.

We remain committed to becoming a global integrated resort operator as we continue to work extensively outside of Asia. Construction work at City of Dreams Mediterranean, Cyprus' first integrated casino resort, is making good progress. It is expected to become Europe's largest premier integrated resort upon completion.

However, none of these impressive results or achievements would have been possible without the unstinting support of the people and communities where we operate. Being good partners, good neighbours and good citizens has always been a vital aspect of our 21st century company. Following last year's launch of our bold and ambitious sustainability strategy, 'Above & Beyond', we have surged ahead with many key environmental initiatives, and in February 2020, the global environmental disclosure system CDP rated the Group as one of China's leading companies in the sphere of sustainability.

As the world tackles an unwanted by-product of globalization, we must rally around our core assets, protect our colleagues, their families, our guests and the communities where we operate, and plan for recovery and renewal. It is in times like these that we are reminded of the importance of strong leadership, especially from the government, and I firmly believe that the authorities with whom we maintain very close relationships, will lead us successfully through these difficult months ahead.

Last, I would like to express my heartfelt thanks to our board of directors, our shareholders, our employees and our partners for their enthusiasm and support for our ambitions over the past years. It is you that have secured our future as a pioneer in premium gaming, hospitality and entertainment.

With best wishes,

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Melco International has, since its inception, been at the forefront of delivering high quality leisure, gaming and entertainment to premium Asian audiences. The Group built its pioneering reputation by creating unique world-class resorts that offer guests experiences they will not find anywhere else. 2019 has seen the Company strengthen and enhance its core assets in Macau and the Philippines, while seeking to expand our global footprint in Japan and Europe.

Giving guests a constantly evolving contemporary experience lies at the heart of the Group's DNA, and creating destinations that are iconic in nature and unsurpassed in luxury is where we excel. So the next phase of expansion in Macau marks an exciting new chapter both for us and the city as a whole.

Following the tremendous success of Morpheus in Macau, construction on the further expansion of Studio City is progressing. Upon completion, it will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE spaces. We have also started renovation work on Nüwa at City of Dreams.

Entering the second year of operations, Morpheus remains one of Macau's top attractions and continues to attract customers with its futuristic-looking design and best-in-class leisure and entertainment offerings. Morpheus is the first and only establishment in the world to attain FTG Five-Star awards across its entire collection of hotel, spa and dining facilities only after a year of its grand opening at the 2020 FTG.

Japan continues to be a core target for us. In September last year, we announced our 'Yokohama First' policy as we get our Japan team to plan on bringing to Yokohama the best integrated resort the world has ever seen. In December, we submitted our integrated resort proposal to the Yokohama municipal government and we continue to actively engage with the Yokohama officials to illustrate our plans.

In Cyprus, the construction of City of Dreams Mediterranean is progressing. Following the launch of Cyprus Casinos ("C2") including a temporary casino in Limassol and the satellite casinos in Nicosia and Larnaca in 2018, the Ayia Napa satellite casino opened its doors to the public in July 2019, while the last satellite casino in Paphos recently launched in February 2020.

We took the decision to reassess our non-core investments as the COVID-19 outbreak began to affect tourism in Asia and the rest of the world. As we intend to focus on our key investments currently earmarked for Macau, Manila, Cyprus and Japan, we decided not to pursue our planned investment in Australia for the second tranche of shares in Crown. We believe this decision can preserve our capital to be deployed on our core assets.

We continue to prioritize sustainability in our operations. In March 2019, we became the first and only hospitality group and integrated resort signatory of the New Plastics Economy Global Commitment, a global initiative to tackle plastic waste and pollution, led by the Ellen MacArthur Foundation in collaboration with UN Environment. In December 2019, we became the first integrated resort and hotel operator in Hong Kong and Macau to receive ISO 41001:2018 for its efforts in facilities management systems.

BUSINESS REVIEW

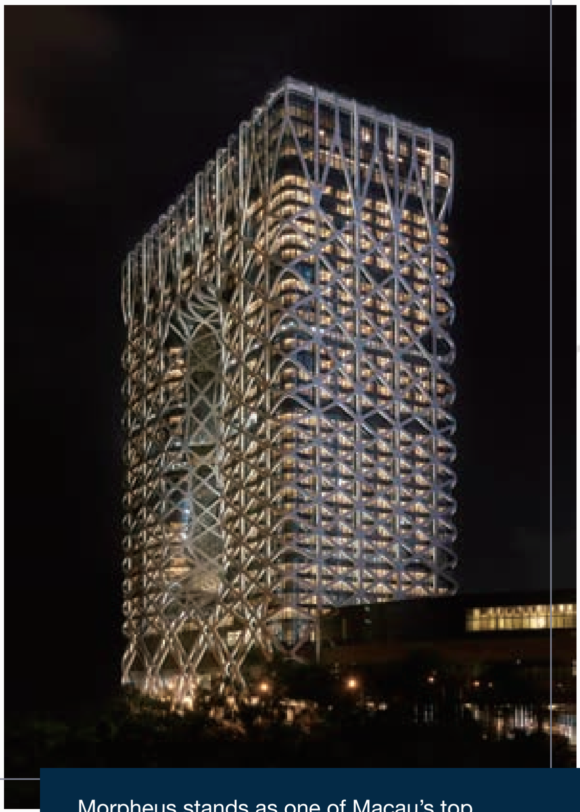
Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary Melco Resorts, a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia and Europe. As of 31 December 2019, Melco International, through its subsidiary, holds approximately 55.8% of the total issued shares of Melco Resorts.

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

Beyond Macau, in the Philippines, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, a casino, hotels, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Cyprus, with the completion of the purchase of all of Melco International's ordinary shares of ICR Cyprus Holdings Limited ("ICR Cyprus") in July 2019, which represents a 75% equity interest in ICR Cyprus, Melco Resorts is currently developing the City of Dreams Mediterranean integrated resort project and operating C2 including a temporary casino in Limassol and four satellite casinos.

Despite ongoing challenges in the global economy, Melco International managed to achieve stable operating and financial results in 2019. With net revenues at HK$45.0 billion, profit for the year increased by 10.5% to HK$1.8 billion, while Adjusted EBITDA grew 15.1% to HK$12.5 billion.



Morpheus stands as one of Macau's top attractions and continues to attract customers with its futuristic design and best-in-class leisure and entertainment offerings.

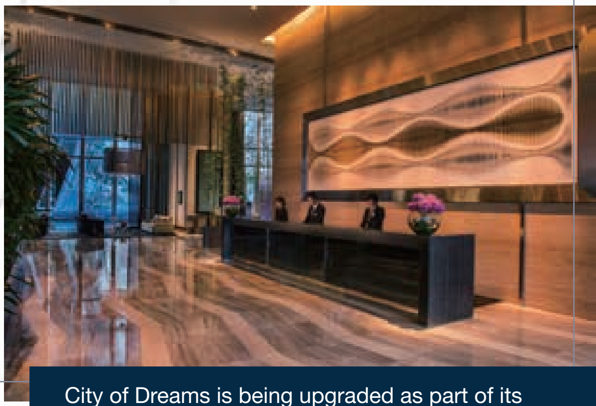
City of Dreams

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property targeting high-end customers and rolling chip players from regional markets across Asia. The property operated, on average, 516 gaming tables and 822 gaming machines in 2019. City of Dreams is currently being upgraded through its Phase 3 development, which includes extensive renovation on the mass gaming floor with newly designed gaming spaces and the significantly upgraded VIP gaming areas on the second floor of City of Dreams.

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

After the opening of Morpheus in June 2018, renovation of Nüwa was recently started, and The Countdown hotel will also be redeveloped in the future and rebranded as Libertine, a funky rebel branded hotel with guestrooms that are ultra-cool.

Each of these hotels in City of Dreams will offer guests an array of premium and luxury experiences while retaining its own distinctive design and the same dedication to style, quality and attention to detail.



City of Dreams is being upgraded as part of its Phase 3 development to offer guests the most integrated gaming and entertainment experience in Macau. Renovation of Nüwa also began recently.

Studio City

The Hollywood-inspired and cinematically-themed integrated entertainment, retail and gaming resort Studio City is designed to be the most diversified entertainment offering in Macau. The property operated on average 293 gaming tables and 947 gaming machines in 2019.

Construction on the Phase 2 expansion of Studio City is progressing which will further elevate the integrated resort to offer a significant point of differentiation from all other Macau resorts. Upon completion, it will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE spaces.

Altira Macau

Altira Macau is a casino and hotel designed to cater to Asian rolling chip customers sourced primarily through gaming promoters. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. Through delivering impeccable services customized to each guest, both Altira Macau and Altira Spa have attained the highest FTG Five-Star recognition for 11 consecutive years since 2010. Altira Macau operated on average 103 gaming tables and 178 gaming machines, operated as a Mocha Club, at Altira Macau in 2019.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to broader visitors. Mocha Clubs operated eight clubs with a total of 1,478 gaming machines (including 178 gaming machines at Altira Macau) in 2019.

City of Dreams Manila

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asia market and continues to set the benchmark for the Group's robust capacity to execute on its international vision. This dynamic property boasts the ultimate entertainment, hotel, retail, dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities of an average of 311 gaming tables and 2,265 gaming machines in 2019.

City of Dreams Mediterranean and Cyprus Casinos

In July 2019, Melco Resorts completed the acquisition of all of Melco International's ordinary shares of ICR Cyprus, which represents a 75% equity interest in ICR Cyprus, a joint venture company which is developing the City of Dreams Mediterranean integrated resort project in Cyprus. ICR Cyprus holds a 30-year casino-gaming license commencing from June 2017, of which the first 15 years are exclusive.

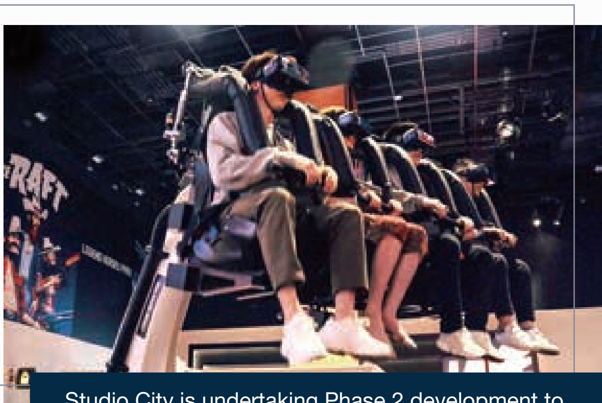
City of Dreams Mediterranean, the first integrated resort in Cyprus, will become Europe's largest premier integrated resort and help enhance Cyprus' efforts to become a must-visit global tourism destination upon completion. It is currently expected to attract 300,000 tourists annually in its first year of operation. Its 7,500-square-metre gaming area comprises over 100 tables and over 1,000 state-of-the-art slot machines, a 500-room five-star hotel, five world-class international restaurants and cafeterias, large recreation and wellness facilities, high-end brand name luxury retail outlets, a 1,500-seat outdoor amphitheatre and 9,600-square-metres of MICE facilities and an Expo Centre.

In advance of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol opened its doors in June 2018. Spanning 4,600 square metres overall, the gaming area at C2 Limassol is a spacious 1,300 square metres and features 33 tables and up to 289 slot machines. Following the two C2 satellite casinos launched in Nicosia and Larnaca in 2018, the C2 satellite casino in Ayia Napa opened its doors in July 2019, while the last C2 satellite casino recently commenced operations in Paphos in February 2020. In July 2019, C2 celebrated an important milestone by welcoming its one-millionth visitor.

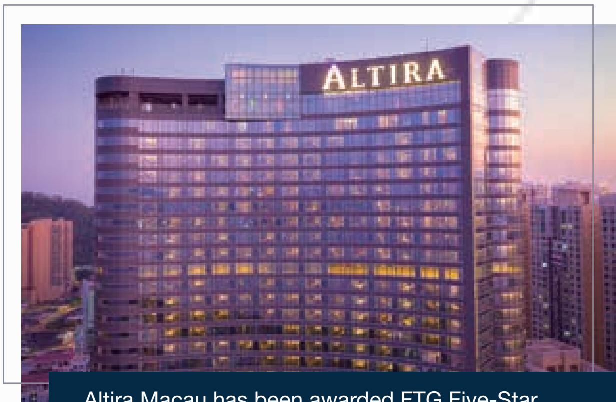
Operations of C2 Limassol will cease when City of Dreams Mediterranean is launched, while the four C2 satellite casinos will continue their operations.

In collaboration with the Department of Antiquities in Archaeological Heritage Management of the Cypriot government, in July 2019, Melco Resorts announced a unique CSR initiative that will support the government's efforts to sustainably preserve and promote Cyprus' culture. The initiative will actively promote the authenticity of the island's most significant heritage sites by sponsoring heritage enhancements and the accessibility and display of information to significantly improve tourist experiences.

The Group is committed to helping Cyprus achieve the goal of becoming a year-round business and leisure travel destination through the launch of City of Dreams Mediterranean and C2, as well as the implementation of its goodwill projects in Cyprus.



Studio City is undertaking Phase 2 development to further refine its entertainment offerings to appeal to a broader tourism segment that includes families and next generation tourists.



Altira Macau has been awarded FTG Five-Star recognition in the lodging and spa categories for 11 consecutive years, offering guests a luxurious experience with acclaimed services.

OUTLOOK

2020 promises to be a very difficult year for global integrated resort operators. The recent COVID-19 outbreak, along with travel bans, visa restrictions and suspended flights, are poised to hit global tourism and impact the number of visitors to all our integrated resorts.

Meanwhile, the Sino-US trade war continues to weigh on the global economy as the second phase of the trade agreement remains uncertain. Within Asia, we expect competition between integrated resort operators to intensify and the Macau VIP market will continue to face challenges. Any prolonged social disruption in Hong Kong may also negatively impact the number of tourists travelling to the region.

While we expect the situation to continue to be challenging at the start of 2020, we remain optimistic about the long-term prospects of Macau as it continues to integrate into the Greater Bay Area, which will enable inbound tourism to increase steadily.

We continue to view the Hong Kong-Zhuhai-Macau Bridge as a long-term game changer for Macau. At the same time, we anticipate the Macau mass gaming market to continue to benefit from the expanding Chinese middle class.

Our Macau-based properties will also continue to be further improved upon with the City of Dreams' Phase 3 development and the Studio City's Phase 2 expansion.

We are confident in Macau's leadership under the new chief executive. The new Macau government has clearly stated its intention to diversify the local economy and to further solidify the Special Administrative Region's status as a world-leading travel and entertainment destination. We remain committed to engage with the new Macau government over the gaming license renewals.

Globally, we expect our commitment to developing world-class hospitality and entertainment facilities will put us in a good position to bring the best experience to our guests, and will see us through the challenging times in the near future.

Japan continues to be a core target for the Group. We believe our focus on the Asian premium segment, a portfolio of high-quality assets, devotion to craftsmanship, dedication to world-class entertainment offerings, market-leading social safeguard systems, established track record of successful partnerships, culture of exceptional guest services, and commitment to employee development puts the Group in a strong position to help Yokohama realize the vision of developing a world-leading integrated resort with a unique Japanese touch.

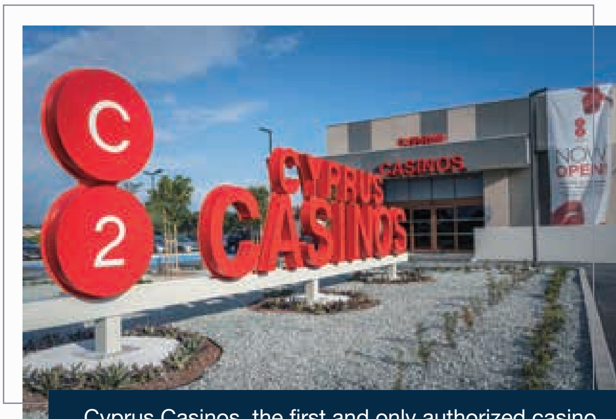
In 2019, we took a big step forward in solidifying our position as a pioneer and innovator in premium travel, leisure and entertainment. This could not have been done without the support of our board of directors, shareholders, employees and partners.

ACHIEVEMENTS AND AWARDS

Melco International strives to operate with high standards in corporate governance and corporate social responsibility, both of which are integral to our commitment to strengthen the Group's position as a leading global leisure and entertainment integrated resort operator. Our efforts have continued to be widely acknowledged in 2019.

Corporate Governance

In recognition for our good corporate governance practices, our management team has received prestigious leadership awards from the business and investor community. Our Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, has been honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for eight consecutive years since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the eighth time in 2019. In addition, the Group has received "Corporate Governance Asia Annual Recognition Award – Icon on Corporate Governance" by Corporate Governance Asia magazine for 14 consecutive years from 2006 to 2019. It is an ongoing proof of our commitment to adopting the best corporate governance practices throughout our business operations. These accolades serve as a testament to the Group's continued dedication to ensuring accountability, fairness and transparency in its relationships with all stakeholders.



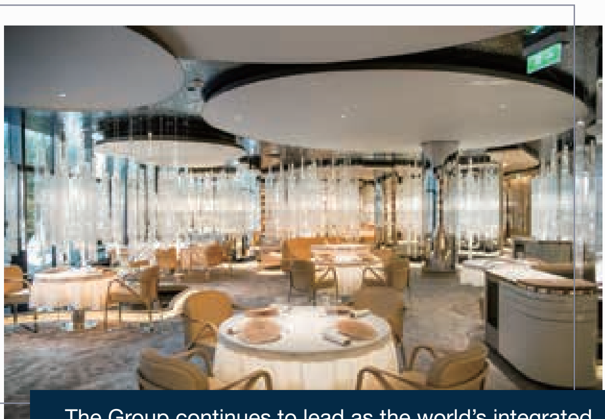
Cyprus Casinos, the first and only authorized casino in Cyprus, opened its fourth and final licensed satellite casino in Paphos in February 2020.

The Group places colleagues at the core of our corporate strategy and strives to be a company at which our colleagues choose to work and stay. Melco Resorts was named the "Best Companies to Work for in Asia 2019" in the hospitality sector for Hong Kong and Macau by HR Asia Magazine, recognizing its performance in creating workplace excellence and career opportunities, positive work environments and culture, governance and ethics, and its commitment to people. Melco Resorts also won the "Gold Award in Excellence in Global and Local HR Strategies" at the HR Distinction Awards 2019 and the "Gold Award in Best Mass Recruitment" at the Asia Recruitment Awards 2019 organized by Human Resources Magazine.

Corporate Social Responsibility

Melco International continues to be steadfastly committed to be a responsible partner to our employees and local communities. In April 2019, we brought together our social, environmental and governance achievements and commitments in a new strategy – 'Above & Beyond' to further elevate the Group's commitment as a force for good across all our resorts globally. Being responsible and accountable to all our guests, colleagues and stakeholders has always been central to our business philosophy. The commitment focuses on becoming carbon neutral and zero waste by 2030, while continuing to focus on responsible gaming and promoting good governance and ethics.

Melco Resorts was the first and only hospitality group and integrated resort operator globally to become a signatory to The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment in the same month.



The Group continues to lead as the world's integrated resort operator with the highest number of stars honoured by Michelin Guide Hong Kong Macau 2020.

Our efforts and strong commitment to sustainability and social impact have been recognized by industry-wide awards. In recognition of our efforts in corporate social responsibility, Melco International has attained the "10 Year Plus Caring Company" award from Hong Kong Council of Social Service since 2015 and received the Certificate of Merit in the "Best in ESG Awards – Large Market Capitalization" category in BDO ESG Awards 2019. In addition, Melco Resorts has been awarded the "Socially Responsible Operator of the Year (Land Based)" award at the International Gaming Awards 2019, recognizing its dedication to corporate social responsibility initiatives, especially for promoting responsible gaming measures and programs. It has also been honoured by the Global Gaming Expo (G2E) Asia Awards 2019 for the "Best Corporate Social Responsibility Contribution" award for its dedication to social responsibility. Melco Resorts has been honoured as Gold Award winner at the 2019 Business Awards of Macau for Environmental Performance, highlighting the Company's excellence in environmental responsibility and sustainable operations.

The Group constantly strives to curate the most unique journeys in hospitality by integrating breakthrough ideas and innovative offerings to transform the guest experience. Morpheus, Nüwa, and Studio City Hotel have been honoured at the Macao Smart Hotel Awards for its use of innovative technology in hospitality by the Macao Post and Telecommunications Bureau. Melco Resorts remains Macau's first and only organization to achieve the international Green Key standard across its entire portfolio of properties, including Morpheus, Nüwa and The Countdown at City of Dreams, as well as Studio City Hotel and Altira Macau.

In the Philippines, Melco Resorts was honoured by 2019 Sustainable Business Awards Philippines for its outstanding employee development program and efforts to tackle climate change through energy management at City of Dreams Manila.

Business Operations

The Group continues to provide its customers with the most outstanding mix of hospitality, leisure, culinary and entertainment experiences across the world. Melco Resorts won the "Integrated Resort of the Year" award at the International Gaming Awards 2020, honouring the unrivalled innovative entertainment offerings and facilities, customer services, atmosphere, style and design of our integrated resorts.

The Group has attained a record-breaking 107 stars across all its properties in the 2020 FTG, including 19 FTG Five-Star awards and three FTG Four-Star awards. This is a true testament to our impeccable services and distinguished products on offer.

City of Dreams is the only resort worldwide with nine individual FTG Five-Star awards, while Altira Macau and Altira Spa have been honoured with FTG Five-Star recognition for eleven consecutive years from 2010 to 2020.

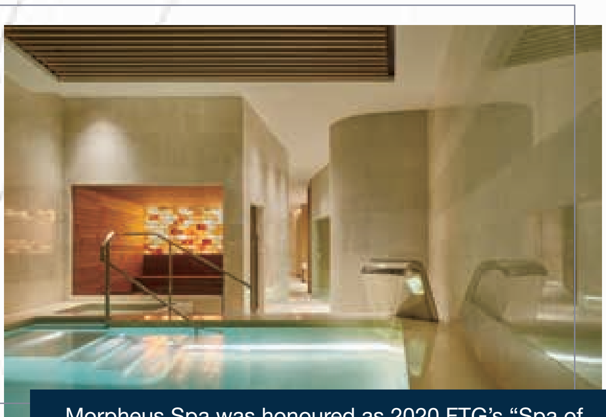
Morpheus at City of Dreams has become the first and only establishment in the world to attain FTG Five-Star awards across its entire collection of hotel, spa and dining facilities after a year of its grand opening. In addition, Morpheus Spa was awarded the honour of "FTG Spa of the Year", and the prestigious travel guide described the state-of-the-art facilities and world-class wellness treatments as Macau's cutting-edge urban oasis.

Since its grand opening in June 2018, Morpheus has received numerous awards in recognition of its stunning architectural design, further reinforcing the Group's position as a pioneer and innovator in premium travel, leisure and entertainment. Morpheus has become the first in Macau to be honoured with the prestigious architecture and design accolade at Prix Versailles 2019 for Central and Northeast Asia in the Hotels category, and was the winner of the "Design Den" category in the Big Sleep Awards 2019 by National Geographic Traveller (UK). These achievements follow Morpheus being named "2019 Building of the Year" in the Hospitality Architecture Category voted by readers of ArchDaily, and the "Best Hotel Architecture Macau" and "Best New Hotel Construction & Design Macau" at the Asia Pacific Property Awards 2019.

The award-winning spectacle at City of Dreams, The House of Dancing Water, has won the "Best IR Non-Gaming Attraction" award at the Global Gaming Expo (G2E) Asia Awards 2019, underpinning the Group's position as a leading integrated resort operator globally that constantly strives to excel in what we offer to our guests. The House of Dancing Water is the world's largest water-based extravaganza that has been showcased to audiences of over 6 million from around the world since its debut in 2010.

The Group's world-class restaurants continue to garner global recognition for their culinary offerings. According to the Michelin Guide Hong Kong Macau 2020, Melco continues to lead as the world's integrated resort operator with the highest number of Michelin-stars, with ten Michelin stars among our signature restaurants across our properties in Macau such as Jade Dragon (three stars), Alain Ducasse at Morpheus (two stars), Pearl Dragon (one star) and Ying (one star). Yí, Voyages by Alain Ducasse at Morpheus, Tenmasa, and Bi Ying were also recommended by the guide. Furthermore, Jade Dragon has once again been named among Asia's 50 Best Restaurants 2019. This is the third consecutive year that the restaurant has received this prestigious award and is ranked the top restaurant in Macau.

All these accolades demonstrate industry-wide recognition from the community for our steadfast commitment to excellence in all aspects of our business, from corporate governance, operational performance to our relentless dedication to customer-centric experiences. We make it our top priority to continue this level of excellence in the Group and to maintaining a market leading position going forward.



Morpheus Spa was honoured as 2020 FTG's "Spa of the Year" after its first year of operation, highlighting its state-of-the-art facilities and world-class wellness treatments.

FINANCIAL REVIEW

RESULTS HK$' million	2019	2018	YoY%
Net revenues	44,987.8	40,724.7	10.5%
Adjusted EBITDA	12,497.7	10,860.1	15.1%
Profit attributable to owners of the Company	689.8	522.6	32.0%
Basic earnings per share attributable to owners of the Company (HK$)	0.46	0.34	33.4%

FINANCIAL POSITION HK$' million	2019	2018	YoY%
Total assets	100,361.6	98,026.2	2.4%
Total liabilities	58,693.9	57,323.2	2.4%
Equity attributable to owners of the Company	16,950.3	16,232.2	4.4%
Net asset value per share attributable to owners of the Company (HK$)	11.2	10.7	4.8%
Gearing ratio (%)	41.2%	39.6%	N/A

Net revenues

Net revenues of the Group increased by 10.5% from HK$40.7 billion for the year ended 31 December 2018 to HK$45.0 billion for the year ended 31 December 2019. The increase in net revenues was mainly attributable to increased casino gaming revenue as a result of better performance in the mass market table games segment.

HK$' million	2019	2018	YoY%
Revenue from contracts with customers			
Casino gaming	38,989.5	35,247.8	10.6%
Entertainment and resort facilities:			
Rooms	2,741.2	2,438.0	12.4%
Catering service income	1,899.7	1,678.3	13.2%
Entertainment, retail and other	1,350.7	1,347.0	0.3%
Electronic gaming machines participation	0.6	8.3	-93.2%
Others	0.9	0.5	80.9%
	44,982.6	40,719.9	10.5%
Revenue from other sources			
Property rental income	5.2	4.8	8.4%
	44,987.8	40,724.7	10.5%

Adjusted EBITDA[(1)]

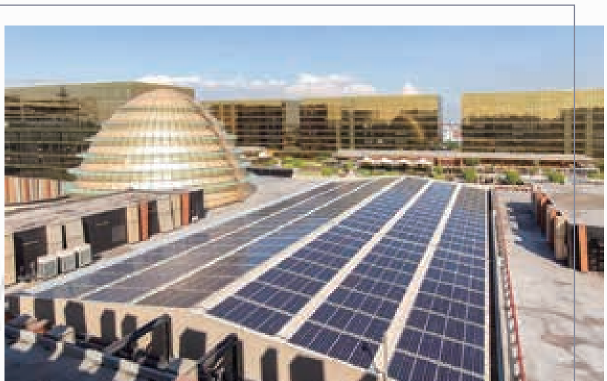
Adjusted EBITDA for the year ended 31 December 2019 increased by 15.1% to HK$12.5 billion, compared to HK$10.9 billion for the year ended 31 December 2018. The improvement in Adjusted EBITDA was mainly attributable to better performance in the mass market table games segment and the commencement of operations of Cyprus Casinos since June 2018.

Profit Attributable to owners of the Company

Profit attributable to owners of the Company increased by 32.0% from HK$522.6 million for the year ended 31 December 2018 to HK$689.8 million for the year ended 31 December 2019. The increase was mainly attributable to better performance in the mass market table games segment and lower pre-opening costs, partially offset by higher employee benefits expenses, higher depreciation and amortization expenses as a result of the opening of Morpheus in June 2018 and higher finance costs.

Basic Earnings Per Share Attributable to owners of the Company

Basic earnings per share attributable to owners of the Company increased from HK$0.34 per share for the year ended 31 December 2018 to HK$0.46 per share for the year ended 31 December 2019.



City of Dreams Manila is the first integrated resort in the Philippines to harness solar energy.

Financial and Operational Performance

Melco Resorts, a majority-owned subsidiary of the Group as at 31 December 2019, contributed a majority of the financial results of the Group.

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

In connection with Melco Resorts' acquisition of a 75% interest in ICR Cyprus from its parent company, Melco International, on July 31, 2019, all periods presented in the unaudited financial results of Melco Resorts have been restated to include the assets and liabilities and financial results of the ICR Cyprus group in accordance with applicable accounting standards.

According to the financial results of Melco Resorts prepared in accordance with U.S. generally accepted accounting principles, it recorded total operating revenues of US$5.74 billion for the year ended 31 December 2019, versus US$5.19 billion for the year ended 31 December 2018. The increase in total operating revenues was primarily attributable to better performance in the mass market table games segment.

Operating income for 2019 was US$747.7 million, compared with operating income of US$613.4 million for 2018, representing an increase of 22%.

The Adjusted Property EBITDA[(2)] for the year ended 31 December 2019 was US$1.69 billion compared to Adjusted Property EBITDA of US$1.49 billion in 2018. The year-over-year improvement in Adjusted Property EBITDA was mainly attributable to better performance in the mass market table games segment.

Net income attributable to the financial performance of Melco Resorts for 2019 was US$373.2 million, compared with a net income attributable to the financial performance of Melco Resorts of US$340.3 million for 2018.

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(1) Adjusted EBITDA is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to the Philippine Parties, land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses, net, loss on disposal of investment in an associate and loss on disposal of subsidiaries. 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.

City of Dreams

For the year ended 31 December 2019, total operating revenues at City of Dreams were US$3,050.5 million compared to US$2,543.6 million in 2018. City of Dreams generated Adjusted Property EBITDA of US$922.8 million in 2019 compared with Adjusted Property EBITDA of US$756.4 million in 2018.

Gaming Performance US$'million	**2019**	**2018**	**YoY%**
VIP Gaming			
Rolling chip volume	58,285.0	45,359.2	28.5%
Win rate	2.93%	2.88%	N/A
Mass Market			
Table drop	5,509.2	5,010.1	10.0%
Hold percentage	32.3%	30.3%	N/A
Gaming Machine			
Handle	4,419.5	4,291.6	3.0%
Win rate	3.8%	4.5%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2019 was US$404.2 million, compared with US$348.1 million in 2018.

(2) Adjusted Property EBITDA is earnings before interest, taxes, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, 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.

Altira Macau

For the year ended 31 December 2019, total operating revenues at Altira Macau were US$465.1 million compared to US$471.3 million in 2018. Altira Macau generated Adjusted Property EBITDA of US$51.5 million in 2019 compared with Adjusted Property EBITDA of US$55.5 million in 2018.

Gaming Performance US$'million	**2019**	**2018**	**YoY%**
VIP Gaming			
Rolling chip volume	17,577.6	22,368.8	-21.4%
Win rate	3.45%	3.03%	N/A
Mass Market			
Table drop	611.0	529.1	15.5%
Hold percentage	21.7%	19.3%	N/A
Gaming Machine			
Handle	304.6	119.6	154.7%
Win rate	4.2%	5.4%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau was US$27.5 million in both 2019 and 2018.

Mocha Clubs

Total operating revenues from Mocha Clubs were US$117.5 million in 2019 compared to US$113.4 million in 2018. Mocha Clubs generated US$23.3 million of Adjusted Property EBITDA in 2019 compared with US$21.5 million in 2018.

US$'million	**2019**	**2018**	**YoY%**
Gaming Machine			
Handle	2,510.7	2,483.9	1.1%
Win rate	4.7%	4.6%	N/A

Studio City

For the year ended 31 December 2019, total operating revenues at Studio City were US$1,355.3 million compared to US$1,368.4 million in 2018. Studio City generated Adjusted Property EBITDA of US$415.1 million in 2019 compared with Adjusted Property EBITDA of US$375.3 million in 2018.

Gaming Performance US$'million	**2019**	**2018**	**YoY%**
VIP Gaming			
Rolling chip volume	10,994.6	21,236.9	-48.2%
Win rate	3.08%	2.97%	N/A
Mass Market			
Table drop	3,488.7	3,272.9	6.6%
Hold percentage	29.1%	26.5%	N/A
Gaming Machine			
Handle	2,598.2	2,479.9	4.8%
Win rate	3.1%	3.4%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2019 was US$189.3 million, compared with US$189.0 million in 2018.

City of Dreams Manila

For the year ended 31 December 2019, total operating revenues at City of Dreams Manila were US$602.5 million compared to US$612.9 million in 2018. City of Dreams Manila generated Adjusted Property EBITDA of US$247.1 million in 2019 compared to US$269.2 million in 2018.

Gaming Performance US$'million	**2019**	**2018**	**YoY%**
VIP Gaming			
Rolling chip volume	8,641.0	11,097.5	-22.1%
Win rate	2.94%	3.21%	N/A
Mass Market			
Table drop	795.4	787.3	1.0%
Hold percentage	31.0%	31.7%	N/A
Gaming Machine			
Handle	3,936.4	3,545.4	11.0%
Win rate	5.4%	5.5%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2019 was US$126.0 million, compared with US$117.1 million in 2018.

Cyprus Operations

Melco Resorts is currently operating a temporary casino, the first casino in the Republic of Cyprus, and four satellite casinos ("Cyprus Casinos"). Upon the opening of City of Dreams Mediterranean, the Company will also continue to operate the four satellite casinos while operation of the temporary casino will cease.

For the year ended 31 December 2019, total operating revenues at Cyprus Casinos were US$94.7 million compared to US$33.0 million in 2018. Cyprus Casinos generated Adjusted Property EBITDA of US$29.8 million in 2019 compared with US$8.5 million in 2018.

Gaming Performance US$'million	**2019**	**2018**	**YoY%**
VIP Gaming			
Rolling chip volume	61.9	–	N/A
Win rate	6.68%	–	N/A
Mass Market			
Table drop	143.7	73.8	94.6%
Hold percentage	20.8%	18.7%	N/A
Gaming Machine			
Handle	1,176.1	357.6	228.9%
Win rate	5.2%	5.4%	N/A

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Resources

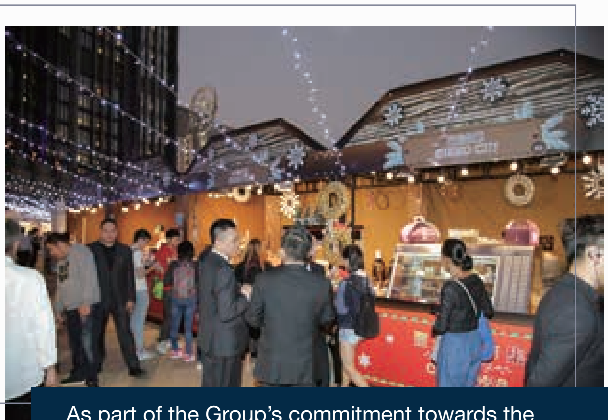
The Group finances its business operations and investments with internal resources, cash revenues generated from operating activities, and bank and other borrowings.

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 31 December 2019, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$11,213.1 million (2018: HK$11,932.8 million) and investments in mutual funds that mainly invest in bonds and fixed interest securities amounted to HK$384.5 million (2018: HK$717.4 million).

As at 31 December 2019, the Group had available unused banking facilities of HK$10.5 billion (2018: HK$2.6 billion).

Major changes in our indebtedness during the year ended 31 December 2019 are summarized below:

On 22 January 2019, the Group initiated a conditional tender offer (the "Conditional Tender Offer") to purchase the outstanding balance of US$825 million 8.5% senior notes due 2020 (the "2020 Senior Notes") in an aggregate principal amount of US$425.0 million (equivalent to approximately HK$3.3 billion) with accrued interest. The Conditional Tender Offer expired on 4 February 2019 with an US$216.5 million (equivalent to approximately HK$1.7 billion) aggregate principal amount of the notes tendered.



As part of the Group's commitment towards the development of local SMEs for the sustainable future of Macau, an SME Christmas Bazaar was organized at Studio City.

On 11 February 2019, the Group issued US$600.0 million (equivalent to approximately HK$4.7 billion) in an aggregate principal amount of 7.25% senior notes due 2024. The net proceeds were used to fund the Conditional Tender Offer, and to redeem the remaining outstanding 2020 Senior Notes in an aggregate principal amount of US$208.5 million (equivalent to approximately HK$1.6 billion) with accrued interest on 13 March 2019.

On 26 April 2019, the Group issued US$500.0 million (equivalent to approximately HK$3.9 billion) in an aggregate principal amount of 5.25% senior notes due 2026 (the "2026 Senior Notes"). The net proceeds were used to partially repay an outstanding revolving credit facility. On 8 May 2019, the Group repaid HK$3.98 billion in an aggregate principal amount of a revolving credit facility, together with accrued interest and associated cost, from the net proceeds of the 2026 Senior Notes and cash on hand. On 4 June 2019, the Group drew down HK$3.93 billion from a revolving credit facility to partly fund the acquisition of 67,675,000 shares of Crown, which represent approximately 9.99% stake in Crown.

On 17 July 2019, the Group issued US$600.0 million (equivalent to approximately HK$4.7 billion) in an aggregate principal amount of 5.625% senior notes due 2027 (the "2027 Senior Notes"). On 24 July 2019, the Group used the net proceeds of the 2027 Senior Notes and cash on hand to partially repay an outstanding revolving credit facility in aggregate principal amount of HK$4.64 billion, together with accrued interest and associated costs.

On 4 December 2019, the Group issued US$900.0 million (equivalent to approximately HK$7.0 billion) in an aggregate principal amount of 5.375% senior notes due 2029 (the "2029 Senior Notes"). On 10 December 2019 and 12 December 2019, the Group used the net proceeds of the 2029 Senior Notes and cash on hand to fully repay an outstanding revolving credit facility in aggregate principal amount of HK$4.2 billion and partially prepay an outstanding term loan in aggregate principal amount of HK$2.8 billion, together with accrued interest and associated costs.

The availability period of an unsecured credit facility amounted to Philippine Peso2.35 billion (equivalent to HK$360.7 million) was extended from 31 May 2019 to 31 May 2020, on substantially similar terms as before, except that (i) the Philippine Dealing System Treasury Reference Rates PM is replaced by PHP BVAL Reference Rates and (ii) the applicable interest rate margin is amended from a predetermined rate to a rate to be mutually agreed by the bank and the borrower at the time of drawdown. This credit facility is available for future drawdown, subject to satisfaction of certain conditions precedent.

For further details of our indebtedness, please refer to note 34 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 charge 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 at 41.2% as at 31 December 2019 (2018: 39.6%).

Pledge of Assets

As at 31 December 2019, borrowings amounting to HK$13,446.9 million (2018: HK$30,953.3 million) were secured by the following assets of the Group:

(i) certain property, plant and equipment;

(ii) investment properties;

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

(iv) certain bank deposits;

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

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019.

As a key part of the Group's CSR strategy, Melco Star Macao was a youth competition held to foster creative talent and enhance national pride for young people in Macau.

FINANCIAL RISK

Foreign exchange risk

The Group's principal operations are primarily conducted and recorded in Hong Kong dollar ("HK$"), Macau Patacas ("MOP"), United States dollar ("US$"), Philippine Peso ("Peso") and Euro ("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 the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the period under review. Instead, the Group maintains a certain amount of the operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carried 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 exposure. 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 coming ahead should it be deemed appropriate.

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 23,261 as of 31 December 2019 (2018: 22,228). Among these employees, 404 are located in Hong Kong and the balance of 22,857 are located respectively in the Philippines, Japan, Cyprus, Macau, Taiwan and the PRC. The related staff costs for the year ended 31 December 2019, including directors' emoluments and share-based compensation expenses amounted to HK$7,590.4 million (2018: HK$6,893.0 million).

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, Melco International believes that building a stable workforce and cultivating a harmonious workplace starts 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 its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco International builds employees' loyalty through recognition, involvement and participation. Melco International's people policies, systems and practices are directly aligned with the Group's mission and values which contribute to its success. It is based on three key areas:

Recruitment

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

Performance and Rewards

Melco International demands and appreciates high performance. Its reward principle is primarily performance based, and it rewards its people competitively and based on their job responsibilities, performances and contributions to the Group's development as well as their professional and managerial competencies.

Training and Development

Melco International provides training for employees to develop the skills required to satisfy business needs, which would improve performance, deliver value and enhance personal growth. The Group adopts a systematic approach in designing its training 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.

The Group stands with the people and government in fighting against the impacts of COVID-19. Recently, Melco Resorts offered 100 jobs to unemployed Macau residents in the construction industry.

MANAGEMENT PROFILE

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 43)
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 various 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. Mr. Ho is a director of Lasting Legend Ltd. and Better Joy Overseas Ltd., both of which are substantial shareholders of the Company.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho 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 All-China Federation of Industry and Commerce; a vice patron of The Community Chest of Hong Kong; a member of All China Youth Federation; a member of Macau Basic Law Promotion Association; chairman of Macau International Volunteers Association; a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary patron of The Canadian Chamber of Commerce in Macao; honorary president of Association of Property Agents and Real Estate Developers of Macau and director Executive of Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor 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 SAR government for his significant contributions to tourism in the territory.

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

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014 and was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015. Mr. Ho has been honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for eight consecutive years since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the eighth time in 2019.

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 45)
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 non-executive 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 degree in Economics from the University of Chicago.

Mr. CHUNG Yuk Man, Clarence (aged 57)
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 non-executive 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. 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 degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology; and a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. TSUI Che Yin, Frank (aged 62)
Non-executive Director

Mr. Tsui has been re-designated as Non-executive Director in July 2017. Before his re-designation, he served as Executive Director from November 2001 to June 2017. He is also a member of the Audit Committee of the Company. He is currently a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. He was previously the chairman and non-executive director of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui was formerly the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited.

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

Mr. NG Ching Wo (aged 69)
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 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 77)
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, an independent director and the chairman of the audit and risk committee of Melco Resorts and Entertainment (Philippines) Corporation (a subsidiary of the Company), 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 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. CHOW Kwong Fai, Edward, J.P. (aged 67)
Independent Non-executive Director

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

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

Ms. Karuna Evelyne SHINSHO (aged 52)

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 PROFILE

Mr. Geoffrey Stuart DAVIS, CFA (aged 51)

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 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, 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 and a director of Melco Resorts and Entertainment (Philippines) Corporation, a subsidiary of the Company. Prior to that, he served as the Deputy Chief Financial Officer of Melco Resorts from August 2010 to March 2011 and Senior Vice President, corporate finance of Melco Resorts from 2007, when he joined Melco Resorts. Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he held a number of executive positions with Park Place Entertainment and Hilton Hotels Corporation. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts degree from Brown University in 1991.

Mr. LEUNG Hoi Wai, Vincent (aged 46)

Group General Counsel

Mr. Leung is the Group General Counsel and he also serves as the Company Secretary of the Company. Mr. Leung oversees the legal, corporate secretarial and compliance matters of the Group. He joined the Group in May 2015. Prior to joining the Group, he was a senior counsel of 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 20 years of experience in the legal profession specializing in corporate finance, infrastructure projects, listing and compliance matters, as well as cross-border mergers and acquisitions. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.

Mr. LAW Kwok Fai, Alan (aged 58)
Group Internal Audit Director

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

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 Group Internal Audit Director (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

This year, to refine the disclosure practices and escalation mechanisms factoring into the expanded Group structure, the Company has refreshed its 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 deviations mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the year ended 31 December 2019:

(1) 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.

(2) Following the retirement of Dr. Tyen Kan Hee, Anthony as an Independent Non-Executive Director of the Company on 13 June 2019, (i) the number of Independent Non-Executive Directors fell below the minimum number of three and the number of Independent Non-Executive Directors could not represent at least one-third of the Board, as required under Rules 3.10(1) and 3.10A of the Listing Rules and (ii) the chairman positions of the Audit Committee and the Nomination Committee were vacated such that the number of Independent Non-Executive Directors on the Audit Committee did not meet the majority requirement under Rule 3.21 of the Listing Rules and the Nomination Committee did not meet the chairmanship requirement under Paragraph A.5.1 as set out in Appendix 14 of the Listing Rules.

On 13 September 2019, Mr. John William Crawford was appointed as an Independent Non-Executive Director and the Chairman of both the Audit Committee and Nomination Committee and a member of the Corporate Governance Committee. Following the aforesaid appointments, the Company has complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and Paragraph A.5.1 as set out in Appendix 14 of the Listing Rules.

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 eight 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; two Non-executive Directors, namely, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, Mr. John William Crawford, Mr. Chow Kwong Fai, Edward and Ms. Karuna Evelyne Shinsho. The number of Independent Non-executive Directors represents more than one-third of the Board and complies with Rule 3.10A of the Listing Rules.

The Non-executive Directors, all of whom are independent of the management of the Group's business, are professionals with substantial experience in legal, accounting, financial management, 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.

Each of Mr. Chow Kwong Fai, Edward and Ms. Karuna Evelyne Shinsho, Independent Non-executive Directors, has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Mr. John William Crawford has 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 other directorships within the Group. As required under Rule 3.14 of the Listing Rules, the Company had, prior to Mr. Crawford's appointment, successfully demonstrated to the satisfaction of the Hong Kong Stock Exchange that Mr. Crawford is independent and the reasons are set out below:

(a) ***Mr. Crawford as independent non-executive director of Melco Resorts***

Melco Resorts is subject to the legal and regulatory compliance regime in the US and to the jurisdiction of the United States Securities and Exchange Commission with respect to the "independence" requirement of its directors. In compliance with US laws and regulations applicable to Melco Resorts with respect to the independence of directors, Mr. Crawford has not been, and will not be, involved in any executive or day-to-day management responsibilities of Melco Resorts in connection with his role at Melco Resorts.

(b) ***Mr. Crawford as independent director of Melco Resorts and Entertainment (Philippines) Corporation ("Melco Resorts Philippines")***

Mr. Crawford was appointed as an independent non-executive director of Melco Resorts Philippines (which was delisted from the Philippine Stock Exchange ("PSE") on 11 June 2019) on 1 February 2017. Subsequent to the delisting, Melco Resorts Philippines remains as a subsidiary of Melco Resorts and Mr. Crawford has since served as an independent director (rather than an independent non-executive director) of Melco Resorts Philippines.

Notwithstanding its delisting from the PSE, Melco Resorts Philippines is considered a "public company" pursuant to Section 38 of the Securities Regulation Code (the "SRC") issued by the Securities and Exchange Commission of the Philippines. Melco Resorts Philippines is therefore subject to the rules of the SRC and is required to comply with certain regulatory requirements likewise applicable to a company listed on the PSE with respect to corporate governance matters, including the requirement to maintain independent directors, so long as it remains as a "public company"

In compliance with the laws and regulations applicable to Melco Resorts Philippines with respect to the independence of directors (whether prior to or subsequent to the delisting of Melco Resorts Philippines from the PSE), Mr. Crawford has not been, and will not be, involved in any executive or day-to-day management responsibilities of Melco Resorts Philippines in connection with his role at Melco Resorts Philippines. Accordingly, the role of Mr. Crawford as an independent director of Melco Resorts Philippines is no different from his role as an independent non-executive director of Melco Resorts Philippines at the time when the shares of Melco Resorts Philippines were listed on the PSE.

Based on the above, the Hong Kong Stock Exchange has agreed that the aforementioned does not affect Mr. Crawford's independence to act as an Independent Non-executive Director of the Company.

For the above reasons, the Company considers that Mr. Crawford is independent of the Company, its Directors, chief executive and substantial shareholders. The Company also considers that the other Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines.

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

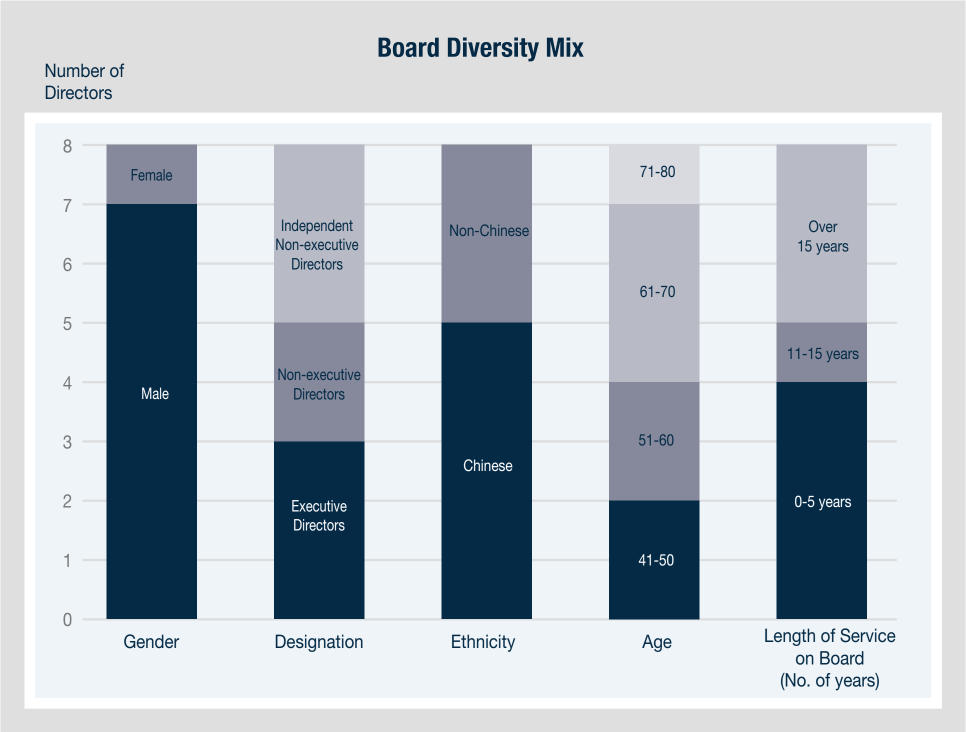
Under the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Ho, Lawrence Yau Lung, Mr. Chung Yuk Man, Clarence and Mr. Ng Ching Wo will retire from office by rotation at the forthcoming annual general meeting. Mr. John William Crawford, who was appointed during the year to fill the vacancy occasioned by the retirement of Dr. Tyen Kan Hee, Anthony, will also retire 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.

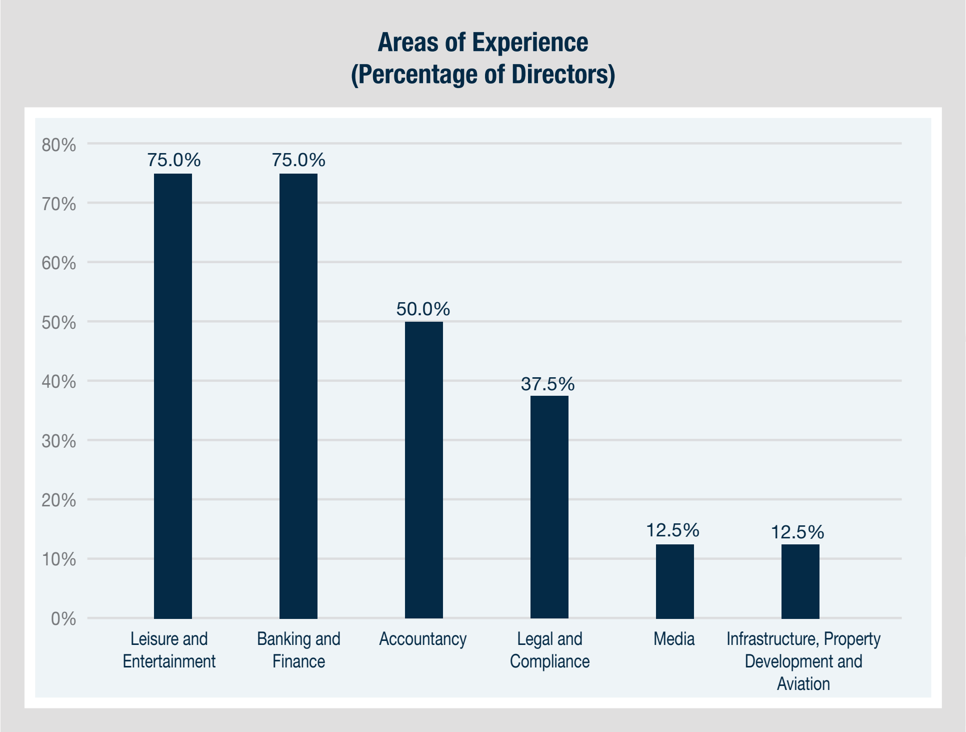
Board Diversity Policy

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 is available on the Company's website, in 2013 which sets out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved from different age, gender, cultural and educational 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 this policy 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 "HKEx/SFC Regulatory Developments – A Practical Update", which included a particular focus on environmental, social and governance ("ESG") best practices and disclosure requirements. 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 2019 is set out below:

Board Meetings

The Directors met four times during the year of 2019. In addition, the Chairman met the Independent Non-executive Directors once without the presence of other Directors.

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

	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 Directors		
Mr. Tsui Che Yin, Frank	✓	✓
Mr. Ng Ching Wo	✓	✓
Independent Non-executive Directors		
Dr. Tyen Kan Hee, Anthony*	✓	✓
Mr. John William Crawford**	✓	✓
Mr. Chow Kwong Fai, Edward	✓	✓
Ms. Karuna Evelyne Shinsho	✓	✓

* Retired as a Director on 13 June 2019.

** Appointed as a Director with effect from 13 September 2019.

Board and Board Committee Attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meeting during the year ended 31 December 2019 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	4/4	–	–	–	–	1/1
Mr. Evan Andrew Winkler	3/4	–	–	–	–	0/1
Mr. Chung Yuk Man, Clarence	4/4	–	–	–	–	1/1
Non-executive Directors						
Mr. Tsui Che Yin, Frank[(1)]	4/4	–	–	–	–	1/1
Mr. Ng Ching Wo[(2)]	4/4	3/3	3/3	3/3	1/1	1/1
Independent Non-executive Directors						
Dr. Tyen Kan Hee, Anthony[(3)]	2/2	2/2	1/1	1/1	–	1/1
Mr. John William Crawford[(4)]	1/1	–	–	–	1/1	–
Mr. Chow Kwong Fai, Edward	4/4	2/3	3/3	3/3	–	0/1
Ms. Karuna Evelyne Shinsho[(5)]	4/4	–	3/3	2/2	–	–
Average Attendance Rate	**97.22%**	**88.89%**	**100.00%**	**100.00%**	**100.00%**	**71.43%**

Notes:

1. Appointed as a member of the Audit Committee with effect from 9 December 2019.

2. Ceased to be a member of the Audit Committee with effect from 9 December 2019.

3. Retired as a Director and ceased to be the chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee and the Corporate Governance Committee with effect from the conclusion of the annual general meeting held on 13 June 2019.

4. Appointed as a Director and the chairman of the Audit Committee and the Nomination Committee and a member of the Corporate Governance Committee with effect from 13 September 2019.

5. Appointed as a member of the Nomination Committee with effect from 29 April 2019 and a member of the Corporate Governance Committee with effect from 9 December 2019.

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. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2019.

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 2019, 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 211 and 212 of this annual report.

Each committee has its defined terms of reference and has power to decide on matters within its terms of reference. The Board committees' terms of reference have been posted on the Company's website under the section 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 ten 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 Independent Non-executive Directors, Mr. John William Crawford (chairman of the committee) and Mr. Chow Kwong Fai, Edward, and a Non-executive Director, Mr. Tsui Che Yin, Frank.

The role of the Audit Committee is to (i) monitor external auditor's work, appointment and remuneration, (ii) review the Group's financial statements and published reports, (iii) provide advice and comments thereon to the Board and (iv) 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 three times during the year and a summary of work done is set out below:

(a) reviewed the annual financial results of 2018 and interim financial results of 2019;

(b) reviewed and approved the 2018 annual report and 2019 interim report;

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

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

(e) approved the internal audit plan for 2019;

(f) reviewed the related party transactions;

(g) reviewed the risk management report from the risk management taskforce;

(h) reviewed the ESG risk management report from the ESG taskforce;

(i) approved the engagement of external auditors to provide non-audit services; and

(j) approved the external auditor's remuneration and terms of engagement for 2019.

(3) Nomination Committee

The Nomination Committee is made up of three Independent Non-executive Directors, Mr. John William Crawford (chairman of the committee), Mr. Chow Kwong Fai, Edward 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 appointment of new directors and re-election of directors. It met three times 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) reviewed the board diversity policy;

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

(d) considered and recommended to the Board on the appointment of Mr. John William Crawford as an Independent Non-executive Director; and

(e) nominated Board candidates to stand for election by shareholders at the Company's 2019 annual general meeting.

The Company adopted a nomination policy (the "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 Independent Non-executive Directors only) and other factors as the Nomination Committee considers appropriate in assessing the candidate. Nominations of new Directors will be made by the Nomination Committee and are subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidates.

During the year, following the retirement of Dr. Tyen Kan Hee, Anthony as an Independent Non-executive Director, the Nomination Committee, after considering Board members' proposals, approved to recommend to the Board for the appointment of Mr. John William Crawford as an Independent Non-executive Director. The nomination was made in accordance with the Nomination Policy, with due regard to the Board Diversity Policy. Based upon the recommendation of the Nomination Committee, the Board made the decision on the appointment.

(4) Remuneration Committee

The Remuneration Committee is made up of two Independent Non-executive Directors, Mr. Chow Kwong Fai, Edward (chairman of the committee) and Ms. Karuna Evelyne Shinsho, and a Non-executive Director, Mr. Ng Ching Wo.

The Company has a remuneration policy (the "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 47(b) 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 approved management's proposal on compensations to certain senior management members of the Company;

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

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

(d) reviewed the remuneration of Non-executive and Independent Non-executive Directors;

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

(f) considered and recommended to the Board the payment of directors' fee to a newly appointed Director and the new chairman/members of certain Board committees.

During the year, there were no new service contracts of any Executive Directors which required the Nomination Committee's approval.

Emoluments paid or payable to the senior management (whose profiles are included in the "Management Profile" section of this annual report) for the year ended 31 December 2019 fell within the following bands:

Emolument bands (HK$)	Number of individuals
Below HK$15,000,000	2
HK$15,000,001 – HK$30,000,000	–
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 Independent Non-executive Directors, Mr. John William Crawford and Ms. Karuna Evelyne Shinsho and a non-voting co-opted member, Mr. Leung Hoi Wai, Vincent.

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; and

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

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; and

(c) 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 and the Chief Financial Officer (in a non-voting capacity). The Finance Committee holds meetings from time to time to discuss financial matters of the Group. It conducts 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 and the Group General Counsel (in a non-voting capacity). The Regulatory Compliance Committee holds meetings from time to time to discuss compliance matters of the Group. It reviews and advises on matters relating to regulation of the Company's gaming business and compliance 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 97 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees paid or payable by the Company to its external auditors for providing audit and non-audit services amounted to approximately HK$1.7 million and HK$4.4 million (2018: HK$1.7 million and HK$1.8 million) respectively. The non-audit services mainly included interim review, taxation, advisory services and other assurance 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 11 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 (including those for ESG-related risks) 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 Board's Executive Committee is assigned to oversee the implementation of the Group's internal controls and risk management policy (the "Risk Management Policy") and ESG risk management and internal control policy (the "ESG 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 (including those for ESG-related risks) 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 Executive Committee 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 Executive Committee, Audit Committee and the Board 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, 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.

ESG Risk Management

An ESG taskforce has been set up under the Executive Committee to assist the Board and the Audit Committee in overseeing the Group ESG risk management and internal control systems and an ESG Policy has been adopted by the Board.

The ESG Policy provides an ESG risk management and internal control framework and directions to management personnel in applying a consistent risk management system in which the significant ESG risk issues are identified, considered and addressed to ensure (a) the Group's ESG risk management and internal control systems are appropriate and effective; (b) the Company is in compliance with the Listing Rules as amended from time to time; and (c) the Group operating on a sustainable basis by maintaining and enhancing the Group's economic, environmental, social, community contributions and commitments in the long term.

To reflect the business which has a material impact on the Group's environmental and social performance, the ESG risk assessment covers the operations of Melco Resorts. In 2019, the Group engaged an external ESG consultant to (a) conduct an independent materiality assessment and confirm material sustainability topics of the core gaming operations; (b) prepare the ESG report for the Company to meet with the Listing Rules reporting requirements and (c) prepare the Melco Resorts, Sustainability & Corporate, Social and Responsibility ("CSR") Report in accordance with the GRI Standards and Industry Practice. For energy efficiency, Melco Resorts has also conducted detailed energy audits and created environmental roadmaps at all resorts of our Group.

During the year, the ESG taskforce or its representatives had frequent communications with the CSR committee and responsible gaming committee of Melco Resorts on the ESG related matters. The ESG taskforce reviewed the ESG materiality assessment results and the ESG report conducted by the consultant, and conducted an assessment of effectiveness of the Group's ESG internal controls systems. The report of the consultant was submitted to the Executive Committee, Audit Committee and the Board for review.

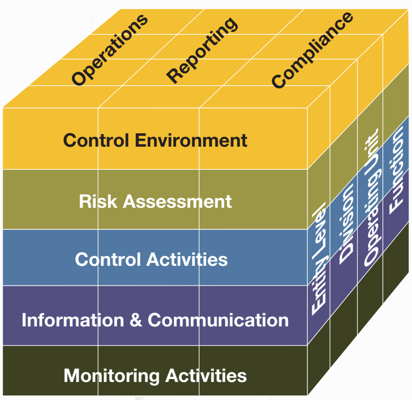
The ESG taskforce, on behalf of management, conducted a review of the appropriateness and effectiveness of the Group's ESG risk management and internal control systems and confirmed to the Board that the systems are effective. Disclosures relating to the material ESG issues identified will be included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately.

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 the necessary meetings with the head of the Finance Department, the Group Internal Audit Director and the external auditor to review the financial statements and auditor's reports on financial, internal control and risk management matters. The Audit Committee reports to the Board on significant internal control and risk management matters, suspected frauds or irregularities, and alleged infringement of laws, rules and regulations, which come to 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 2019 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.

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

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.

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 2019 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 2019.

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 of the Group for the year ended 31 December 2019, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's businesses, is set out in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 18 and 19 and 20 to 35, respectively, of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 14 and 15 and in the Group's Five Years Financial Summary on page 210 of this annual report.

Our ESG Commitment

The board of Directors (the "Board") is responsible for the Group's Environmental, Social and Governance ("ESG") policies, strategies and reporting. The Board reviews progress made against the strategies and its goals with the assistance of its ESG Taskforce. By continuing to engage with the ESG and Corporate Social Responsibility ("CSR") committees of our major subsidiaries, we assess ESG-related risks and performance, and maintain effective internal controls that ensure sufficient resources are provided at the subsidiary level to fulfill our commitments. The Board annually reviews the Group's ESG reports, as well as the sustainability initiatives and achievements of the Group to identify opportunities for improvements and priorities for action.

In 2019, the Group strengthened its commitment to ESG management by forging ahead with our 'Above & Beyond' strategy and continuing to adopt industry-leading environmental protection, social responsibility and good governance practices. We surveyed our internal and external stakeholders and updated our material issues based on the priorities, risks and opportunities identified. As a result of this review, alongside what the Group deems as important to the business, and taking into consideration broader society expectations, material topics were prioritized. Areas where we have the opportunities to go beyond best practice to show leadership and differentiate include guest experience, talent attraction and retention, ethics and integrity, responsible gaming, respecting and promoting local culture, community engagement and investment, and supporting local and small and medium enterprises ("SMEs"). This holistic approach to integrating responsible and sustainable practices across our operations contributed to the Group receiving accolades for two years in a row at the International Gaming Awards. In 2019, we were recognized as the Socially Responsible Operator of the Year (Asia/Australia) for our responsible gaming programmes and as Integrated Resort of the Year in 2020.

Details on our initiatives and progress against our goals in 2019 are shared below.

Our ESG Performance and Goals

We are making progress towards our 2030 environmental goals. With regards to building and operating carbon neutral resorts, we continued to implement energy-efficiency measures to reduce our energy consumption in 2019. In addition to operating the largest solar photovoltaic system in Macau for onsite electricity generation and consumption, we have installed systems in Manila with more to come in our other resorts. Through investments in verified renewable energy projects, we continued to offset our Scope 2 greenhouse gas ("GHG") emissions arising from our consumption of electricity.

In 2019, the Group also took substantive action to establish baselines, programmes and partnerships to further progress towards achieving zero waste across our resorts and contributing to circular economy leadership in Asia. We conducted comprehensive waste audits to understand our waste types and developed focused waste reduction and diversion plans, effectively increasing the quantity of materials diverted through recycling and composting. As a signatory to the *New Plastics Economy Global Commitment*, we have developed a roadmap to progressively eliminate all single-use plastic ("SUP") wherever possible. In 2019, we removed all SUP bottles in our "Heart-of-House", as well as SUP straws, disposable Food & Beverage containers and utensils across our operations, resulting in a reduction of SUP usage by 16%. In addition, water refill stations have been installed in guest areas and we are trialing the replacement of small SUP amenity bottles with large shower amenities, with plans to do more in our guest areas towards 2025.

As a result of our overall efforts, we were recognized with multiple awards for environmental responsibility, energy management and climate action. We received a Certificate of Merit for "Best in ESG Awards – Large Market Capitalization" at the BDO ESG Awards 2019, organized by BDO and SCMP Marketing Solutions. Melco Resorts also received the CDP 2019 Best First Time Performer award and a score of "A-", placing us in CDP's leadership band for climate change responses. We are the first and only company in Macau to attain the Green Key eco-label and, in 2019, Altira Macau joined all of our other properties in the city in also attaining this label. Further highlighting our commitment to environmental responsibility, Melco Resorts received the Gold Award in Environmental Performance at the Business Awards of Macau 2019 as well as specific recognition by the Sustainable Business Award Philippines for our employee development program and efforts to tackle climate change through energy management at City of Dreams Manila.

A key priority for the Group is maintaining its relationships with our stakeholders.

Colleagues. We work hard to encourage the ethos of care and trust among our 20,000 strong workforce. In a global survey, 80% of our colleagues reported that they were proud of where they work. We do our utmost to maintain our colleagues' trust and look after their wellbeing. This means a strong commitment to being a company that people choose to work for and stay with. We are an equal opportunity employer. We ensure fair compensation, benefits, recruitment, promotion, transfer and training opportunities for all our people. We do not tolerate any form of discrimination or harassment based on race, religion, gender, marital status, age, national origin, or any other considerations deemed relevant by local labor laws. At the Group, women comprise around 38% of senior leadership and around 40% of our general management team. Our employee management practices have garnered a number of awards including: 2019 Best Companies to Work for in Asia (Hospitality) – HR Asia; 2019 Gold Award, Excellence in Global and Local HR Strategies – Human Resources Magazine; and 2019 Gold Award, Best Mass Recruitment – Human Resources Magazine.

Guests. Exceeding our guests' expectations by providing memorable experiences and meeting their every need remains a key priority for us. We attained a record-breaking 107 stars in the 2020 Forbes Travel Guide, and we were honored with ten Michelin stars from the Michelin Guide Hong Kong Macau 2020 for six signature restaurants across our properties in Macau. We strive to further engage our guests through inspirational sustainable initiatives. Enhancing customer experiences also goes hand-in-hand with safeguarding their security. Our efforts to ensure compliance of our Cyprus operations to European Union privacy and cybersecurity requirements has led to enhanced practices adopted across the Group in 2019.

Suppliers. We strive to maintain the highest ethical standards when engaging suppliers and service providers. Our procurement policies are built around enhancing our sustainable sourcing efforts by tackling high-impact items such as cotton, chemicals and seafood with the aim of increasingly sourcing items with sustainability attributes. With this in mind, in 2019, all cotton bed and bath linens made from 100% cotton that was procured for our Macau and Manila properties are Better Cotton Initiative ("BCI") and STANDARD 100 by OEKO-TEX® certified.

We also implemented sourcing guidelines for chemicals with a rating system and preference for internationally-recognized, high-quality, environmentally-responsible products meeting Green Key or Green Seal standards or having other biodegradable attributes. On the food front, we increased sustainable seafood purchases in Macau by 15% and co-hosted a sustainable seafood sourcing workshop for 30 local SMEs. Our positive impact is extended through the supply chain by our steadfast support for local businesses and SMEs in communities where we operate. As a result, 80% of our procurement in Macau is through local businesses or distributors, with 30% of those involving local SMEs, and in Manila over 90% of our procurement is from local suppliers.

Communities. We create sustainable, CSR programs by incorporating social and community issues into our business strategy. Focusing on the communities in which we operate, we develop unique and differentiated programs with proactive solutions tailored to each of our communities. In times of need, including catastrophes and natural disasters, we have consistently come to the aid of our communities during difficult times. Along with volunteerism and philanthropy, partnerships and collaborations form our CSR approach – with government, charities, educational institutes and other community organizations. Our CSR strategic pillars guide our focus. They are Youth, Education, Environment, Women, Responsible Gaming, Whole Person Development, Culture & Heritage and economic prosperity for local suppliers and SMEs. We attained the 2019 Best Corporate Social Responsibility Contribution Award from G2E Asia and the 10 Year Plus Caring Company award from the Hong Kong Council of Social Service every year since 2015, demonstrating our long-standing commitment to being a responsible corporate citizen within the community.

Our Compliance with Laws & Regulations

Our comprehensive policies ensure compliance with all relevant laws and regulations that have a significant impact on our Group's business, including our gaming activities. During the financial year ended 31 December 2019, 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 56 of this annual report provides details of the Group's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report 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. We have stringent anti-corruption policies in place at both the Company and subsidiary levels, which take into account 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 Company and subsidiary levels so that employees are aware of these regulations. Employees are encouraged to utilize our established whistle-blowing mechanism 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 including customers and employees. We adhere to the Macau Personal Data Protection Act as well as data privacy regulations in all regions of operations. 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 Guide*, and with reference to the *GRI Standards*.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 98 and 99 of this annual report.

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

For the year ended 31 December 2019, the Group recorded a profit attributable to shareholders of HK$689.8 million. The Board has recommended the payment of a final dividend of HK3.01 cents per share (2018: HK2.35 cents per share) for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company on Monday, 15 June 2020. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on Thursday, 2 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 5 June 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above meetings, 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 Monday, 1 June 2020.

The proposed final dividend for the year ended 31 December 2019 is subject to the approval of shareholders of the Company at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Monday, 15 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Monday, 8 June 2020. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 June 2020.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, investment properties, land use rights, gaming license and subconcession, goodwill, trademarks, other intangible assets and right-of-use assets) during the year are set out in notes 17, 18, 19, 20, 21, 22, 23 and 35 respectively, to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year ended 31 December 2019 are set out in note 37 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and reclassified as appropriate, is set out on page 210 of this annual report. This summary does not form part of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution consisted of the capital reserve and retained profits of approximately HK$7,053,000 and HK$5,379,113,000, respectively (2018: HK$7,053,000 and HK$3,369,086,000 respectively). The Company considers it has fulfilled conditions required for distribution of the capital reserve.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, 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 Directors
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. John William Crawford *(appointed on 13 September 2019)*
Mr. Chow Kwong Fai, Edward
Ms. Karuna Evelyne Shinsho
Dr. Tyen Kan Hee, Anthony *(retired at the conclusion of the annual general meeting held on 13 June 2019)*

In accordance with Article 89 of the Company's Articles of Association (the "Articles of Association"), Mr. John William Crawford, who was appointed as an Independent Non-executive Director during the year to fill the vacancy occasioned by the retirement of Dr. Tyen Kan Hee, Anthony, shall retire at the forthcoming annual general meeting and is eligible to offer himself for re-election.

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

The Company has received annual confirmation from each of the Independent Non-executive Directors confirming his/her independence to the Company and the Company considers that each of the Independent Non-executive Directors is independent to the Company. For Mr. John William Crawford, in view of his directorships within the Group, has not met the requirement under Rule 3.13(7) of the Listing Rules. Accordingly, as required under Rule 3.14 of the Listing Rules, the Company had, prior to Mr. Crawford's appointment, successfully demonstrated to the satisfaction of the Hong Kong Stock Exchange that Mr. Crawford is independent and the reasons are set out in the Company's announcement dated 13 September 2019 and in the Corporate Governance Report on pages 43 and 44 of this annual report.

Biographical details of the Directors are set out on pages 36 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 loss, 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 Transaction 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 the controlling shareholder or any of its subsidiaries entered into any contracts of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes and the share award schemes of the Company as disclosed in 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 2019, the interests and short position of each Director and Chief Executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the 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 are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Hong Kong Stock Exchange were set out below:

(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	54,033,132	4,212,102	473,241,975[6]	309,476,187[7]	840,963,396	55.54%
Mr. Evan Andrew Winkler	5,431,000	–	–	–	5,431,000	0.36%
Mr. Chung Yuk Man, Clarence	3,534,440	–	–	–	3,534,440	0.23%
Mr. Tsui Che Yin, Frank	7,163,660	–	–	–	7,163,660	0.47%
Mr. Ng Ching Wo	259,000	–	–	–	259,000	0.02%
Mr. Chow Kwong Fai, Edward	24,000	–	–	–	24,000	0.00%
Ms. Karuna Evelyne Shinsho	2,000	–	–	–	2,000	0.00%

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

Name of Director	**Number of underlying shares held pursuant to share options[2 & 8]**	**Number of awarded shares held[2 & 9]**	**Total**	**Approximate % of total issued shares[1]**
Mr. Ho, Lawrence Yau Lung	3,000,000	2,200,000	5,200,000	0.34%
Mr. Evan Andrew Winkler	20,921,000	5,091,000	26,012,000	1.72%
Mr. Chung Yuk Man, Clarence	3,253,000	85,000	3,338,000	0.22%
Mr. Tsui Che Yin, Frank	1,074,000	6,000	1,080,000	0.07%
Mr. Ng Ching Wo	1,135,000	19,000	1,154,000	0.08%
Mr. Chow Kwong Fai, Edward	104,000	15,000	119,000	0.01%
Ms. Karuna Evelyne Shinsho	22,000	6,000	28,000	0.00%

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company was 1,514,266,755.

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

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

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

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

6. The 473,241,975 shares relate to the 297,851,606 shares, 120,333,024 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 19.67%, 7.95%, 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 is also taken to have interests in the 309,476,187 shares held by Great Respect Limited, representing approximately 20.44% of the total issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

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 adopted by the Company on 18 October 2007 are set out in the "Share Award Schemes" section of this report.

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

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

(a) Ordinary shares of Melco Resorts

	Number of ordinary shares held			
Name of Director	**Personal interests(2)**	**Corporate interests(3)**	**Total**	**Approximate % of total issued shares(1)**
Mr. Ho, Lawrence Yau Lung	8,789,192	812,729,781(4)	821,518,973	56.40%
Mr. Evan Andrew Winkler	21,357	–	21,357	0.00%
Mr. Chung Yuk Man, Clarence	277,633	–	277,633	0.02%
Mr. John William Crawford	21,357	–	21,357	0.00%

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

Name of Director	**Number of underlying shares held pursuant to stock options(2 & 5)**	**Number of restricted shares held(2 & 6)**	**Total**	**Approximate % of total issued shares(1)**
Mr. Ho, Lawrence Yau Lung	7,536,981	2,390,079	9,927,060	0.68%
Mr. Evan Andrew Winkler	–	50,682	50,682	0.00%
Mr. Chung Yuk Man, Clarence	–	94,830	94,830	0.01%
Mr. John William Crawford	–	50,682	50,682	0.00%

Notes:

1. As at 31 December 2019, the total number of issued shares of Melco Resorts was 1,456,547,942.

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

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

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to 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 55.54% 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 "Share Award Schemes" section of this report.

(B) Melco Resorts and Entertainment (Philippines) Corporation ("Melco Resorts Philippines") *(it was automatically delisted from the Official Registry of the Philippine Stock Exchange with effect from 11 June 2019) (a subsidiary of the Company)*

Common shares of Melco Resorts Philippines

Name of Director	Number of common shares held[2]	Approximate% of total issued shares[1]
Mr. John William Crawford	500,000	0.01%

Notes:

1. As at 31 December 2019, the total number of issued shares of Melco Resorts Philippines was 5,688,764,700.

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

(C) 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 2019, the total number of issued shares of SCIHL was 314,329,776 (including 241,818,016 Class A ordinary shares and 72,511,760 Class B ordinary shares).

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

Save as disclosed above, as at 31 December 2019, none of the Directors or the Chief Executive of the Company and their respective associates had 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 (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 annual report, a total of 1,915,000 shares of the Company may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme, representing 0.13% of the shares in issue.

As at the date of this annual report, the total number of shares available for issue under the 2012 Share Option Scheme is 58,771,538 shares and a total of 33,059,000 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 3.88% and 2.18%, 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 highest of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date when an option is offered; and (ii) a price being the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered.

(ix) The remaining life of the schemes

The schemes shall be valid and effective for a period of 10 years from the 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 2019 are set out below:

Under the 2002 Share Option Scheme

	Number of share options									
Category of participants	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	As at 31 December 2019	Date of grant	Exercise price HK$	Exercise period (Note)
Directors										
Mr. Chung Yuk Man, Clarence	170,000	–	–	–	–	–	170,000	07.04.2010	3.76	4
	330,000	–	–	–	–	–	330,000	27.01.2012	7.10	6
Mr. Ng Ching Wo	91,000	–	(91,000)	–	–	–	–	03.04.2009	2.99	3
	60,000	–	–	–	–	–	60,000	07.04.2010	3.76	7
	350,000	–	–	–	–	–	350,000	08.04.2011	5.75	5
	210,000	–	–	–	–	–	210,000	27.01.2012	7.10	6
*Dr. Tyen Kan Hee, Anthony	210,000	–	–	–	–	(210,000)	–	27.01.2012	7.10	6
Sub-total	1,421,000	–	(91,000)	–	–	(210,000)	1,120,000			
Employees	79,000	–	(79,000)	–	–	–	–	03.04.2009	2.99	3
	106,000	–	(10,000)	–	–	–	96,000	07.04.2010	3.76	4
	469,000	–	–	–	–	–	469,000	08.04.2011	5.75	5
	359,700	–	(700)	–	–	–	359,000	27.01.2012	7.10	6
Sub-total	1,013,700	–	(89,700)	–	–	–	924,000			
Others[16]	120,000	–	–	(120,000)	–	–	–	03.04.2009	2.99	3
	60,000	–	–	–	–	–	60,000	07.04.2010	3.76	4
	137,000	–	(210,000)	–	–	210,000	137,000	27.01.2012	7.10	6
Sub-total	317,000	–	(210,000)	(120,000)	–	210,000	197,000			
Total	**2,751,700**	**-**	**(390,700)**	**(120,000)**	**-**	**-**	**2,241,000**			

Under the 2012 Share Option Scheme

	Number of share options									
Category of participants	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	As at 31 December 2019	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	10
	–	1,500,000	–	–	–	–	1,500,000	10.04.2019	19.90	13
Mr. Evan Andrew Winkler	5,946,000	–	–	–	–	–	5,946,000	10.04.2018	23.15	12
	–	775,000	–	–	–	–	775,000	10.04.2019	19.90	14
	–	14,200,000	–	–	–	–	14,200,000	06.09.2019	18.96	15
Mr. Chung Yuk Man, Clarence	2,219,000	–	–	–	–	–	2,219,000	08.04.2016	10.24	8
	237,000	–	–	–	–	–	237,000	10.04.2017	15.00	9
	144,000	–	–	–	–	–	144,000	10.04.2018	23.15	11
	–	153,000	–	–	–	–	153,000	10.04.2019	19.90	14
Mr. Tsui Che Yin, Frank	1,040,000	–	–	–	–	–	1,040,000	08.04.2016	10.24	8
	18,000	–	–	–	–	–	18,000	10.04.2018	23.15	11
	–	16,000	–	–	–	–	16,000	10.04.2019	19.90	14
Mr. Ng Ching Wo	395,000	–	–	–	–	–	395,000	08.04.2016	10.24	8
	48,000	–	–	–	–	–	48,000	10.04.2017	15.00	9
	36,000	–	–	–	–	–	36,000	10.04.2018	23.15	11
	–	36,000	–	–	–	–	36,000	10.04.2019	19.90	14
Mr. Chow Kwong Fai, Edward	14,000	–	–	–	–	–	14,000	08.04.2016	10.24	8
	33,000	–	–	–	–	–	33,000	10.04.2017	15.00	9
	24,000	–	–	–	–	–	24,000	10.04.2018	23.15	11
	–	33,000	–	–	–	–	33,000	10.04.2019	19.90	14
*Dr. Tyen Kan Hee, Anthony	392,000	–	–	–	–	(392,000)	–	08.04.2016	10.24	8
	48,000	–	–	–	–	(48,000)	–	10.04.2017	15.00	9
	36,000	–	–	–	–	(36,000)	–	10.04.2018	23.15	11
	–	36,000	–	–	–	(36,000)	–	10.04.2019	19.90	14
Ms. Karuna Evelyne Shinsho	–	22,000	–	–	–	–	22,000	10.04.2019	19.90	14
Sub-total	12,130,000	16,771,000	–	–	–	(512,000)	28,389,000			
Employees	2,342,000	–	(35,000)	–	–	–	2,307,000	08.04.2016	10.24	8
	414,000	–	–	–	–	–	414,000	10.04.2017	15.00	9
	504,000	–	–	–	–	–	504,000	10.04.2018	23.15	11
	–	542,000	–	–	–	–	542,000	10.04.2019	19.90	14
Sub-total	3,260,000	542,000	(35,000)	–	–	–	3,767,000			
Others(16)	633,000	–	(214,000)	–	–	392,000	811,000	08.04.2016	10.24	8
	20,000	–	–	–	–	48,000	68,000	10.04.2017	15.00	9
	24,000	–	–	–	–	36,000	60,000	10.04.2018	23.15	11
	–	–	–	–	–	36,000	36,000	10.04.2019	19.90	14
Sub-total	677,000	–	(214,000)	–	–	512,000	975,000			
Total	**16,067,000**	**17,313,000**	**(249,000)**	**–**	**–**	**–**	**33,131,000**			

* *Dr. Tyen Kan Hee, Anthony retired as a Director with effect from 13 June 2019.*

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$19.89.

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

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

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

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

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

8. 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.

9. 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.

10. 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.

11. 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.

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

13. 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.

14. 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.

15. 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.

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

On 10 April 2019, the Company granted a total of 3,113,000 share options to the Directors and certain employees of the Company under the 2012 Share Option Scheme. The validity period of the options granted is ten years, from 10 April 2019 to 9 April 2029. The options entitle the grantees to subscribe for a total of 3,113,000 shares of the Company at an exercise price of HK$19.90 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$19.76. The estimated fair value of the 3,113,000 share options granted was approximately HK$21,535,950. The weighted average fair value per option granted was HK$6.92.

On 6 September 2019, the Company granted a total of 14,200,000 share options to a Director of the Company under the 2012 Share Option Scheme. The validity period of the options granted is ten years, from 6 September 2019 to 5 September 2029. The options entitle the grantee to subscribe for a total of 14,200,000 shares of the Company at an exercise price of HK$18.96 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$18.44. The estimated fair value of the 14,200,000 share options granted was approximately HK$100,014,650. The weighted average fair value per option granted was HK$7.04.

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 inputs into the model are as follows:

Grant date of the share options	**10 April 2019**	**6 September 2019**
Valuation model	Black-Scholes	Black-Scholes
Exercise price	HK$19.90	HK$18.96
Expected volatility	42% - 45%	43% - 44%
Expected life	3.1 – 6.1 years	3.9 – 5.9 years
Risk-free rate	1.6%	1.1% - 1.3%
Expected dividend yield	0.4%	0.4%
Suboptimal exercise factor	N/A	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 term.

(II) Melco Resorts

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

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

Options over new 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:

(i) Purpose of the plan

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

(ii) Types of awards

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

(iii) Participants of the plan

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

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

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

The maximum number of Melco Resorts Shares which may be issued pursuant to all Melco Resorts awards under the Melco Resorts Amended 2011 Share Incentive Plan is 100,000,000 Melco Resorts Shares. As at the date of this annual report, the total number of Melco Resorts Shares available for issue under the Melco Resorts Amended 2011 Share Incentive Plan is 37,715,009 Melco Resorts Shares, representing approximately 2.59% of the total number of Melco Resorts Shares in issue.

(v) Maximum entitlement of each participant under the plan

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

In addition, any grant of stock options to a substantial shareholder 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 (based on the official closing price of the Melco Resorts Shares as stated in the daily quotation sheets of the NASDAQ Global Select or NASDAQ Global Market on the date of grant) in excess of an amount in United States Dollars which is equivalent to HK$5 million is subject to the approval of the Company's shareholders in general meeting.

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

The period during which an option may be exercised is determined by the compensation committee of Melco Resorts (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.

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

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

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

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

(ix) The basis of determining the exercise price

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

(x) The remaining life of the plan

The Melco Resorts Amended 2011 Share Incentive Plan will expire on 7 December 2021.

Movements of stock options granted under the plans during the year ended 31 December 2019 are set out below:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2019	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	4
Mr. Chung Yuk Man, Clarence	138,036	–	(138,036)	–	–	–	17.03.2009	0.32	3
Total	**1,584,534**	**–**	**(138,036)**	**–**	**–**	**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	5
	362,610	–	–	–	–	362,610	10.05.2013	5.32	6
	320,343	–	–	–	–	320,343	28.03.2014	5.32	7
	690,291	–	–	–	–	690,291	30.03.2015	5.32	8
	1,302,840	–	–	–	–	1,302,840	18.03.2016	5.32	9
	1,470,000	–	–	–	–	1,470,000	31.03.2017	6.18	12
	1,470,000	–	–	–	–	1,470,000	02.04.2018	9.40	17
Total	**6,090,483**	**–**	**–**	**–**	**–**	**6,090,483**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2019	Date of grant	Exercise price US$	Exercise period (Note)
Under the Melco Resorts 2006 Share Incentive Plan									
Other eligible participants[20]	55,860	–	–	–	–	55,860	26.05.2010	0.48	11
	649,074	–	–	–	–	649,074	23.03.2011	1.75	4
Total	**704,934**	**–**	**–**	**–**	**–**	**704,934**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Other eligible participants[20]	310,263	–	(6,861)	–	–	303,402	29.03.2012	3.93	5
	371,892	–	(37,800)	–	(11,676)	322,416	10.05.2013	5.32	6
	417,957	–	(37,254)	–	(16,116)	364,587	28.03.2014	5.32	7
	894,471	–	(137,826)	(2,067)	(32,949)	721,629	30.03.2015	5.32	8
	1,863,645	–	(308,478)	(3,903)	(62,172)	1,489,092	18.03.2016	5.32	9
	191,328	–	–	–	–	191,328	23.12.2016	4.79	10
	2,898,975	–	–	–	(312,447)	2,586,528	31.03.2017	6.18	12
	88,635	–	–	–	–	88,635	30.05.2017	7.30	13
	34,518	–	–	–	–	34,518	08.09.2017	7.61	14
	36,225	–	–	–	–	36,225	16.03.2018	9.15	15
	3,382,674	–	–	–	(335,505)	3,047,169	29.03.2018	9.66	16
	453,894	–	–	–	–	453,894	23.11.2018	5.66	18
	–	4,320,498	–	–	(260,244)	4,060,254	01.04.2019	8.14	19
Total	**10,944,477**	**4,320,498**	**(528,219)**	**(5,970)**	**(1,031,109)**	**13,699,677**			

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$7.42.

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

4. The stock options granted on 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

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

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

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

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

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

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

16. 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.

17. 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.

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

19. 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.

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

On 1 April 2019, Melco Resorts granted a total of 4,320,498 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 1 April 2019 to 31 March 2029. The stock options entitle the grantees to subscribe for a total of 4,320,498 shares of Melco Resorts at an exercise price of US$8.14 per share. The closing price of the shares of Melco Resorts immediately before the date on which the stock options were granted was US$7.53. The estimated fair value of the 4,320,498 stock options granted was approximately US$11,190,089.82. The fair value per stock option granted was US$2.59.

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 inputs into the model are as follows:

Grant date of the stock options	**1 April 2019**
Valuation model	Black-Scholes
Exercise price	US$8.14
Expected volatility	41.81%
Expected life	5.6 years
Risk-free rate	2.34%
Expected dividend yield	2.75%

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 ("Melco Resorts ADSs", each of which is equivalent to three Melco Resorts Shares) trading on the NASDAQ Global Select Market. 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 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 annual report, the total number of MRP Shares available for issue under the MRP Amended Share Incentive Plan is 152,459,026 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.

Movements of share options granted under the MRP Amended Share Incentive Plan during the year 31 December 2019 are set out below:

	Number of share options								
	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year[7]	As at 31 December 2019	Date of grant	Exercise price PHP	Exercise period (Note)
Under the MRP Amended Share Incentive Plan									
Eligible participants[8]	1,127,192	–	–	(867,071)	(260,121)	–	28.06.2013	8.30	2
	6,796,532	–	–	–	(6,796,532)	–	16.11.2015	3.46	3
	1,531,112	–	–	–	(1,531,112)	–	15.03.2017	5.66	4
	5,422,117	–	–	–	(5,422,117)	–	01.08.2017	8.98	5
	2,158,552	–	–	–	(2,158,552)	–	29.03.2018	7.80	6
Total	**17,035,505**	**–**	**–**	**(867,071)**	**(16,168,434)**	**–**			

Notes:

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

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

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

4. The share options granted on 15 March 2017 are exercisable from 29 April 2019 to 14 March 2027.

5. The share options granted on 1 August 2017 are exercisable from 1 August 2020 to 31 July 2027.

6. The share 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.

7. On 22 May 2019, Melco Resorts Philippines offered to all eligible participants of the MRP Amended 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 Melco Resorts Philippines and the acquiescence of such SIP Retirement Arrangements has been obtained from the Philippine Securities and Exchange Commission on 17 May 2019. All eligible participants elected to participate in the SIP Retirement Arrangements and all Outstanding Awards under the MRP Amended Share Incentive Plan were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019.

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

SHARE AWARD SCHEMES

(I) The Company

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") and The Melco Share Award Scheme Trust (the "Share Subscription Scheme"). Certain rules of such schemes were amended on 28 August 2014 and 12 June 2015.

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

A summary of the principal terms of each of the Share Purchase Scheme and Share Subscription Scheme is set out below:

(a) Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of its adoption until 17 October 2027.

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any eligible persons (including any directors, employees, consultants and advisers of any members of the Group) to be a participant in the Share Purchase Scheme. The scheme limit of this scheme is 2% of the issued shares of the Company from time to time (excluding the shares which have already been transferred to employees on vesting).

The Board or the trustee of this scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of shares, the trustee shall apply the same towards the purchase of shares on the Hong Kong Stock Exchange.

No payment shall be made to the trustee of this scheme and no instructions to acquire shares shall be given to the trustee where any member of the Board is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under the Model Code or any applicable laws and regulations or any internal code of conduct in securities dealing adopted by the Company from time to time.

Vesting of the shares will be conditional on the selected eligible person remaining an eligible person of the Company or a subsidiary of the Company until the vesting date. The Board has the discretion to stipulate such other conditions in respect of a particular eligible person which will apply to the vesting of the shares. Any shares held by the trustee on behalf of the selected eligible person shall vest in accordance with the timetable determined by the Board at its discretion. The trustee has the power to exercise at its discretion all voting rights attached to any shares held.

The Board may by resolution terminate the operation of the Share Purchase Scheme.

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the year ended 31 December 2019 are set out below:

	Number of awarded shares							
Category of participants	As at 1 January 2019	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2019	Date of award	Vesting date
Directors								
Mr. Ho, Lawrence Yau Lung	2,200,000	–	(2,200,000)	–	–	–	10.04.2018	10.04.2019
	–	2,200,000	(2,200,000)	–	–	–	10.04.2019	10.04.2019
	–	2,200,000	–	–	–	2,200,000	10.04.2019	10.04.2020
	2,200,000	4,400,000	(4,400,000)	–	–	2,200,000		
Mr. Evan Andrew Winkler	–	71,000	(71,000)	–	–	–	10.04.2019	10.04.2019
	–	71,000	–	–	–	71,000	10.04.2019	10.04.2020
	–	71,000	–	–	–	71,000	10.04.2019	10.04.2021
	–	70,000	–	–	–	70,000	10.04.2019	10.04.2022
	–	1,627,000	–	–	–	1,627,000	06.09.2019	30.06.2020
	–	1,626,000	–	–	–	1,626,000	06.09.2019	30.06.2021
	–	1,626,000	–	–	–	1,626,000	06.09.2019	30.06.2022
	–	5,162,000	(71,000)	–	–	5,091,000		
Mr. Chung Yuk Man, Clarence	37,000	–	(37,000)	–	–	–	08.04.2016	08.04.2019
	20,000	–	(20,000)	–	–	–	10.04.2017	10.04.2019
	19,000	–	–	–	–	19,000	10.04.2017	10.04.2020
	12,000	–	(12,000)	–	–	–	10.04.2018	10.04.2019
	12,000	–	–	–	–	12,000	10.04.2018	10.04.2020
	12,000	–	–	–	–	12,000	10.04.2018	10.04.2021
	–	14,000	(14,000)	–	–	–	10.04.2019	10.04.2019
	–	14,000	–	–	–	14,000	10.04.2019	10.04.2020
	–	14,000	–	–	–	14,000	10.04.2019	10.04.2021
	–	14,000	–	–	–	14,000	10.04.2019	10.04.2022
	112,000	56,000	(83,000)	–	–	85,000		
Mr. Tsui Che Yin, Frank	18,000	–	(18,000)	–	–	–	08.04.2016	08.04.2019
	2,000	–	(2,000)	–	–	–	10.04.2018	10.04.2019
	1,000	–	–	–	–	1,000	10.04.2018	10.04.2020
	1,000	–	–	–	–	1,000	10.04.2018	10.04.2021
	–	2,000	(2,000)	–	–	–	10.04.2019	10.04.2019
	–	2,000	–	–	–	2,000	10.04.2019	10.04.2020
	–	1,000	–	–	–	1,000	10.04.2019	10.04.2021
	–	1,000	–	–	–	1,000	10.04.2019	10.04.2022
	22,000	6,000	(22,000)	–	–	6,000		

Category of participants	Number of awarded shares As at 1 January 2019	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2019	Date of award	Vesting date
Mr. Ng Ching Wo	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2019
	4,000	–	(4,000)	–	–	–	10.04.2017	10.04.2019
	4,000	–	–	–	–	4,000	10.04.2017	10.04.2020
	3,000	–	(3,000)	–	–	–	10.04.2018	10.04.2019
	3,000	–	–	–	–	3,000	10.04.2018	10.04.2020
	3,000	–	–	–	–	3,000	10.04.2018	10.04.2021
	–	4,000	(4,000)	–	–	–	10.04.2019	10.04.2019
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2020
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2021
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2022
	19,000	13,000	(13,000)	–	–	19,000		
Mr. Chow Kwong Fai, Edward	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2019
	3,000	–	(3,000)	–	–	–	10.04.2017	10.04.2019
	2,000	–	–	–	–	2,000	10.04.2017	10.04.2020
	2,000	–	(2,000)	–	–	–	10.04.2018	10.04.2019
	2,000	–	–	–	–	2,000	10.04.2018	10.04.2020
	2,000	–	–	–	–	2,000	10.04.2018	10.04.2021
	–	3,000	(3,000)	–	–	–	10.04.2019	10.04.2019
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2020
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2021
	–	3,000	–	–	–	3,000	10.04.2019	10.04.2022
	13,000	12,000	(10,000)	–	–	15,000		
*Dr. Tyen Kan Hee, Anthony	2,000	–	(2,000)	–	–	–	08.04.2016	08.04.2019
	4,000	–	(4,000)	–	–	–	10.04.2017	10.04.2019
	4,000	–	–	–	(4,000)	–	10.04.2017	10.04.2020
	3,000	–	(3,000)	–	–	–	10.04.2018	10.04.2019
	3,000	–	–	–	(3,000)	–	10.04.2018	10.04.2020
	3,000	–	–	–	(3,000)	–	10.04.2018	10.04.2021
	–	4,000	(4,000)	–	–	–	10.04.2019	10.04.2019
	–	3,000	–	–	(3,000)	–	10.04.2019	10.04.2020
	–	3,000	–	–	(3,000)	–	10.04.2019	10.04.2021
	–	3,000	–	–	(3,000)	–	10.04.2019	10.04.2022
	19,000	13,000	(13,000)	–	(19,000)	–		
Ms. Karuna Evelyne Shinsho	–	2,000	(2,000)	–	–	–	10.04.2019	10.04.2019
	–	2,000	–	–	–	2,000	10.04.2019	10.04.2020
	–	2,000	–	–	–	2,000	10.04.2019	10.04.2021
	–	2,000	–	–	–	2,000	10.04.2019	10.04.2022
	–	8,000	(2,000)	–	–	6,000		
Sub-total	2,385,000	9,670,000	(4,614,000)	–	(19,000)	7,422,000		

* *Dr. Tyen Kan Hee, Anthony retired as a Director with effect from 13 June 2019.*

Category of participants	As at 1 January 2019	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2019	Date of award	Vesting date
	Number of awarded shares							
Employees	49,750	–	(49,750)	–	–	–	08.04.2016	08.04.2019
	34,000	–	(34,000)	–	–	–	10.04.2017	10.04.2019
	33,000	–	–	–	–	33,000	10.04.2017	10.04.2020
	43,000	–	(43,000)	–	–	–	10.04.2018	10.04.2019
	40,000	–	–	–	–	40,000	10.04.2018	10.04.2020
	39,000	–	–	–	–	39,000	10.04.2018	10.04.2021
	–	52,000	(52,000)	–	–	–	10.04.2019	10.04.2019
	–	49,000	–	–	–	49,000	10.04.2019	10.04.2020
	–	49,000	–	–	–	49,000	10.04.2019	10.04.2021
	–	47,000	–	–	–	47,000	10.04.2019	10.04.2022
Sub-total	238,750	197,000	(178,750)	–	–	257,000		
Others**	3,000	–	(3,000)	–	–	–	08.04.2016	08.04.2019
	3,000	–	(3,000)	–	–	–	10.04.2017	10.04.2019
	3,000	–	–	–	4,000	7,000	10.04.2017	10.04.2020
	3,000	–	(3,000)	–	–	–	10.04.2018	10.04.2019
	3,000	–	–	–	3,000	6,000	10.04.2018	10.04.2020
	2,000	–	–	–	3,000	5,000	10.04.2018	10.04.2021
	–	–	–	–	3,000	3,000	10.04.2019	10.04.2020
	–	–	–	–	3,000	3,000	10.04.2019	10.04.2021
	–	–	–	–	3,000	3,000	10.04.2019	10.04.2022
Sub-total	17,000	–	(9,000)	–	19,000	27,000		
Total	**2,640,750**	**9,867,000**	**(4,801,750)**	**–**	**–**	**7,706,000**		

** *The category "Others" represents the former directors 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 may, from time to time at its absolute discretion select any eligible persons (including any directors, employees, consultants and advisers of any members of the Group) to be a participant of the Share Subscription Scheme. The scheme limit of this scheme is 2% of the issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible persons on vesting). The maximum number of shares which may be awarded to a director and an eligible person (other than a director of the Company or its subsidiaries), are 0.2% and 0.05% of the issued shares from time to time, respectively.

The Board or the trustee of this scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such notional cash amount on the Hong Kong Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount equal to the subscription price determined by the Board of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

No payment shall be made and no instructions to subscribe for shares shall be given to the trustee of this scheme where any member of the Board is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under the Model Code or any applicable laws and regulations or any internal code of conduct in securities dealing adopted by the Company from time to time.

Vesting of the shares will be conditional on the selected eligible person remaining an eligible person of the Company or a subsidiary of the Company until the vesting date. The Board has the discretion to stipulate such other conditions in respect of a particular eligible person which will apply to the vesting of the shares. Any shares held by the trustee on behalf of the selected eligible person shall vest in accordance with the timetable determined by the Board at its discretion. The trustee has the power to exercise at its discretion all voting rights attached to any shares held.

The Board may by resolution terminate the operation of the Share Subscription Scheme.

No award was granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2019.

(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 2019 are set out below:

(i) Restricted shares granted to Directors

	Number of restricted shares						
Name of Director	As at 1 January 2019	Awarded during the year	Vested during the year	Cancelled during the year	As at 31 December 2019	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	217,140	–	(217,140)	–	–	18.03.2016	18.03.2019
	631,470	–	–	–	631,470	31.03.2017	30.03.2020
	137,979	–	(137,979)	–	–	08.09.2017	08.09.2019
	265,689	–	–	–	265,689	29.03.2018	29.03.2020
	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
	1,517,970	1,227,228	(355,119)	–	2,390,079		
Mr. Evan Andrew Winkler	8,091	–	(8,091)	–	–	31.03.2017	30.03.2019
	8,091	–	–	–	8,091	31.03.2017	30.03.2020
	5,175	–	(5,175)	–	–	29.03.2018	29.03.2019
	5,175	–	–	–	5,175	29.03.2018	29.03.2020
	5,178	–	–	–	5,178	29.03.2018	29.03.2021
	–	10,746	–	–	10,746	01.04.2019	01.04.2020
	–	10,746	–	–	10,746	01.04.2019	01.04.2021
	–	10,746	–	–	10,746	01.04.2019	01.04.2022
	31,710	32,238	(13,266)	–	50,682		
Mr. Chung Yuk Man, Clarence	6,948	–	(6,948)	–	–	18.03.2016	18.03.2019
	8,091	–	(8,091)	–	–	31.03.2017	30.03.2019
	8,091	–	–	–	8,091	31.03.2017	30.03.2020
	7,311	–	–	–	7,311	16.03.2018	16.03.2020
	5,175	–	(5,175)	–	–	29.03.2018	29.03.2019
	5,175	–	–	–	5,175	29.03.2018	29.03.2020
	5,178	–	–	–	5,178	29.03.2018	29.03.2021
	–	23,025	–	–	23,025	01.04.2019	01.04.2020
	–	23,025	–	–	23,025	01.04.2019	01.04.2021
	–	23,025	–	–	23,025	01.04.2019	01.04.2022
	45,969	69,075	(20,214)	–	94,830		
Mr. John William Crawford	8,091	–	(8,091)	–	–	31.03.2017	30.03.2019
	8,091	–	–	–	8,091	31.03.2017	30.03.2020
	5,175	–	(5,175)	–	–	29.03.2018	29.03.2019
	5,175	–	–	–	5,175	29.03.2018	29.03.2020
	5,178	–	–	–	5,178	29.03.2018	29.03.2021
	–	10,746	–	–	10,746	01.04.2019	01.04.2020
	–	10,746	–	–	10,746	01.04.2019	01.04.2021
	–	10,746	–	–	10,746	01.04.2019	01.04.2022
	31,710	32,238	(13,266)	–	50,682		
Total	**1,627,359**	**1,360,779**	**(401,865)**	**–**	**2,586,273**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares						
	As at 1 January 2019	Awarded during the year	Vested during the year	Cancelled during the year	As at 31 December 2019	Date of award	Vesting date
Other eligible participants[2]	823,839	–	(796,320)	(27,519)	–	18.03.2016	18.03.2019
	7,116	–	–	–	7,116	18.03.2016	05.05.2020[1]
	95,664	–	(95,664)	–	–	23.12.2016	26.12.2019
	98,109	–	–	–	98,109	21.02.2017	08.01.2020
	24,273	–	(24,273)	–	–	31.03.2017	30.03.2019
	1,180,041	–	–	(110,466)	1,069,575	31.03.2017	30.03.2020
	13,260	–	–	–	13,260	31.03.2017	05.05.2020[1]
	34,248	–	–	–	34,248	30.05.2017	30.05.2020
	81,057	–	(81,057)	–	–	08.09.2017	08.09.2019
	20,352	–	–	–	20,352	16.03.2018	16.03.2020
	10,350	–	(10,350)	–	–	29.03.2018	29.03.2019
	570,633	–	–	(51,648)	518,985	29.03.2018	29.03.2020
	8,694	–	–	–	8,694	29.03.2018	05.05.2020[1]
	571,185	–	–	(51,717)	519,468	29.03.2018	29.03.2021
	72,894	–	–	–	72,894	23.11.2018	23.11.2020
	–	12,276	(12,276)	–	–	01.04.2019	31.07.2019
	–	12,276	(12,276)	–	–	01.04.2019	30.12.2019
	–	12,276	–	–	12,276	01.04.2019	30.06.2020
	–	23,028	–	–	23,028	01.04.2019	01.04.2020
	–	1,127,082	–	(67,746)	1,059,336	01.04.2019	01.04.2021
	–	1,127,082	–	(67,746)	1,059,336	01.04.2019	01.04.2022
	–	2,226	(2,226)	–	–	31.07.2019	31.07.2019
	–	2,226	(2,226)	–	–	31.07.2019	31.12.2019
	–	2,226	–	–	2,226	31.07.2019	30.06.2020
Total	**3,611,715**	**2,320,698**	**(1,036,668)**	**(376,842)**	**4,518,903**		

Notes:

1. The vesting date of these restricted shares were modified from 18 March 2019, 30 March 2020, 29 March 2020 and 29 March 2021 to 5 May 2020 with effect from 5 May 2019.

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

(III) Melco Resorts Philippines

Movements of the restricted shares, which were granted under the MRP Share Incentive Plan during the year ended 31 December 2019, are set out below:

(i) Restricted shares granted to the Directors

Name of Director	Number of restricted shares: As at 1 January 2019	Awarded during the year	Vested during the year	Cancelled during the year[1]	As at 31 December 2019	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	2,731,273	–	–	(2,731,273)	–	30.09.2016	30.09.2019
	2,731,273	–	–	(2,731,273)	–		
Mr. Chung Yuk Man, Clarence	1,820,849	–	–	(1,820,849)	–	30.09.2016	30.09.2019
	374,922	–	–	(374,922)	–	01.08.2017	01.08.2019
	374,922	–	–	(374,922)	–	01.08.2017	01.08.2020
	669,320	–	–	(669,320)	–	29.03.2018	29.03.2019
	669,321	–	–	(669,321)	–	29.03.2018	29.03.2020
	669,321	–	–	(669,321)	–	29.03.2018	29.03.2021
	4,578,655	–	–	(4,578,655)	–		
Total	**7,309,928**	**–**	**–**	**(7,309,928)**	**–**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares: As at 1 January 2019	Awarded during the year	Vested during the year	Cancelled during the year[1]	As at 31 December 2019	Date of award	Vesting period
Other eligible participants[2]	12,144,478	–	–	(12,144,478)	–	30.09.2016	30.09.2019
	1,674,485	–	–	(1,674,485)	–	15.03.2017	24.04.2019
	562,382	–	–	(562,382)	–	01.08.2017	01.08.2019
	3,278,867	–	–	(3,278,867)	–	01.08.2017	01.08.2020
	669,320	–	–	(669,320)	–	29.03.2018	29.03.2019
	1,207,553	–	–	(1,207,553)	–	29.03.2018	29.03.2020
	1,207,559	–	–	(1,207,559)	–	29.03.2018	29.03.2021
	463,362	–	–	(463,362)	–	06.06.2018	06.06.2019
	463,363	–	–	(463,363)	–	06.06.2018	06.06.2020
	463,363	–	–	(463,363)	–	06.06.2018	06.06.2021
Total	**22,134,732**	**–**	**–**	**(22,134,732)**	**–**		

Notes:

1. On 22 May 2019, Melco Resorts Philippines offered to all eligible participants of the MRP Amended 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 Melco Resorts Philippines and the acquiescence of such SIP Retirement Arrangements has been obtained from the Philippine Securities and Exchange Commission on 17 May 2019. All eligible participants elected to participate in the SIP Retirement Arrangements and all Outstanding Awards under the MRP Amended Share Incentive Plan were irrevocably cancel irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in 2018 annual report, Mr. Ho, Lawrence Yau Lung had effective beneficial interests in Shun Tak Holdings Limited ("STHL"), Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and SJM Holdings Limited ("SJM") of not more than 3%. These interests were held through a number of intermediary companies in which Mr. Ho, Lawrence Yau Lung has interests. STHL, STDM and SJM are involved in hotel and/or casino business, which compete with the business of the Company's subsidiary, Melco Resorts, in Macau. Mr. Ho, Lawrence Yau Lung is not a director of STHL, STDM and SJM and has no involvement with, and does not exercise any control or influence on, management and the operations of STHL, STDM and SJM. During the year, Mr. Ho, Lawrence Yau Lung disposed of, and ceased to have any interests in the abovementioned companies.

Save as disclosed above, during the year, no Director 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 TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Group entered into the following connected transaction and continuing connected transactions, which are subject to announcement and reporting requirements but are exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules:

(I) Connected Transaction

Grant of Restricted Shares to a Director by Melco Resorts

On 1 April 2019, Melco Resorts granted restricted shares in respect of 409,076 Melco Resorts ADSs (equivalent to 1,227,228 Melco Resorts Shares) (the "Restricted Shares") to Mr. Ho, Lawrence Yau Lung under its share incentive plan. The Restricted Shares granted represented approximately 0.09% of Melco Resorts' issued shares as of 1 April 2019 and will be allotted and issued to Mr. Ho in two tranches, as to 613,614 Melco Resorts Shares and 613,614 Melco Resorts Shares on 1 April 2021 and 1 April 2022, respectively.

Based on the closing price of US$24.43 per Melco Resorts ADS as quoted on the NASDAQ Global Select Market on 1 April 2019, the market value of the Restricted Shares granted to Mr. Ho, Lawrence Yau Lung was approximately US$9.99 million. The purpose of the aforesaid grant of Restricted Shares to Mr. Ho, Lawrence Yau Lung is to recognize his contribution to the success and development of the Melco Resorts and its subsidiaries (the "Melco Resorts Group") and to incentivize and motivate him to continue to strive for the future development of Melco Resorts Group and its business.

Mr. Ho, Lawrence Yau Lung 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.

Further details of the above connected transaction were set out in the announcement of the Company dated 2 April 2019.

(II) Continuing Connected Transactions

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

As the previous ferry ticket sales framework agreement entered into between Melco Resorts Services Limited ("MRSL"), a subsidiary of the Company, and Shun Tak-China Travel Ship Management Limited ("STCTSML") expired on 31 December 2018, on 14 December 2018, MRSL (for itself and on behalf of the Group) entered into a new ferry ticket sales framework agreement (the "New Ferry Ticket Sales Framework Agreement") with STCTSML relating to the purchases from time to time by the Group of ferry tickets to and from Macau (the "Ferry Tickets") from STCTSML for a term of three years commencing from 1 January 2019 and expiring on 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 New 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 New 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, the Chairman and Chief Executive Officer of the Company. STCTSML is a majority-controlled company of certain family members of Mr. Ho, Lawrence Yau Lung. STCTSML is, 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 New Ferry Ticket Sales Framework Agreement is subject to annual caps for three years ending 31 December 2021. Annual caps of HK$34,200,000, HK$37,800,000 and HK$42,000,000 were set for the years ending 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

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

For the year ended 31 December 2019, the total amount of fees paid by Melco Resorts Group to STCTSML under the New Ferry Ticket Sales Framework Agreement was approximately HK$27,468,000 (the "Continuing Connected Transactions"), which is within the annual cap of HK$34,200,000 set for the year ended 31 December 2019 thereunder.

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

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

(ii) on normal commercial terms; and

(iii) in accordance with the New 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.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2019, which do not constitute connected transactions under the Listing Rules, are disclosed in note 47 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company are set out below:

Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of total issued shares	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	297,851,606	–	19.67%	2
Lasting Legend Ltd.	Beneficial owner	120,333,024	–	7.95%	2
	Interest of controlled corporation	297,851,606	–	19.67%	2
Trident Trust Company (Cayman) Limited	Trustee	418,184,630	–	27.62%	3
Great Respect Limited	Beneficial owner	309,476,187	–	20.44%	5
TMF (Cayman) Ltd.	Trustee	309,476,187	–	20.44%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	54,033,132	5,200,000	3.91%	8
	Interest of controlled corporations	473,241,975	–	31.25%	4
	Interest of spouse	4,212,102	–	0.28%	6
	Others	309,476,187	–	20.44%	5
Ms. Lo Sau Yan, Sharen	Beneficial owner	4,212,102	–	0.28%	–
	Interest of spouse	836,751,294	5,200,000	55.60%	7, 8
Southeastern Asset Management, Inc.	Investment manager	166,439,181	–	10.99%	–
The Capital Group Companies, Inc.	Interest of controlled corporation	87,811,000	–	5.80%	9

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company was 1,514,266,755.

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 297,851,606 shares held by Better Joy Overseas Ltd. The shares held by Better Joy Overseas Ltd. and the shares held by Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.

3. The 418,184,630 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 473,241,975 shares relate to the 297,851,606 shares, 120,333,024 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 19.67%, 7.95%, 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. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members (including his father, Dr. Ho Hung Sun, Stanley). TMF (Cayman) Ltd. is the trustee of the aforesaid discretionary family trust. Mr. Ho, Lawrence Yau Lung is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.

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

9. The Capital Group Companies, Inc. was deemed to be interested in the 87,811,000 shares which were beneficially owned by its wholly-owned subsidiary Capital Research and Management Company.

Save as disclosed above, as at 31 December 2019, 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 2019, the Company repurchased a total of 6,000,000 shares of the Company at an aggregate consideration of approximately HK$95,559,000 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the share repurchases during the year are as follows:

Month of share repurchase	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (before expenses) HK$
May 2019	6,000,000	16.00	15.62	95,559,000

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

In addition, during the year ended 31 December 2019, the trustee of the Company’s Share Purchase Scheme purchased on the Hong Kong Stock Exchange a total of 8,605,000 shares of the Company at a total consideration of approximately HK$165,319,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Purchase Scheme.

Save as disclosed above, during the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and 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 56 of this annual report.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by the Remuneration Committee, having regard to 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" section of this report and in note 38 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established for the purpose of reviewing and providing supervision over the Group's financial reporting 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 three times during the year. At the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with the 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 2019, donations and contributions by the Group for charitable and other purposes amounted to approximately HK$133,338,000 (2018: HK$85,264,800).

AUDITOR

Ernst & Young ("EY") was appointed as the new auditor of the Company on 25 July 2017 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu, who resigned from the office with effect from 25 July 2017. A resolution for re-appointment of EY as auditor of the Company is to be proposed at the 2020 annual general meeting.

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by EY.

On behalf of the Board

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

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 98 to 209, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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
Recoverability of trade receivables	
Referring to note 28 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$584 million as at 31 December 2019. 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 28 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of the controls over the Group's assessment of the collectability 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 24 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$5,407 million and approximately HK$16,992 million, respectively, as at 31 December 2019. Management performs impairment test annually at the end of each financial year, and the recoverable amounts of the Group's cash-generating units ("CGUs") or group of CGUs as at 31 December 2019 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 24 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 cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We evaluated the reasonableness of the inputs and assumptions used to determine the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans. We also involved our valuation specialists to assess the appropriateness of the discount rates and methodologies used; and re-performed the underlying calculations used in the Group's assessment and performed sensitivity testing of the inputs used.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Net revenues	5	44,987,768	40,724,673
Other income, gains and losses, net	6	(41,002)	75,201
Gaming tax and license fees	7	(19,984,104)	(18,594,419)
Employee benefits expenses	8	(7,590,422)	(6,892,961)
Depreciation and amortization		(6,065,756)	(5,163,392)
Loss on disposal of investment in an associate	26(b)	(7,593)	–
Loss on disposal of subsidiaries	40	–	(34,111)
Other expenses	9	(6,571,517)	(6,136,541)
Finance costs	10	(2,894,119)	(2,417,089)
Share of profits and losses of associates		796	737
PROFIT BEFORE TAX	11	1,834,051	1,562,098
Income tax	14	(65,893)	38,070
PROFIT FOR THE YEAR		1,768,158	1,600,168

	Note	2019 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		245,268	(247,242)
Reclassification of exchange reserve upon disposal of investment in an associate		28,703	–
		273,971	(247,242)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain arising from defined benefit obligations		(5,121)	2,157
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		268,850	(245,085)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,037,008	1,355,083
Profit for the year attributable to:			
Owners of the Company		689,772	522,571
Non-controlling interests		1,078,386	1,077,597
		1,768,158	1,600,168
Total comprehensive income for the year attributable to:			
Owners of the Company		857,947	405,242
Non-controlling interests		1,179,061	949,841
		2,037,008	1,355,083
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		HK$0.46	HK$0.34
Diluted		HK$0.45	HK$0.33

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	45,758,622	48,069,934
Right-of-use assets	35	7,694,763	–
Investment properties	18	348,000	310,000
Land use rights	19	–	5,387,867
Gaming license and subconcession	20	2,724,883	3,813,886
Goodwill	21	5,406,936	5,299,451
Trademarks	22	16,992,458	16,992,458
Other intangible assets	23	222,128	225,068
Investment in a joint venture	25	–	–
Investments in associates	26	–	13,869
Trade receivables	28	30,200	41
Prepayments, deposits and other receivables	29	1,347,468	1,478,875
Other financial assets	31	4,658,085	205,381
Deferred tax assets	36	27,710	23,431
Total non-current assets		85,211,253	81,820,261
CURRENT ASSETS			
Land use rights	19	–	166,057
Inventories	27	343,767	323,279
Trade receivables	28	2,216,044	1,899,851
Prepayments, deposits and other receivables	29	700,654	789,348
Tax recoverable		–	160
Other financial assets	31	676,717	1,094,507
Bank deposits with original maturities over three months		–	40,000
Cash and bank balances	30	11,213,138	11,892,778
Total current assets		15,150,320	16,205,980
CURRENT LIABILITIES			
Trade payables	32	171,977	198,341
Other payables, accruals and deposits received	33	11,199,008	13,359,787
Tax payable		80,433	51,227
Interest-bearing borrowings	34	420,967	3,537,301
Lease liabilities	35	574,737	271,434
Total current liabilities		12,447,122	17,418,090
NET CURRENT ASSETS/(LIABILITIES)		2,703,198	(1,212,110)
TOTAL ASSETS LESS CURRENT LIABILITIES		87,914,451	80,608,151

	Notes	**2019** HK$'000	**2018** HK$'000
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	33	173,637	231,984
Interest-bearing borrowings	34	40,907,850	35,264,619
Lease liabilities	35	2,729,820	1,984,308
Deferred tax liabilities	36	2,435,452	2,424,214
Total non-current liabilities		46,246,759	39,905,125
Net assets		41,667,692	40,703,026
EQUITY			
Share capital	37	5,669,692	5,660,190
Reserves		11,280,631	10,572,040
Equity attributable to owners of the Company		16,950,323	16,232,230
Non-controlling interests		24,717,369	24,470,796
Total equity		41,667,692	40,703,026

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

The consolidated financial statements on pages 98 to 209 were approved and authorized for issue by the Board of Directors on 31 March 2020 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 2019

	Attributable to owners of the Company												
	Share capital HK$'000 (note 37)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000 (note c)	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	5,624,135	7,053	(3,202,793)	5,796	(323)	(33,442)	137,154	(168,186)	47,897	16,463,776	18,881,067	26,732,934	45,614,001
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(118,555)	–	–	–	–	(118,555)	(128,687)	(247,242)
Actuarial gain arising from defined benefit obligations	–	–	–	–	1,226	–	–	–	–	–	1,226	931	2,157
Other comprehensive income/(loss) for the year	–	–	–	–	1,226	(118,555)	–	–	–	–	(117,329)	(127,756)	(245,085)
Profit for the year	–	–	–	–	–	–	–	–	–	522,571	522,571	1,077,597	1,600,168
Total comprehensive income/(loss) for the year	–	–	–	–	1,226	(118,555)	–	–	–	522,571	405,242	949,841	1,355,083
Exercise of share options	36,055	–	–	–	–	–	(14,510)	–	–	–	21,545	–	21,545
Recognition of share-based payments	–	–	–	–	–	–	30,944	–	145,062	–	176,006	107,129	283,135
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(5,821)	–	–	5,821	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	155,476	(151,301)	(4,175)	–	–	–
Dividends declared *(note 15)*	–	–	–	–	–	–	–	–	–	(167,889)	(167,889)	–	(167,889)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,012,618)	(1,012,618)
Share of special reserve of an associate	–	–	(1,814)	–	–	–	–	–	–	–	(1,814)	–	(1,814)
Change in ownership interests of certain subsidiaries *(note 42)*	–	–	(2,746,748)	–	–	–	–	–	–	–	(2,746,748)	(2,306,490)	(5,053,238)
Repurchase of shares *(note 37)*	–	–	–	–	–	–	–	–	–	(335,179)	(335,179)	–	(335,179)
	36,055	–	(2,748,562)	–	–	–	10,613	155,476	(6,239)	(501,422)	(3,054,079)	(3,211,979)	(6,266,058)
At 31 December 2018	5,660,190	7,053*	(5,951,355)*	5,796*	903*	(151,997)*	147,767*	(12,710)*	41,658*	16,484,925*	16,232,230	24,470,796	40,703,026

	Attributable to owners of the Company												
	Share capital HK$'000 (note 37)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000 (note c)	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	5,660,190	7,053	(5,951,355)	5,796	903	(151,997)	147,767	(12,710)	41,658	16,484,925	16,232,230	24,470,796	40,703,026
Exchange differences arising on translation of foreign operations	–	–	–	–	–	142,307	–	–	–	–	142,307	102,961	245,268
Reclassification of exchange reserve upon disposal of investment in an associate	–	–	–	–	–	28,703	–	–	–	–	28,703	–	28,703
Actuarial loss arising from defined benefit obligations	–	–	–	–	(2,835)	–	–	–	–	–	(2,835)	(2,286)	(5,121)
Other comprehensive income/(loss) for the year	–	–	–	–	(2,835)	171,010	–	–	–	–	168,175	100,675	268,850
Profit for the year	–	–	–	–	–	–	–	–	–	689,772	689,772	1,078,386	1,768,158
Total comprehensive income/(loss) for the year	–	–	–	–	(2,835)	171,010	–	–	–	689,772	857,947	1,179,061	2,037,008
Exercise of share options	9,502	–	–	–	–	–	(4,911)	–	–	–	4,591	–	4,591
Recognition of share-based payments	–	–	–	–	–	–	44,943	–	119,397	–	164,340	255,014	419,354
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(435)	–	–	435	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	82,401	(101,465)	19,064	–	–	–
Purchase of shares for unvested shares under the share award schemes *(note 37)*	–	–	–	–	–	–	–	(165,319)	–	–	(165,319)	–	(165,319)
Reclassification of share incentive plan from equity-settled to cash-settled *(note 38(III))*	–	–	–	–	–	–	–	–	–	–	–	(40,726)	(40,726)
Dividends declared *(note 15)*	–	–	–	–	–	–	–	–	–	(128,078)	(128,078)	–	(128,078)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,043,876)	(1,043,876)
Disposal of investment in an associate	–	–	(22,483)	–	–	–	–	–	–	–	(22,483)	–	(22,483)
Change in ownership interests of certain subsidiaries *(note 42)*	–	–	102,873	–	27	–	–	–	–	–	102,900	(102,900)	–
Repurchase of shares *(note 37)*	–	–	–	–	–	–	–	–	–	(95,805)	(95,805)	–	(95,805)
	9,502	–	80,390	–	27	–	39,597	(82,918)	17,932	(204,384)	(139,854)	(932,488)	(1,072,342)
At 31 December 2019	5,669,692	7,053*	(5,870,965)*	5,796*	(1,905)*	19,013*	187,364*	(95,628)*	59,590*	16,970,313*	16,950,323	24,717,369	41,667,692

* These reserve accounts comprise the consolidated reserves of HK$11,280,631,000 (2018: HK$10,572,040,000) 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 and (10) the difference between the cash consideration and net assets acquired for privatization of a subsidiary.

(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 of 31 December 2019, the aggregate balance of the reserves amounted to HK$245,255,000 (2018: HK$245,240,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,834,051	1,562,098
Adjustments for:			
Depreciation of property, plant and equipment	11	4,394,362	3,902,279
Amortization of intangible assets	11	1,109,435	1,095,056
Depreciation of right-of-use assets (2018: Amortization of land use rights)	11	561,959	166,057
(Gain)/loss on disposal of property, plant and equipment	6	(1,297)	11,876
Impairment losses on property, plant and equipment	9	82,425	–
Gain on lease modification	6	(45,359)	–
Allowance for doubtful debts, net	9	281,260	31,893
Impairment losses on other assets	9	62,321	–
Share-based compensation	8	403,937	289,817
Gain on fair value change of investment properties	6	(38,000)	(36,000)
Loss on fair value change of financial assets at fair value through profit or loss	6	335,381	866
Interest income	6	(77,032)	(47,140)
Finance costs	10	2,894,119	2,417,089
Loss on disposal of investment in an associate	26(b)	7,593	–
Loss on disposal of subsidiaries	40	–	34,111
Share of profits and losses of associates	26	(796)	(737)
		11,804,359	9,427,265
Changes in working capital:			
Increase in inventories		(17,405)	(49,318)
Increase in trade receivables		(630,275)	(647,112)
(Increase)/decrease in prepayments, deposits, other receivables and other assets		(51,404)	114,741
Decrease in trade payables		(27,852)	(14,439)
(Decrease)/increase in other payables, accruals and deposits received		(2,369,353)	1,393,351
Cash generated from operations		8,708,070	10,224,488
Income tax paid, net of refunds		(30,597)	(2,139)
Net cash generated from operating activities		8,677,473	10,222,349

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and deposits for property, plant and equipment		(3,510,420)	(5,320,739)
Payments for right-of-use assets		(2,347)	–
Payments for intangible and other assets		(17,463)	(231,105)
Purchase of financial assets at fair value through profit or loss		(4,905,816)	(350,476)
Placement of bank deposits with original maturities over three months		(63,241)	(416,951)
Decrease/(increase) in restricted cash		95,051	(42,290)
Acquisition of a subsidiary, net of cash acquired		(117,711)	–
Proceeds from disposal of property, plant and equipment		10,050	6,281
Proceeds from disposal of investment in and loan to an associate	26(b)	52,000	–
Proceeds from disposal of financial assets at fair value through profit or loss		389,352	311,299
Withdrawals of bank deposits with original maturities over three months		103,241	725,985
Repayment of loan from an associate		–	8,304
Interest received		77,631	47,193
Net outflow of cash from disposal of subsidiaries	40	–	(27,960)
Net cash used in investing activities		(7,889,673)	(5,290,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing borrowings		(22,400,500)	(6,271,196)
Payments of debt financing costs		(245,771)	–
Interest paid		(2,009,791)	(1,892,238)
Payments of lease liabilities (including associated interest)		(614,486)	(261,294)
Dividends paid		(164,078)	(131,709)
Dividends paid to non-controlling shareholders		(1,043,876)	(1,012,618)
Purchase of shares for the share award schemes		(165,319)	–
Repurchase of shares		(95,805)	(335,179)
Repurchase of Melco Resorts' shares		–	(5,113,955)
Acquisition of partial interests in subsidiaries		–	(1,550,313)
Proceeds from interest-bearing borrowings		25,232,502	10,115,338
Proceeds from exercise of share options		26,737	60,879
Net proceeds from issuance of shares by a subsidiary		227	1,643,020
Net cash used in financing activities		(1,480,160)	(4,749,265)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(692,360)	182,625
Cash and cash equivalents at beginning of year		11,892,778	11,768,251
Effect of foreign exchange rate changes, net		12,720	(58,098)
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,213,138	11,892,778
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,213,138	11,892,778

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

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

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment casino 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, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and 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. The Group, through its subsidiaries, including Studio City International Holdings Limited ("Studio City International Holdings"), which completed its initial public offering with its ADSs listed on the New York Stock Exchange in October 2018, also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Europe, the Group, through majority-owned subsidiaries, ICR Cyprus Holdings Limited and its subsidiaries (collectively referred to as "ICR Group"), is currently developing the City of Dreams Mediterranean, the integrated casino resort in Limassol, in the Republic of Cyprus ("Cyprus") and is currently operating a temporary casino in Limassol and three satellite casinos in Nicosia, Larnaca, Ayia Napa with the fourth satellite casino in Paphos opened in February 2020. Upon the opening of City of Dreams Mediterranean, the ICR Group will continue to operate four satellite casinos while operations 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. 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		Indirectly	
				2019	2018	2019	2018
Melco Resorts	Cayman Islands	Investment holding	Ordinary shares – United States dollars ("US$") 14,565,479 (2018: US$14,829,994)	–	–	56.54%	54.88%
COD Resorts Limited	Macau	Integrated entertainment resort development and related operations	Quota capital – Macau Pataca ("MOP") 1,050,000	–	–	56.54%	54.88%
MCO (NEA) Holdings Limited	Hong Kong	Investment holding	Ordinary share – Hong Kong dollars ("HK$")1	–	–	56.54%	54.88%
MCO Cotai Investments Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	56.54%	54.88%
MCO (Philippines) Investments Limited	The British Virgin Islands ("BVI")	Investment holding	Ordinary share – US$1	–	–	56.54%	54.88%
MCO Holdings Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	56.54%	54.88%
MCO International Limited	Cayman Islands	Investment holding	Ordinary shares – US$4	–	–	56.54%	54.88%
MCO Investments Limited ("MCO Investments")	Cayman Islands	Investment holding	Ordinary shares – US$2.02	–	–	56.54%	54.88%
MCO Nominee One Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	56.54%	54.88%
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	–	–	56.54%[3]	54.88%[3]
Melco Resorts and Entertainment (Philippines) Corporation ("MRP")	The Philippines	Investment holding	Common shares – the Philippine Peso ("PHP") 5,688,764,700 (2018: PHP5,687,270,800)	–	–	55.37%	53.75%
Melco Resorts Finance Limited ("Melco Resorts Finance")	Cayman Islands /Hong Kong	Financing	Ordinary shares – US$12.02	–	–	56.54%	54.88%

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018
Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure")	The Philippines	Integrated casino and entertainment resort development and related operations	Common shares – PHP2,281,894,500	–	–	55.37%	53.75%
MPHIL Holdings No. 1 Corporation	The Philippines	Investment holding	Common shares – PHP2,281,894,500	–	–	55.37%	53.75%
MPHIL Holdings No. 2 Corporation	The Philippines	Investment holding	Common shares – PHP2,281,894,500	–	–	55.37%	53.75%
MSC Cotai Limited	BVI	Investment holding	Ordinary shares – US$24,181.80	–	–	30.60%	29.93%
SCP Holdings Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.60%	29.93%
Studio City Company Limited ("Studio City Company")	BVI	Financing	Ordinary shares – US$3	–	–	30.60%	29.93%
Studio City Developments Limited	Macau	Integrated entertainment resort development	Quota capital – MOP6,001,000	–	–	30.60%	29.93%
Studio City Entertainment Limited	Macau	Management service provider	Quota capital – MOP101,000	–	–	30.60%	29.93%
Studio City Finance Limited ("Studio City Finance")	BVI/Hong Kong	Financing	Ordinary shares – US$3	–	–	30.60%	29.93%
Studio City Holdings Four Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.60%	29.93%
Studio City Holdings Limited	BVI	Investment holding	Ordinary share – US$1	–	–	30.60%	29.93%
Studio City Holdings Three Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.60%	29.93%
Studio City Holdings Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	30.60%	29.93%
Studio City International Holdings	Cayman Islands	Investment holding	Ordinary shares – Class A shares(4): US$24,181.80 Class B shares(4): US$7,251.18	0.24%	0.24%	30.60%	29.70%
Studio City Investments Limited	BVI	Investment holding	Ordinary shares – US$3	–	–	30.60%	29.93%

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2019	2018	2019	2018
ICR Cyprus Holdings Limited	Cyprus	Investment holding	Ordinary shares – Euro ("EUR") 1,000,000	– (note 42)	75%	42.41% (note 42)	–
Integrated Casino Resorts Cyprus Limited	Cyprus	Operation of an integrated casino resort and four satellite casinos	Ordinary shares – EUR11,000	–	–	42.41%	75%
ICR Cyprus Resort Development Co Limited	Cyprus	Integrated entertainment resort development and related operations	Ordinary shares – EUR11,000	–	–	42.41%	75%
Melco Leisure and Entertainment Group Limited	BVI/Hong Kong	Investment holding	Ordinary share – US$1	100%	100%	–	–
Melco Services Limited	BVI/Hong Kong	Provision of management services to group companies	Ordinary share – US$1	100%	100%	–	–
Entertainment Gaming Asia Inc.	U.S.	Development and operation of social gaming platforms and investment holding	Common shares – US$14,464	–	–	100%	100%
Melco Investment Resources Limited	BVI/Hong Kong	Financing	Ordinary share- US$1	100%	100%	–	–

* A share has no voting right.

1. 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 preferential 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, approximately 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 56.54% (2018: 54.88%) 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 Studio City International Holding. In addition, pursuant to the terms of a participation agreement ("Participation Agreement ") signed in 2018 among Studio City International Holding, MSC Cotai Limited ("MSC Cotai"), a subsidiary of Studio City International Holding, 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 canceled 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, Studio City Finance and Studio City Company, subsidiaries of the Company, had issued debt securities of HK$23,208,493,000, HK$4,673,407,000 and HK$6,620,659,000, respectively at the end of the year, as disclosed in note 34, in which the Group has no interest.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. 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 new and revised HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 *Business Combinations* – HKFRS 11 *Joint Arrangements* – HKAS 12 *Income Taxes* – HKAS 23 *Borrowing Costs*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards had no significant financial effect on these consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases* and the related interpretations when it became effective. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. HKFRS 16 also requires lessees and lessors to make more extensive disclosures than under HKAS 17.

The Group has adopted HKFRS 16 from 1 January 2019 using the modified retrospective method without restating comparative information. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under HKAS 17 and related interpretations at the date of initial application. The Group also elected to use the recognition exemption allowed by the standard on lease contracts where lease terms end within 12 months as of the commencement date and do not contain a purchase option ("short-term leases").

The effect of adopting HKFRS 16 as at 1 January 2019 is as follows:

	Effect of Change Increase/ (Decrease) HK$'000
Consolidated statement of financial position	
Non-current Assets	
Right-of-use assets	8,293,673
Land use rights	(5,387,867)
Property, plant and equipment	(1,529,568)
Prepayments, deposits and other receivables	(9,133)
Current Assets	
Land use rights	(166,057)
Prepayments, deposits and other receivables	(23,966)
Total assets	1,177,082
Non-current Liabilities	
Lease liabilities	1,045,865
Other payables, accruals and deposits received	(137,251)
Current Liabilities	
Lease liabilities	293,083
Other payables, accruals and deposits received	(24,615)
Total liabilities	1,177,082

The adoption of HKFRS 16 did not have an impact on retained profits as at 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 *Leases* (continued)

The Group has lease contracts for land, buildings, gaming equipment, transportation assets and furniture, fixtures and equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the leased assets and liabilities recognized under HKAS 17). The requirements of HKFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted by any related prepaid or accrued lease payments at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 reconcile to the operating lease and other commitments as at 31 December 2018 as follows:

	HK$'000
Operating lease and other commitments as at 31 December 2018	1,068,857
Weighted average incremental borrowing rate as at 1 January 2019	5.71%
Discounted operating lease commitments as at 1 January 2019	823,550
Less:	
Short-term leases	(1,390)
Leases committed but not yet commenced at 1 January 2019	(92,839)
Add:	
Finance lease liabilities previously recognized as at 31 December 2018	2,255,742
Adjustments as a result of different treatment of termination options	596,894
Others	12,733
Lease liabilities as at 1 January 2019	3,594,690

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new or amended HKFRSs that have been issued but are not yet effective in these consolidated financial statements:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[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 HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group will adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur 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 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group will adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

If 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.

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.

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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (policies under HKFRS 16 applicable from 1 January 2019)

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 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 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 (policies under HKFRS 16 applicable from 1 January 2019) (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.

Leases (policies under HKAS 17 applicable before 1 January 2019)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

Simplified approach

The Group applies the simplified approach in calculating ECLs. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 finance costs 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out, weighted average and specific identification methods. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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, and electronic gaming machines participation.

(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 incentives 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 expenses.

The Group operates different non-discretionary incentives 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 services 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)

(c) Electronic gaming machines participation

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

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 38 to the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

The cost of equity-settled transactions is recognized in employee benefits expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and awarded shares is reflected as additional share dilution in the computation of earnings per share.

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.

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 management of 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 management of the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

Lease term of contracts with renewal options (judgment under HKFRS 16 applicable from 1 January 2019)

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 28.

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 2019 were HK$45,758,622,000 (2018: HK$48,069,934,000) and HK$222,128,000 (2018: HK$225,068,000), respectively.

Impairment of goodwill and trademarks

Determining whether goodwill and trademarks are impaired requires an estimation of the recoverable amounts of the CGUs or group of CGUs to which goodwill and trademarks have been allocated, which 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 2019, the carrying amounts of goodwill and trademarks were HK$5,406,936,000 (2018: HK$5,299,451,000) and HK$16,992,458,000 (2018: HK$16,992,458,000), respectively. Details of the recoverable amount calculation are disclosed in note 24.

Leases – Estimating the incremental borrowing rate (estimation under HKFRS 16 applicable from 1 January 2019)

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, including ICR Group; and

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

4. SEGMENT INFORMATION (continued)

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 profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to the Philippine Parties (as defined in note 44), land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses, net, loss on disposal of investment in an associate and loss on disposal of subsidiaries. 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.

Segment net revenues and results
Year ended 31 December 2019

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment net revenues:			
Sales to external customers (note 5)	44,923,164	64,604	44,987,768
Intersegment sales	20,974	158	21,132
	44,944,138	64,762	45,008,900
Elimination of intersegment sales			(21,132)
Total net revenues			44,987,768
Adjusted EBITDA	12,498,829	(1,179)	12,497,650
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			(403,937)
Depreciation and amortization			(6,065,756)
Pre-opening costs			(29,667)
Development costs			(441,607)
Property charges and other			(195,015)
Payments to the Philippine Parties			(449,850)
Loss on disposal of investment in an associate			(7,593)
Interest income			77,032
Other income, gains and losses, net			(156,034)
Finance costs			(2,894,119)
Corporate expenses			(97,053)
Profit before tax			1,834,051

4. SEGMENT INFORMATION (continued)

Segment net revenues and results (continued)

Year ended 31 December 2018

	Casino and Hospitality HK$'000	**Others** HK$'000	**Total** HK$'000
Segment net revenues:			
Sales to external customers (note 5)	40,633,231	91,442	40,724,673
Intersegment sales	61,084	167	61,251
	40,694,315	91,609	40,785,924
Elimination of intersegment sales			(61,251)
Total net revenues			40,724,673
Adjusted EBITDA	10,862,754	(2,661)	10,860,093
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			(289,817)
Depreciation and amortization			(5,163,392)
Pre-opening costs			(398,232)
Development costs			(183,549)
Property charges and other			(253,102)
Payments to the Philippine Parties			(476,414)
Land rent to Belle Corporation			(23,525)
Loss on disposal of subsidiaries			(34,111)
Interest income			47,140
Other income, gains and losses, net			(7,939)
Finance costs			(2,417,089)
Corporate expenses			(97,965)
Profit before tax			1,562,098

4. SEGMENT INFORMATION (continued)

31 December 2019

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	99,375,401	437,413	99,812,814
Corporate and other unallocated assets			548,759
Total assets			100,361,573
Segment liabilities	51,698,830	119,465	51,818,295
Corporate and other unallocated liabilities			6,875,586
Total liabilities			58,693,881

31 December 2018

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	97,003,337	430,678	97,434,015
Corporate and other unallocated assets			592,226
Total assets			98,026,241
Segment liabilities	50,396,815	88,246	50,485,061
Corporate and other unallocated liabilities			6,838,154
Total liabilities			57,323,215

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	3,656,941	2,006	3,658,947

Year ended 31 December 2018

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	4,200,545	1,300	4,201,845

Geographical information

The Group's operations are mainly located in Macau, Hong Kong, the Philippines, Cyprus 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 associates and joint venture, by location of their head office.

Net revenues from external customers

	2019			2018		
	Casino and Hospitality HK$'000	**Others** HK$'000	**Total** HK$'000	**Casino Hospitality** HK$'000	**Others** HK$'000	**Total** HK$'000
Macau	39,456,905	–	39,456,905	35,570,263	–	35,570,263
Hong Kong	–	64,040	64,040	–	83,178	83,178
The Philippines	4,719,683	564	4,720,247	4,804,682	8,264	4,812,946
Cyprus	742,082	–	742,082	258,286	–	258,286
Japan	4,494	–	4,494	–	–	–
Total	44,923,164	64,604	44,987,768	40,633,231	91,442	40,724,673

4. SEGMENT INFORMATION (continued)

Geographical information (continued)

Non-current segment assets

	2019 HK$'000	2018 HK$'000
Macau	73,014,941	76,278,233
Hong Kong	787,473	491,252
The Philippines	4,896,226	3,559,136
Cyprus	1,346,537	962,358
Japan	472,717	285,020
Total	80,517,894	81,575,999

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 2019 and 2018, no individual customer contributed over 10% of the total net revenues of the Group.

5. NET REVENUES

For the year ended 31 December 2019

Segments	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Revenue from contracts with customers			
Casino gaming	38,989,486	–	38,989,486
Entertainment and resort facilities:			
Rooms	2,741,164	–	2,741,164
Catering service income	1,841,843	57,903	1,899,746
Entertainment, retail and other	1,350,671	–	1,350,671
Electronic gaming machines participation	–	564	564
Others	–	937	937
	44,923,164	59,404	44,982,568
Revenue from other sources			
Property rental income	–	5,200	5,200
Sales to external customers (note 4)	44,923,164	64,604	44,987,768

5. NET REVENUES (continued)

For the year ended 31 December 2018

Segments	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Revenue from contracts with customers			
Casino gaming	35,247,748	–	35,247,748
Entertainment and resort facilities:			
Rooms	2,438,042	–	2,438,042
Catering service income	1,600,437	77,864	1,678,301
Entertainment, retail and other	1,347,004	–	1,347,004
Electronic gaming machines participation	–	8,264	8,264
Others	–	518	518
	40,633,231	86,646	40,719,877
Revenue from other sources			
Property rental income	–	4,796	4,796
Sales to external customers (note 4)	40,633,231	91,442	40,724,673

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 and tokens, which represents the amounts owed in exchange for gaming chips and tokens held by a customer, (2) loyalty program liabilities, which represents the deferred allocation of revenues relating to incentive earned from Loyalty Programs, and (3) advance customer deposits and ticket sales, which represents 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 on the consolidated statements of financial position. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips and tokens 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 and tokens liabilities		Advance customer deposits and ticket sales		Loyalty program liabilities	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	5,002,012	3,614,688	3,080,799	3,346,701	365,958	289,411
Balance at 31 December	3,686,769	5,002,012	1,993,084	3,080,799	308,375	365,958
Increase/(decrease)	(1,315,243)	1,387,324	(1,087,715)	(265,902)	(57,583)	76,547

6. OTHER INCOME, GAINS AND LOSSES, NET

	2019	**2018**
	HK$'000	HK$'000
Dividend income from financial assets at fair value through profit or loss	116,604	9,279
Interest income on bank deposits	77,032	47,140
Service fees from the provision of consultancy services	5,699	13,000
Service fees from associates	–	1,302
Gain on lease modification	45,359	–
Gain on fair value change of investment properties	38,000	36,000
Gain/(loss) on disposal of property, plant and equipment	1,297	(11,876)
Loss on fair value change of financial assets at fair value through profit or loss	(335,381)	(866)
Insurance recovery	23,553	25,791
Foreign exchange loss, net	(40,688)	(71,231)
Others	27,523	26,662
	(41,002)	75,201

7. GAMING TAX AND LICENSE FEES

According to the gaming subconcession agreement for the gaming business in Macau as disclosed in note 20, the Group is required to pay to the Macau government a 35% gaming tax on gross revenues of the gaming operation in Macau. The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau government based on the number and type of gaming tables and gaming machines in operation.

According to the gaming license for the gaming business in the Philippines as disclosed in note 20, Licensees under the Regular License (as defined in note 44) are required to pay license fees to the Philippine Amusement and Gaming Corporation ("PAGCOR") ranging from 15% to 25% of its gross 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 disclosed in note 46.

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 disclosed in note 46.

8. EMPLOYEE BENEFITS EXPENSES

	2019	**2018**
	HK$'000	HK$'000
Wages, salaries and staff welfare	5,293,315	4,952,069
Discretionary bonus	1,119,519	998,281
Pension costs – defined contribution plans	258,445	185,647
Share-based compensation – equity-settled	400,508	289,817
Share-based compensation – cash-settled	3,429	–
Others	515,206	467,147
Total employee benefits expenses including directors' emoluments	7,590,422	6,892,961

9. OTHER EXPENSES

	2019 HK$'000	2018 HK$'000
Costs of inventories	866,898	795,509
Advertising and promotions	859,639	954,018
Other gaming operations expenses	652,929	656,956
Repairs and maintenance	647,577	718,150
Utilities and fuel	589,344	603,776
Payments to the Philippine Parties	449,850	476,414
Legal and professional fees	414,100	277,148
Transportation expenses	234,912	187,505
Operating supplies	188,645	173,024
Rental and other expenses	94,829	426,866
Impairment losses on property, plant and equipment	82,425	–
Allowance for doubtful debts, net	281,260	31,893
Impairment losses on other assets	62,321	–
Bad debt recovery	(23,804)	(52,564)
Others	1,170,592	887,846
	6,571,517	6,136,541

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
– interest-bearing borrowings	2,279,335	2,058,673
– lease liabilities	373,083	301,786
Amortization of debt financing costs	94,536	158,065
Other financing costs	22,808	40,725
Loss on modification or extinguishment of debts	124,357	27,126
	2,894,119	2,586,375
Less: capitalized in construction in progress ("CIP") (note)	–	(169,286)
	2,894,119	2,417,089

Note: Borrowing costs capitalized during the year ended 31 December 2018 were calculated by applying a capitalization rate of 4.86% to expenditure on qualifying assets.

11. PROFIT BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Depreciation of property, plant and equipment	17	4,394,362	3,902,279
Amortization of gaming license and subconcession	20	1,089,003	1,089,003
Depreciation of right-of-use assets (2018: Amortization of land use rights)	35/19	561,959	166,057
Amortization of other intangible assets	23	20,432	8,494
Less: capitalized in CIP		–	(2,441)
		6,065,756	5,163,392
Gross rental income from investment properties	5	(5,200)	(4,796)
Less: direct operating expenses incurred for investment properties that generated rental during the year		337	295
		(4,863)	(4,501)
Auditor's remuneration			
– Audit services to the Company		1,690	1,696
– Audit services to the subsidiaries		16,062	13,621
Total auditor's remuneration#		17,752	15,317

Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the nine (2018: nine) directors were as follows:

2019

	Mr. Ho, Lawrence Yau Lung HK$'000 (note b)	Mr. Evan Andrew Winkler HK$'000 (note b)	Mr. Chung Yuk Man, Clarence HK$'000 (note b)	Mr. Tsui Che Yin, Frank HK$'000 (note c)	Mr. Ng Ching Wo HK$'000 (note c)	Mr. Chow Kwong Fai, Edward HK$'000 (note d)	Mr. John William Crawford HK$'000 (notes d & e)	Dr. Tyen Kan Hee, Anthony HK$'000 (notes d & f)	Ms. Karuna Evelyne Shinsho HK$'000 (note d)	Total HK$'000
Fees	–	–	–	206	414	380	2,515	189	270	3,974
Other emoluments:										
Salaries and other benefits	27,716	10,236	9,255	–	–	–	–	–	–	47,207
Discretionary bonus (note a)	–	7,789	2,244	–	–	–	–	–	–	10,033
Pension costs – defined contribution plans	36	–	18	–	–	–	–	–	–	54
Share-based compensation	177,916	54,490	6,389	327	543	421	670	339	183	241,278
Total emoluments	205,668	72,515	17,906	533	957	801	3,185	528	453	302,546

2018

	Mr. Ho, Lawrence Yau Lung HK$'000 (note b)	Mr. Evan Andrew Winkler HK$'000 (note b)	Mr. Chung Yuk Man, Clarence HK$'000 (note b)	Mr. Tsui Che Yin, Frank HK$'000 (note c)	Mr. Ng Ching Wo HK$'000 (note c)	Mr. Chow Kwong Fai, Edward HK$'000 (note d)	Mr. Sham Sui Leung, Daniel HK$'000 (notes d & h)	Dr. Tyen Kan Hee, Anthony HK$'000 (note d)	Ms. Karuna Evelyne Shinsho HK$'000 (notes d & g)	Total HK$'000
Fees	–	–	–	200	420	311	164	420	83	1,598
Other emoluments:										
Salaries and other benefits	29,318	12,389	9,919	–	–	–	–	–	–	51,626
Discretionary bonus (note a)	22,030	12,567	1,907	–	–	–	–	–	–	36,504
Pension costs – defined contribution plans	121	49	32	–	–	–	–	–	–	202
Share-based compensation	155,349	56,688	5,696	767	555	327	318	554	–	220,254
Total emoluments	206,818	81,693	17,554	967	975	638	482	974	83	310,184

Notes:

(a) The discretionary bonus is determined based on the Group's financial performance for the years ended 31 December 2019 and 2018.

(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. The Independent Non-executive Directors' emoluments shown above were for their services as directors of the Company.

(e) Mr. John William Crawford has been appointed as an Independent Non-executive Director of the Company with effect from 13 September 2019.

(f) Dr. Tyen Kan Hee, Anthony retired as an Independent Non-executive Director of the Company with effect from 13 June 2019.

(g) Ms. Karuna Evelyne Shinsho has been appointed as an Independent Non-executive Director of the Company with effect from 28 August 2018.

(h) Mr. Sham Sui Leung, Daniel retired as an Independent Non-executive Director of the Company with effect from 7 June 2018.

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

Directors' and Chief Executive's emoluments (continued)

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

Except for one director who waived emoluments of approximately HK$1,200,000 (2018: HK$1,200,000), no other directors waived any emoluments in the years ended 31 December 2019 and 2018.

During the year ended 31 December 2019, 16,771,000 share options under the share option scheme of the Company, 6,299,037 share options under the share incentive plan of Melco Resorts, 9,670,000 awarded shares under the share award scheme of the Company, 3,970,750 awarded shares under the share incentive plan of Melco Resorts and nil awarded shares under the share incentive plan of MRP (2018: 7,737,000, 1,470,000, 6,691,000, 569,748 and 2,007,962, respectively) were granted to the directors of the Company in respect of their services provided to the Group. Further details are set out in note 38.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2018: two) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor the Chief Executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	25,666	24,866
Discretionary bonus	28,738	17,078
Pension costs – defined contribution plans	2,163	2,156
Share-based compensation	48,035	30,216
	104,602	74,316

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	
	2019	2018
HK$17,500,001 to HK$18,000,000	–	1
HK$20,500,001 to HK$21,000,000	–	1
HK$25,500,001 to HK$30,000,000	2	–
HK$35,500,001 to HK$40,000,000	–	1
HK$45,500,001 to HK$50,000,000	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 38.

14. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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% (2018: 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 has also been 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. 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 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.

Philippine Corporate Income Tax has been provided at 30% (2018: 30%) on the estimated taxable income earned in or derived from the Philippines during the year, if applicable. Based on the Supreme Court of the Philippines decision in the case of Bloomberry Resorts and Hotels, Inc. vs. the Bureau of Internal Revenue, G. R. No. 212530 dated 28 November 2016, management believes that the gaming operations of Melco Resorts Leisure, the operator of City of Dreams Manila, are exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of PAGCOR charter, are paid.

Cyprus Corporate Income Tax has been provided at the rate of 12.5% on the estimated assessable profits arising in Cyprus during the year ended 31 December 2019. No provision for Cyprus Corporate Income Tax has been provided as the Group has no estimated assessable profits in Cyprus during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group disposed of its entire business and interests in three subsidiaries in Cambodia and deferred tax liabilities of approximately HK$39,294,000 had been written back in 2018. Particulars regarding the disposal of the subsidiaries were disclosed in note 40.

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

14. INCOME TAX (continued)

An analysis of the income tax expense/(credit) for the year is as follows:

	2019 HK$'000	2018 HK$'000
Current tax:		
Macau Complementary Tax	8,841	5,305
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	18,350
Hong Kong Profits Tax	500	364
Other jurisdictions	27,925	6,616
Sub-total	55,616	30,635
Under/(over) provision in prior years:		
Macau Complementary Tax	298	6,215
Hong Kong Profits Tax	(23)	(18,220)
Other jurisdictions	4,635	(2,587)
Sub-total	4,910	(14,592)
Deferred tax (note 36)	5,367	(54,113)
Total	65,893	(38,070)

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

	2019 HK$'000	2018 HK$'000
Profit before tax	1,834,051	1,562,098
Tax at the Macau Complementary Tax rate of 12% (2018: 12%)	220,086	187,452
Effect of different tax rates of the Company and subsidiaries operating in other jurisdictions	(12,473)	29,707
Effect of tax exemption granted by the Macau government and the Philippine government	(1,300,068)	(1,233,542)
Effect of income not taxable for income tax purposes	(104,301)	(114,478)
Effect of expenses not deductible for income tax purpose	635,516	353,460
Effect of tax losses not recognized	447,183	683,065
Utilization of tax losses previously not recognized	(2,475)	(2,848)
Effect of temporary differences not recognized	159,165	55,444
Lump sum in lieu of Macau Complementary tax on dividends	18,350	18,350
Under/(over) provision in prior years	4,910	(14,592)
Effect of share of results of associates and joint venture	–	(88)
Income tax expense/(credit) for the year	65,893	(38,070)

15. DIVIDENDS

Dividends recognized as distributions during the year:

	2019 HK$'000	2018 HK$'000
2019 Interim – HK6.11 cents (2018: 2018 Interim of HK4.5 cents) per share	92,501	69,029
2018 Final – HK2.35 cents (2018: 2017 Final of HK4.0 cents) per share	35,577	61,484
Assured Entitlement Distribution (note)	–	37,376
	128,078	167,889

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK3.01 cents (2018: HK2.35 cents) per share, totaling approximately HK$45,591,000 (2018: HK$35,577,000), for the year ended 31 December 2019, to the shareholders of the Company. The final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

Note:

In October 2018, Studio City International Holdings, a subsidiary of the Company, was spun-off by separately listing its ADSs on the New York Stock Exchange (the "Global Offering"). Pursuant to Practice Note 15 of the Listing Rules, in connection with the Global Offering, the Company made an assured entitlement distribution to the shareholders of the Company for a certain portion of the ADSs of Studio City International Holdings, by way of a distribution in specie, or distribution of the ADSs of Studio City International Holdings in kind, and for those shareholders of the Company who were entitled to fractional ADSs, elected to receive cash in lieu of ADSs or were not eligible to receive cash ("Assured Entitlement Distribution"). Concurrently with the Global Offering as a separate transaction, the Company had subscribed 800,376 Class A Ordinary Shares of Studio City International Holdings, equivalent to 200,094 ADSs, needed for the distribution in specie. On 2 November 2018, the Company declared the Assured Entitlement Distribution and the distribution of HK$37,376,000 was recognized as a dividend distribution for the year ended 31 December 2018.

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	689,772	522,571
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	(8,720)	(11,861)
Earnings for the purpose of diluted earnings per share	681,052	510,710

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,513,806	1,529,367
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	6,643	7,341
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,520,449	1,536,708

The number of shares adopted in the calculation of the basic and diluted earnings per share has been derived by excluding the shares of the Company held under a trust arrangement 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 profit attributable to the Company as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the years ended 31 December 2019 and 2018, the Company had outstanding share options and awarded shares that would potentially dilute the earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Machinery and equipment HK$'000	Transportation HK$'000	CIP HK$'000	Total HK$'000
Cost:										
At 1 January 2018	500,123	36,346,268	867,926	80,636	4,391,543	3,674,265	3,175	530,797	8,003,627	54,398,360
Exchange adjustments	(22,351)	(86,308)	(21,504)	–	(101,843)	(52,353)	–	(716)	(8,303)	(293,378)
Additions	188,438	122,292	276,054	–	1,388,329	1,058,508	–	48,640	1,120,177	4,202,438
Disposal of subsidiaries	–	–	–	–	(138)	(53)	–	–	(10,363)	(10,554)
Reclassification	–	8,563,358	970	–	(4,778)	3,992	–	(184)	(8,563,358)	–
Disposals and write-off	–	–	(24,838)	(44)	(118,183)	(89,037)	–	(990)	–	(233,092)
At 31 December 2018	666,210	44,945,610	1,098,608	80,592	5,554,930	4,595,322	3,175	577,547	541,780	58,063,774
Reclassification to right-of-use assets (note 2.2)	–	(1,981,249)	–	–	(4,370)	–	–	–	–	(1,985,619)
At 1 January 2019 upon adoption of HKFRS 16	666,210	42,964,361	1,098,608	80,592	5,550,560	4,595,322	3,175	577,547	541,780	56,078,155
Exchange adjustments	(10,619)	–	17,199	–	69,083	34,087	–	382	(6,727)	103,405
Additions	–	23,157	445,998	683	1,067,330	621,615	–	916,442	583,832	3,659,057
Acquisition of a subsidiary	–	5,828	–	–	3,594	3,153	–	3,187	–	15,762
Reclassification	–	–	1,772	–	(84,750)	85,522	–	–	(2,544)	–
Disposals and write-off	–	(18,176)	(54,303)	(70)	(144,021)	(162,759)	(3,175)	(5,759)	–	(388,263)
At 31 December 2019	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
Accumulated depreciation and impairment:										
At 1 January 2018	–	3,004,941	425,450	74,947	1,171,243	1,603,918	3,175	115,557	4,163	6,403,394
Exchange adjustments	–	(14,072)	(11,629)	–	(31,560)	(34,898)	–	(386)	–	(92,545)
Provided for the year	–	1,925,695	238,394	867	781,553	879,359	–	76,411	–	3,902,279
Disposal of subsidiaries	–	–	–	–	(138)	(52)	–	–	(4,163)	(4,353)
Eliminated on disposals and write-off	–	–	(21,401)	(43)	(116,830)	(75,671)	–	(990)	–	(214,935)
At 31 December 2018	–	4,916,564	630,814	75,771	1,804,268	2,372,656	3,175	190,592	–	9,993,840
Reclassification to right-of-use assets (note 2.2)	–	(451,911)	–	–	(4,140)	–	–	–	–	(456,051)
At 1 January 2019 upon adoption of HKFRS 16	–	4,464,653	630,814	75,771	1,800,128	2,372,656	3,175	190,592	–	9,537,789
Exchange adjustments	–	–	12,101	–	31,113	30,855	–	359	–	74,428
Provided for the year	–	1,950,956	251,229	747	1,030,468	1,030,042	–	130,920	–	4,394,362
Impairment	49,018	–	–	4,758	24,532	4,117	–	–	–	82,425
Eliminated on disposals and write-off	–	(18,176)	(52,226)	(71)	(143,097)	(157,006)	(3,175)	(5,759)	–	(379,510)
At 31 December 2019	49,018	6,397,433	841,918	81,205	2,743,144	3,280,664	–	316,112	–	13,709,494
Carrying values:										
At 31 December 2019	606,573	36,577,737	667,356	–	3,718,652	1,896,276	–	1,175,687	1,116,341	45,758,622
At 31 December 2018	666,210	40,029,046	467,794	4,821	3,750,662	2,222,666	–	386,955	541,780	48,069,934

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 2019 was HK$41,502,821,000 (2018: HK$43,260,122,000) (note 34).

The net carrying amount of the Group's property, plant and equipment held under finance leases mainly included in buildings as at 31 December 2018 was HK$1,529,568,000. Such amount was reclassified to right-of-use assets under category "Buildings" (note 35) upon the adoption of HKFRS 16 on 1 January 2019.

During the year ended 31 December 2019, an impairment loss of HK$49,018,000 was recognized against a parcel of freehold land which belongs to the Casino and Hospitality segment due to a significant decrease in its market value as of 31 December 2019. The recoverable amount of HK$140,959,000 represents fair value less cost of disposal and the fair value was determined using level 3 inputs based on the direct comparison method. Direct comparison method makes reference to market transactions of similar properties in similar locations to arrive 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 and circumstances of the properties, of approximately 324,000 Japanese Yen (equivalent to HK$23,000) per square meter. In addition, during the year ended 31 December 2019, impairment losses of HK$25,882,000 and HK$7,525,000 were recognized in full against the carrying amounts of other property, plant and equipment which belong to the Casino and Hospitality and Others segments respectively due to the reconfigurations or operating loss of certain Group's operating properties. All impairment losses are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income. No impairment loss was recognized during the year ended 31 December 2018.

18. INVESTMENT PROPERTIES

	2019	**2018**
	HK$'000	HK$'000
At 1 January	310,000	274,000
Net increase in fair value recognized in profit or loss	38,000	36,000
At 31 December	348,000	310,000
Unrealized gain on fair value change of investment properties included in other income, gains and losses, net (note 6)	38,000	36,000

All of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes, measured using the fair value model and are classified and accounted for as investment properties. All of the Group's investment properties have been pledged to secure against the Group's interest-bearing borrowings (note 34).

18. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes

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 works closely with the valuers to establish the appropriate valuation technique and inputs. The valuation technique is determined based on the availability and validity of the assumptions and inputs when performing the valuation and applying professional judgment. The fair values as at 31 December 2019 and 2018 were determined based on the direct comparison method.

The direct comparison method makes reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate. The bulk discount rate is derived from analyzing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. Also, the bulk discount rate has being taken into account the restriction on the terms that the car parking spaces have 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 is their current use.

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

Level 3 fair value measurement

Description	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Fair value 2019 HK$'000	Fair value 2018 HK$'000
Car parking spaces	Direct comparison method			348,000	310,000
	(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$880,000 to HK$1,280,000 (2018: HK$460,000 to HK$2,000,000) 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 approximates to 30% (2018: 35%) of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

19. LAND USE RIGHTS

	2019 HK$'000	2018 HK$'000
Cost:		
At 1 January	5,996,744	5,996,744
Reclassification to right-of-use assets (note 2.2)	(5,996,744)	–
At 1 January 2019 upon adoption of HKFRS 16 and 31 December 2019/31 December 2018	–	5,996,744
Accumulated amortization:		
At 1 January	(442,820)	(276,763)
Reclassification to right-of-use assets (note 2.2)	442,820	–
At 1 January 2019 upon adoption of HKFRS 16 and 1 January 2018	–	(276,763)
Charge for the year	–	(166,057)
At 31 December	–	(442,820)
Net carrying values	–	5,553,924
Current portion	–	(166,057)
Non-current portion	–	5,387,867

During the year ended 31 December 2018, land use rights were amortized over the estimated terms of approximately 31 to 40 years on a straight-line basis. The land use rights were reclassified to right-of-use assets under category "Land" (note 35) upon the adoption of HKFRS 16 on 1 January 2019. As at 31 December 2019 and 2018, the land use rights were pledged to secure against the Group's interest-bearing borrowings (note 34).

20. GAMING LICENSE AND SUBCONCESSION

	2019 HK$'000	2018 HK$'000
Cost:		
At 1 January and 31 December	6,702,315	6,702,315
Accumulated amortization:		
At 1 January	(2,888,429)	(1,799,426)
Charge for the year	(1,089,003)	(1,089,003)
At 31 December	(3,977,432)	(2,888,429)
Net carrying values	2,724,883	3,813,886

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 44) 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 in 2022 and 2033, respectively. During the years ended 31 December 2019 and 2018, the management of the Group determined that there is no impairment in gaming license and subconcession.

21. GOODWILL

	2019 HK$'000	2018 HK$'000
At 1 January	5,299,451	5,299,451
Acquisition of a subsidiary (note 41)	107,485	–
At 31 December	5,406,936	5,299,451

Particulars regarding impairment testing on goodwill are disclosed in note 24.

22. TRADEMARKS

	2019 HK$'000	2018 HK$'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 management of the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they 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 24.

23. OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Internal-use software HK$'000	Total HK$'000
Cost:			
At 1 January 2018	5,700	13,074	18,774
Additions	–	219,029	219,029
At 31 December 2018 and at 1 January 2019	5,700	232,103	237,803
Additions	–	17,463	17,463
Exchange adjustments	–	(16)	(16)
At 31 December 2019	5,700	249,550	255,250
Accumulated amortization:			
At 1 January 2018	–	4,241	4,241
Charge for the year	–	8,494	8,494
At 31 December 2018 and at 1 January 2019	–	12,735	12,735
Charge for the year	–	20,432	20,432
Exchange adjustments	–	(45)	(45)
At 31 December 2019	–	33,122	33,122
Carrying values:			
At 31 December 2019	5,700	216,428	222,128
At 31 December 2018	5,700	219,368	225,068

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.

During the years ended 31 December 2019 and 2018, the management of the Group determined that there is no impairment in other intangible assets.

24. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS

(a) Goodwill

As at 31 December 2019, the carrying amount of goodwill represented the goodwill arose from the deemed acquisition of Melco Resorts in 2016 of HK$5,299,451,000 (2018:HK$5,299,451,000) which was allocated to a group of CGUs under Melco Resorts and the goodwill of HK$107,485,000 arose from the acquisition in 2019 of the Japan Ski Resort (as defined in note 41), an individual CGU under Melco Resorts.

24. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS (continued)

(a) Goodwill (continued)

For the purpose of impairment testing on goodwill arising from the deemed acquisition of Melco Resorts, the recoverable amount of the group of CGUs has been determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 10.74% (2018: 11.22%). The discount rate used is pre-tax and reflects specific risks relating to the group of CGUs. The cash flows beyond the five-year period are extrapolated with implied growth rates ranging from 1% to 10% (2018: 2% to 10%).

(b) Trademarks

For the purpose of impairment testing, trademarks as set out in note 22 were allocated to four individual CGUs operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2019 and 2018 allocated to these units are as follows:

	2019 HK$'000	**2018** HK$'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 implied growth rates from 1% to 10% (2018: 2% 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 10.89%, 11.04%, 17.21% and 10.89% (2018: 12.07%, 10.14%, 17.30% and 12.07%), respectively. The discount rates used are pre-tax and reflected specific risks relating to the CGUs.

Cash flow projections during the budget period for CGUs or group of CGUs are based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the budget period. The assumptions and estimations are based on the 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.

During the years ended 31 December 2019 and 2018, management determined that there is no impairment of its CGUs or group of CGUs containing goodwill and trademarks.

25. INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2019 HK$'000	2018 HK$'000
Cost of unlisted investment	–	–

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

Name of entity	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2019	2018	Principal activities
Power Way Group Limited ("Power Way") (note)	BVI/Hong Kong	67.03%	67.03%	Inactive

Note:

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

Information of the joint venture held at the year end that is not material

	2019 HK$'000	2018 HK$'000
The Group's share of profits for the year	–	–
The Group's share of other comprehensive income for the year	–	–
The Group's share of total comprehensive income for the year	–	–
Unrecognized share of losses of the joint venture for the year	–	–
Cumulative unrecognized share of losses of the joint venture	(41)	(41)

26. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments in associates		
Listed in Canada	339,601	339,601
Unlisted	–	18,181
Net changes in investments in associates	54,370	54,370
Impairment losses recognized	(320,695)	(320,695)
Share of changes in net assets and exchange reserves	7,616	3,664
Share of post-acquisition results, net of dividends received	(80,892)	(81,252)
	–	13,869
Fair value of a listed investment (note a)	3,473	6,692
Carrying amount of investment in an associate with shares listed	–	–

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

Name	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group 2019	2018	Principal activities
Mountain China Resorts (Holding) Limited ("MCR") (note a)	Canada/ the People's Republic of China ("PRC")	16.69%	16.69%	Operation of ski resorts
Oriental Regent Limited ("Oriental Regent") (note b)	Hong Kong	–	5.00%	Investment holding

Notes:

(a) The shares of MCR are listed on TSX Venture Exchange of Canada (the "Canada Stock Exchange"). Fair value of such listed investment was determined at the market price of listed shares as of the year end on the Canada Stock Exchange (Level 1 fair value measurement). The Group is entitled to appoint one director to the board of MCR provided that any part of the loans to the associate 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 2019 and 2018.

(b) As at 31 December 2018, the Group, through New Crescent Investments Limited, a wholly-owned subsidiary of the Company, indirectly owned 5% equity interest in Oriental Regent. Oriental Regent is engaged in a gaming and resort business in the Russia Federation. Pursuant to the amended investment agreement dated 14 April 2016, the Group was entitled to appoint one director to the board of Oriental Regent, which governed the financial and operating policy decisions of Oriental Regent. Accordingly, Oriental Regent was an associate of the Group as at 31 December 2018. On 20 May 2019, the Group disposed of all of its equity interest in Oriental Regent and assigned its outstanding shareholder's loan to Oriental Regent to an independent third party for an aggregate consideration of HK$52,000,000, resulting in a loss on disposal of HK$7,593,000 recognized in profit or loss.

26. INVESTMENTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profits for the year	796	737
The Group's share of other comprehensive income for the year	–	–
The Group's share of total comprehensive income for the year	796	737
Aggregate carrying amount of the Group's investments in associates	–	13,869
Unrecognized share of (losses)/profits of the associates for the year	(6,181)	52,960
Cumulative unrecognized share of losses of the associates	(439,555)	(433,374)

27. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	235,257	216,011
Food and beverages	108,510	107,268
	343,767	323,279

28. TRADE RECEIVABLES

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

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

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables where it intends to settle on a net basis. As of 31 December 2019, the gross amounts of casino receivables are HK$4,338,915,000 (2018: HK$3,786,454,000) and the aggregate amounts of the commissions payable and front money deposits are HK$1,567,430,000 (2018: HK$1,642,645,000).

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 (2018: 30 days) would be granted.

The Group allows credit period of 15 days (2018: 15 days) to its trade customers related to the electronic gaming machines participation from Others segment.

28. 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:

	2019 HK$'000	2018 HK$'000
Within 1 month	1,398,460	1,376,669
More than 1 month but within 3 months	226,623	316,695
More than 3 months but within 6 months	278,720	292,183
More than 6 months	926,054	229,760
	2,829,857	2,215,307
Allowance for doubtful debts	(583,613)	(315,415)
	2,246,244	1,899,892
Non-current portion	(30,200)	(41)
Current portion	2,216,044	1,899,851

Movement in the allowance for doubtful debts

	2019 HK$'000	2018 HK$'000
At 1 January	315,415	304,807
Provision for doubtful debts, net	281,260	33,135
Write-off	(13,062)	(22,527)
At 31 December	583,613	315,415

For the year ended 31 December 2019, provision for doubtful debts, net of HK$281,260,000 (2018: HK$33,135,000) 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.

28. TRADE RECEIVABLES (continued)

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

As at 31 December 2019

	Expected credit loss rate	**Gross carrying amount** HK$'000	**Expected credit losses** HK$'000
Current	0.001%	1,134,470	17
Past due:			
Within 1 month	0.3%	263,990	776
More than 1 month but within 3 months	4.9%	226,623	11,101
More than 3 months but within 6 months	11.0%	278,720	30,588
More than 6 months	58.4%	926,054	541,131
	20.6%	2,829,857	583,613

As at 31 December 2018

	Expected credit loss rate	**Gross carrying amount** HK$'000	**Expected credit losses** HK$'000
Current	–	1,130,333	–
Past due:			
Within 1 month	0.8%	246,336	2,000
More than 1 month but within 3 months	8.9%	316,695	28,160
More than 3 months but within 6 months	27.3%	292,183	79,673
More than 6 months	89.5%	229,760	205,582
	14.2%	2,215,307	315,415

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Current assets		
Prepayments and other assets	435,775	495,579
Deposits	55,239	41,927
Other receivables	209,640	251,842
	700,654	789,348
Non-current assets		
Long-term prepayments and other assets	1,097,011	938,218
Rental, utilities and other deposits	131,560	118,705
Deposits for acquisition of property, plant and equipment	106,260	403,952
Other receivables	12,637	18,000
	1,347,468	1,478,875

Note: For the year ended 31 December 2019, impairment losses on other assets of HK$61,545,000 and HK$776,000 were recognized in profit or loss and included in the Casino and Hospitality and Others segments, respectively (2018: reversal of provision for doubtful debts on other receivables of HK$1,242,000 in the Casino and Hospitality segment).

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

	Notes	2019 HK$'000	2018 HK$'000
Current assets			
Financial assets at fair value through profit or loss	(a)	384,539	717,356
Restricted cash	(b)	292,178	377,151
		676,717	1,094,507
Non-current assets			
Financial assets at fair value through profit or loss	(c)	4,498,436	–
Restricted cash	(b)	159,649	166,736
Amount due from an associate	(d)	–	38,645
		4,658,085	205,381

31. OTHER FINANCIAL ASSETS (continued)

Notes:

(a) As at 31 December 2019 and 2018, the amount represents investments in mutual funds that mainly invest in bonds and fixed interest securities which are considered as marketable equity securities. During the year ended 31 December 2019, the Group sold certain mutual funds units amounting to HK$389,352,000. For the year ended 31 December 2019, an increase in fair value of HK$52,266,000 (2018: decrease in fair value of HK$866,000) was recognized in “Other income, gains and losses, net” in profit or loss.

(b) 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 the 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.

(c) As of 31 December 2019, the amount represents the investments in the marketable equity securities, which comprised investments in Crown Resorts Limited (“Crown”) of HK$4,431,451,000 and EHang Holdings Limited (“EHang”) of HK$66,985,000.

Investment in Crown

On 30 May 2019, Melco Resorts executed a definitive purchase agreement, as amended on 28 August 2019 (collectively, the “Share Sale Agreement”) pursuant to which Melco Resorts agreed to, through its subsidiary, acquire and an independent third party, CPH Crown Holdings Pty Limited (“CPH”), agreed to sell, an aggregate of 135,350,000 shares of Crown, an Australian-listed corporation, representing approximately 19.99% of the issued shares of Crown, in two equal tranches at Australian dollars (“AUD”) 13.00 per share and as to which the first tranche of the acquisition of approximately 9.99% issued shares of Crown was completed on 6 June 2019, and, accordingly, the Group recognized HK$4,832,282,000 as financial assets at fair value through profit or loss. For the year ended 31 December 2019, a decrease in fair value of HK$376,353,000 was recognized in “Other income, gains and losses, net” in profit or loss.

On 6 February 2020, Melco Resorts agreed with CPH to terminate the obligation to purchase a second tranche of approximately 9.99% issued shares of Crown as contemplated under the Share Sale Agreement at no consideration.

Investment in EHang

On 12 December 2019, the Company acquired 800,000 ADSs (1,600,000 Class A ordinary shares) at the offer price of US$12.50 per ADS in the initial public offering of EHang, a company with its ADSs listed on the Nasdaq Global Market. The 1,600,000 Class A ordinary shares held by the Company represented approximately 1.46% of the total issued ordinary shares (including both Class A and Class B ordinary shares) of EHang on 12 December 2019. The Group recognized the investment as financial assets at fair value through profit or loss of HK$78,280,000. For the year ended 31 December 2019, a decrease in fair value of HK$11,294,000 was recognized in “Other income, gains and losses, net” in profit or loss.

(d) As at 31 December 2018, amount due from an associate was unsecured, non-interest-bearing and repayable on 15 July 2020. The amount was fully settled during the year ended 31 December 2019 upon the disposal of the associate as further disclosed in note 26(b).

32. TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
Within 1 month	154,728	163,994
More than 1 month but within 3 months	13,898	21,897
More than 3 months but within 6 months	3,351	12,450
	171,977	198,341

The trade payables are non-interest bearing and are normally settled on credit terms of 30 to 45 days.

33. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Outstanding gaming chips and tokens liabilities	5	3,686,769	5,002,012
Advance customer deposits and ticket sales	5	1,993,084	3,080,799
Gaming tax and license fee payables		1,696,236	1,751,763
Accrued employee benefits expenses		1,330,459	1,151,619
Accrued operating expenses and other liabilities		1,022,433	1,067,519
Payable for acquisition of property, plant and equipment		538,195	494,951
Interest payable		395,866	129,294
Loyalty program liabilities	5	308,375	365,958
Construction costs payable		222,630	214,992
Amounts due to related companies	(a)	3,740	63,659
Dividends payable		1,221	37,221
		11,199,008	13,359,787
Non-current liabilities			
Other liabilities		86,353	13,955
Accrued employee benefits expenses		61,804	46,364
Deposits received		25,480	34,414
Deferred rental income		–	137,251
		173,637	231,984

Note (a):

As at 31 December 2018, amounts due to related companies were unsecured, non-interest-bearing and repayable on demand. The related companies are a joint venture and a subsidiary of MECOM Power and Construction Limited ("MECOM") in which Mr. Ho, Lawrence Yau Lung, a Director, Chairman and Chief Executive Officer of the Company, had shareholding interest of approximately 20% until 10 December 2019, the date on which Mr. Ho, Lawrence Yau Lung disposed of his entire shareholding interest in MECOM. Accordingly, MECOM and its joint venture and subsidiary have ceased to be the related companies of the Group since that date.

At as 31 December 2019, amounts due to related companies were unsecured, non-interest-bearing and repayable on demand.

34. INTEREST-BEARING BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured notes (note (i))	6,620,659	12,699,324
Secured bank loans (note (ii))	6,826,258	18,253,982
Unsecured notes (note (iii))	27,881,900	7,848,614
	41,328,817	38,801,920
Non-current portion	(40,907,850)	(35,264,619)
Current portion	420,967	3,537,301
Analyzed into:		
Borrowings repayable:		
Within one year or on demand	442,756	3,563,011
In the second year	7,070,603	12,658,947
In the third to fifth years, inclusive	10,651,968	14,853,484
After five years	23,367,033	7,831,527
	41,532,360	38,906,969
Less: debt financing costs and original issue premium	(203,543)	(105,049)
	41,328,817	38,801,920

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

	2019 HK$'000	2018 HK$'000
Fixed-rate borrowings	34,502,559	20,547,938
Variable-rate borrowings	6,826,258	18,253,982
	41,328,817	38,801,920

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

	2019 HK$'000	2018 HK$'000
HK$	24,417	11,546,541
US$	41,304,400	27,255,379
	41,328,817	38,801,920

During the year ended 31 December 2019, the Group obtained new interest-bearing borrowings of HK$25,232,502,000 (2018: HK$10,115,338,000) and repaid interest-bearing borrowings of HK$22,400,500,000 (2018: HK$6,271,196,000).

34. INTEREST-BEARING BORROWINGS (continued)

Notes:

(i) The secured notes bear interest rates ranging from 5.875% to 8.5% per annum and are payable semi-annually in arrears. The secured notes are denominated in US$ and due from 2019 to 2021. The secured notes are guaranteed by certain subsidiaries of the Group.

Certain indentures or agreements governing the secured notes, as the case may be, contain covenants that, subject to certain exceptions and conditions, limit the ability of respective borrowing groups to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) issue or sell capital stock; (iv) transfer, lease or sell assets; (v) create or incur certain liens; (vi) impair the security interests in the collateral; (vii) enter into agreements that restrict the ability of the restricted subsidiaries of relevant borrowing groups to pay dividends, transfer assets or make intercompany loans; (viii) change the nature of the business of the relevant group; (ix) enter into transactions with shareholders or affiliates; and (x) effect a consolidation or merger. The indentures or agreements governing the secured notes also contain conditions and events of default customary for such financings.

On 31 December 2018, the Group used the entirety of the net proceeds from the Global Offering of Studio City International Holdings to partially redeem the US$825,000,000 8.5% senior notes due 2020 (the “2020 Senior Notes”) in an aggregate principal amount of US$400,000,000 (equivalent to HK$3,132,611,000), together with accrued interest. The Group recorded a loss on extinguishment of debt of HK$25,343,000 during the year ended 31 December 2018, in connection with this redemption. On 22 January 2019, the Group initiated a conditional tender offer (the “Conditional Tender Offer”) to purchase the outstanding balance of the 2020 Senior Notes in an aggregate principal amount of US$425,000,000 with accrued interest. The Conditional Tender Offer expired on 4 February 2019 with an US$216,500,000 (equivalent to HK$1,699,412,000) aggregate principal amount of the notes tendered. The tendered and remaining outstanding 2020 Senior Notes in an aggregate principal amount of US$425,000,000 (equivalent to HK$3,336,131,000) were fully redeemed on 13 March 2019, together with accrued interest which were funded by the issuance of unsecured senior notes with an aggregate principal amount of US$600,000,000 (equivalent to HK$4,709,687,000) due 2024 (as described below at note (iii)). Accordingly, the Group recorded a loss on modification and extinguishment of debts of HK$105,401,000 for the year ended 31 December 2019.

On 30 November 2019, the Group repaid in full the US$350,000,000 5.875% senior notes due 2019 (equivalent to HK$2,726,154,000) at maturity, together with accrued interest with cash on hand.

(ii) The secured bank loans bear interest at Hong Kong Interbank Offered Rate (“HIBOR”) or London Interbank Offered Rate (“LIBOR”) plus applicable margin ranging from 1.25% to 4.00% per annum. The secured bank loans are denominated in HK$ or US$ and are repayable in instalments or at maturity within the period from 2020 to 2022. Certain of the secured bank loans consisted of term loan facilities and revolving credit facilities. As at 31 December 2019, secured bank loans amounted to HK$10,162,147,000 (2018: HK$2,206,658,000) were available for future drawdown, subject to satisfaction of certain conditions precedent. The secured bank loans are guaranteed by certain subsidiaries of the Group.

In 2018, the Group drew down a revolving credit facility of US$203,000,000 (equivalent to HK$1,579,336,000) to fund the full repayments of an unsecured bond of HK$760,000,000 and one of the secured bank loans of HK$546,000,000 at their maturities and for general corporate purposes.

During the year ended 31 December 2019, the Group drew down HK$4,896,310,000 from revolving credit facilities, of which HK$3,925,000,000 was used to partly fund the acquisition of the first tranche of shares of Crown on 6 June 2019 as disclosed in note 31(c).

During the year ended 31 December 2019, secured bank loans of HK$16,338,215,000 was repaid and the Group recorded a loss on extinguishment of debt of HK$18,956,000.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(ii) (continued)

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.

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

On 11 February 2019, the Group issued US$600,000,000 (equivalent to HK$4,709,687,000) in an aggregate principal amount of 7.25% senior notes due 2024. The net proceeds were used to fund the Conditional Tender Offer, and to redeem the remaining outstanding 2020 Senior Notes in an aggregate principal amount of US$208,500,000 (equivalent to HK$1,636,719,000) with accrued interest on 13 March 2019.

On 26 April 2019, the Group issued US$500,000,000 (equivalent to HK$3,922,000,000) in an aggregate principal amount of 5.25% senior notes due 2026 (the “2026 Senior Notes”). On 8 May 2019, the Group used the net proceeds of the 2026 Senior Notes and cash on hand to partially repay an outstanding revolving credit facility in aggregate principal amount of HK$3,983,000,000, together with accrued interest and associated cost.

On 17 July 2019, the Group issued US$600,000,000 (equivalent to HK$4,694,395,000) in an aggregate principal amount of 5.625% senior notes due 2027 (the “2027 Senior Notes”). On 24 July 2019, the Group used the net proceeds of the 2027 Senior Notes and cash on hand to partially repay an outstanding revolving credit facility in aggregate principal amount of HK$4,638,000,000, together with accrued interest and associated costs.

On 4 December 2019, the Group issued US$900,000,000 (equivalent to HK$7,010,110,000) in an aggregate principal amount of 5.375% senior notes due 2029 (the “2029 Senior Notes”). On 10 December 2019 and 12 December 2019, the Group used the net proceeds of the 2029 Senior Notes and cash on hand to fully repay an outstanding revolving credit facility in aggregate principal amount of HK$4,232,500,000 and partially prepay an outstanding term loan facility in aggregate principal amount of HK$2,750,000,000, respectively, together with accrued interest and associated costs.

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.

(iv) As of 31 December 2019, an unsecured credit facility amounted to PHP2,350,000,000 (equivalent to HK$360,715,600) (2018: PHP2,350,000,000 (equivalent to HK$349,064,000)) was available for future drawdown, subject to satisfaction of certain conditions precedent. The availability period of this facility was extended from 31 May 2019 to 31 May 2020, on substantially similar terms as before, except that (i) the Philippine Dealing System Treasury Reference Rates PM is replaced by PHP BVAL Reference Rate and (ii) the applicable interest rate margin is amended from a predetermined rate to a rate to be mutually agreed by the bank and the borrower at the time of drawdown.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(v) Borrowings amounting to HK$13,446,917,000 (2018: HK$30,953,306,000) as at 31 December 2019 are secured by the following assets of the Group:

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

(ii) investment properties (note 18);

(iii) certain land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent) (notes 19 and 35);

(iv) certain bank deposits;

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

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

35. 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 structure for City of Dreams Manila under the MRP Lease Agreement as described in note 44(d), Cyprus casino 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 contractual 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.

35. LEASES (continued)

Group as a lessee (continued)

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 2019	6,043,471	2,215,698	10,918	1,809	21,777	8,293,673	3,594,690
Additions	2,220	204,042	248	–	16,496	223,006	223,041
Acquisition of a subsidiary	7,030	–	–	214	446	7,690	9,732
Depreciation	(189,123)	(355,895)	(1,082)	(1,026)	(14,833)	(561,959)	–
Modification	(3,035)	(307,561)	(6,180)	–	(1,447)	(318,223)	(363,582)
Interest expense	–	–	–	–	–	–	373,083
Payments	–	–	–	–	–	–	(614,486)
Exchange adjustments	6,494	44,178	(231)	(18)	153	50,576	82,079
As at 31 December 2019	5,867,057	1,800,462	3,673	979	22,592	7,694,763	3,304,557
Analysed into:							
Current portion							574,737
Non-current portion							2,729,820

The maturity analysis of lease liabilities is disclosed in note 48(b).

The following are the amounts recognized in profit or loss in relations to leases for the year ended 31 December 2019.

	2019 HK$'000
Depreciation charge of right-of-use assets	561,959
Interest expense on lease liabilities	373,083
Expense relating to short-term leases	11,924
Variable lease payments not included in the measurement of lease liabilities	75,103
Total amount recognized in profit or loss	1,022,069

During the year ended 31 December 2018, the Group incurred rental expenses amounting to HK$361,619,000, which included contingent rental expenses of HK$124,788,000.

The Group has total cash outflows for leases of HK$701,513,000 in 2019.

As at 31 December 2019, the net carrying amount of right-of-use assets of HK$5,387,868,000 were pledged to secure against the Group's interest-bearing borrowings (note 34).

35. LEASES (continued)

Group as a lessee (continued)

Comparative information under HKAS 17 adopted in 2018

(a) Obligations under finance leases

As at 31 December 2018, the minimum lease payments and present value of minimum lease payments on the Group's obligations under finance leases related to MRP Lease Agreement as described in note 44(d) and other lease agreements with third parties for the lease of certain property, plant and equipment were as follows:

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Obligations under finance leases payable:		
Within one year	291,660	271,434
In the second year	321,063	261,218
In the third to fifth years, inclusive	1,087,407	678,906
After five years	3,654,440	1,044,184
Total minimum finance lease payments	5,354,570	2,255,742
Less: future finance charges	(3,098,828)	–
Total net finance lease payments	2,255,742	2,255,742
Current portion		(271,434)
Non-current portion		1,984,308

(b) Operating lease and other commitments

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases, right to use agreements and land concession contracts which fall due as follows:

	2018 HK$'000
Within one year	226,118
In the second to fifth years, inclusive	455,608
After five years	387,131
	1,068,857

35. LEASES (continued)

Group as a lessor

The Group entered into non-cancellable operating leases mainly for its investment properties and mall spaces in the site of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through August 2028. Certain of the operating leases include minimum base fees with contingent fee clauses based on a percentage of turnovers. For the years ended 31 December 2019 and 2018, the Group earned minimum operating lease income of HK$294,241,000 and HK$343,613,000, respectively, and variable lease income of HK$112,442,000 and HK$99,557,000, respectively.

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

	2019	**2018**
	HK$'000	HK$'000
Within one year	426,500	431,102
More than one year but within two years	342,674	372,751
More than two years but within three years	311,348	292,117
More than three years but within four years	314,572	277,875
More than four years but within five years	324,408	291,711
After five years	508,420	764,904
	2,227,922	2,430,460

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

36. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2019	**2018**
	HK$'000	HK$'000
Deferred tax assets	27,710	23,431
Deferred tax liabilities	(2,435,452)	(2,424,214)
	(2,407,742)	(2,400,783)

36. DEFERRED TAX (continued)

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

	Fair value adjustment on property, plant and equipment, land use rights, gaming license and subconcession and trademarks HK$'000	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(2,375,981)	(49,171)	–	–	8,233	(38,833)	(2,455,752)
Credit/(charge) to profit or loss for the year (note 14)	12,234	(20,174)	–	–	23,220	38,833	54,113
Exchange adjustments	3	726	–	–	127	–	856
At 31 December 2018 and 1 January 2019	(2,363,744)	(68,619)	–	–	31,580	–	(2,400,783)
Adoption of HKFRS 16 on 1 January 2019	–	–	(589,463)	589,463	–	–	–
Credit/(charge) to profit or loss for the year (note 14)	12,234	(29,043)	72,391	(72,391)	31,295	(19,853)	(5,367)
Exchange adjustments	–	(1,432)	–	–	(160)	–	(1,592)
At 31 December 2019	(2,351,510)	(99,094)	(517,072)	517,072	62,715	(19,853)	(2,407,742)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$10,911,809,000 (2018: HK$10,232,804,000). A deferred tax asset has been recognized in respect of HK$380,071,000 (2018: HK$189,513,000) 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$10,531,738,000 (2018: HK$10,043,291,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$7,177,091,000 (2018: HK$6,467,074,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 3 to 10 years (2018: 3 to 10 years). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$3,244,700,000 (2018: HK$2,597,642,000) in respect of the decelerated accounting depreciation. No deferred tax asset has been recognized in relation to this deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

37. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
			HK$'000	HK$'000
Issued and fully paid:				
At 1 January	1,519,627,055	1,536,158,255	5,660,190	5,624,135
Repurchase of shares	(6,000,000)	(18,587,000)	–	–
Exercise of share options	639,700	2,055,800	9,502	36,055
At 31 December	1,514,266,755	1,519,627,055	5,669,692	5,660,190

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

During the year ended 31 December 2019, the Company repurchased a total of 6,000,000 (2018: 18,587,000) shares of the Company at an aggregate consideration of approximately HK$95,559,000 (2018: HK$334,318,000) (before expenses) on the Hong Kong Stock Exchange. The repurchase was made with a view to enhancing the earnings per share of the Company. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases during the year are as follows:

Month of share repurchase	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid HK$
May 2019	6,000,000	16.00	15.62	95,559,000

During the year ended 31 December 2019, the trustee of the Share Purchase Scheme as defined in note 38 under the Company's share award scheme purchased 8,605,000 (2018: nil) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$165,319,000 (2018: nil) which were for future vesting of unvested shares under the Company's Share Purchase Scheme.

As at 31 December 2019, 4,727,085 (2018: 784,835) and 75,000 (2018: 75,000) issued shares of the Company were held by the Company's Share Purchase Scheme and Share Subscription Scheme as defined in note 38 under the Company's share award scheme, respectively.

38. LONG TERM INCENTIVE SCHEMES

(I) The Company

Share option schemes

The Company operates two share option schemes, one adopted by the Company on 8 March 2002 (the “2002 Share Option Scheme”) and a new one adopted by the Company on 30 May 2012 (the “2012 Share Option Scheme”) following the expiry of the 2002 Share Option Scheme on 7 March 2012, for grants of options, subject to certain criteria as defined in the share option schemes, to eligible participants including directors, employees and consultants of the Group and its affiliates to purchase the Company’s ordinary shares. The purpose of the share option schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations and to encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The 2002 Share Option Scheme and the 2012 Share Option Scheme both have a term of 10 years. Following the expiry of the 2002 Share Option Scheme as mentioned above, no further share options can be granted thereunder but the share options which had been granted during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue. The maximum term of a share option is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for share options to be granted under the 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 2019, the total number of shares available for issue under the 2012 Share Option Scheme is 58,771,538 shares and a total of 33,131,000 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 3.88% and 2.19% of the shares in issue, respectively.

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.

On 10 April 2018, the Company cancelled the outstanding share options previously granted to one of the directors and replaced the cancelled share options with new share options and share awards. The share options being cancelled were granted on 1 September 2016, 10 April 2017 and 7 June 2017 under the 2012 Share Option Scheme, including those unvested, or vested but not exercised. A total of 5,946,000 share options (the “Previously Granted Options”) were cancelled and replaced by a total of 5,946,000 new share options with an exercise price of HK$23.15 per share option (the “Replacement Options”) under 2012 Share Option Scheme and 2,194,000 new share awards (the “Replacement Share Awards”) pursuant to the Company’s Share Purchase Scheme.

The estimated fair values of the Previously Granted Options, the Replacement Options and the Replacement Share Awards were approximately HK$82,299,000, HK$51,433,000 and HK$50,791,000, respectively on 10 April 2018. The incremental fair value of approximately HK$19,925,000 had been recognized as share-based compensation expense during the year ended 31 December 2018.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted and/or modified, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ordinary shares trading on the Hong Kong Stock Exchange. Expected life 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 and/or modified under the 2012 Share Option Scheme were estimated on the dates of grant and/or modification using the following assumptions:

	Grant and/or modification date of the share options			
	Options granted on 10 April 2019	Options granted on 6 September 2019	Replacement Options and new options granted on 10 April 2018	Previously Granted Options modified on 10 April 2018
Share price at date of grant/modification of share options	HK$19.90	HK$18.96	HK$23.15	HK$23.15
Exercise price	HK$19.90	HK$18.96	HK$23.15	HK$8.69 – HK$20.07
Expected volatility	42%-45%	43%-44%	41%-45%	42%-45%
Expected life	3.10 – 6.10 years	3.90 – 5.90 years	3.10 – 6.10 years	3.05 – 7.76 years
Risk-free rate	1.60%	1.1%-1.3%	1.49%-1.72%	1.49%-1.79%
Expected dividend yield	0.4%	0.4%	0.3%	0.3%
Weighted average fair value of a share option at date of grant/modification	HK$6.92	HK$7.04	HK$8.42	HK$13.84

(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 2018	3,593,800	5.96
Exercised	(696,800)	5.58
Lapsed	(145,300)	11.05
Outstanding at 31 December 2018 and 1 January 2019	2,751,700	5.79
Exercised	(390,700)	5.23
Lapsed	(120,000)	2.99
Outstanding at 31 December 2019	2,241,000	6.03
Exercisable at 31 December 2019	2,241,000	6.03
Exercisable at 31 December 2018	2,751,700	5.79

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(a) 2002 Share Option Scheme (continued)

The weighted average share price at the date of exercise was HK$20.04 (2018: HK$22.71) during the year ended 31 December 2019.

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:

	2019		2018	
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)
2.01 – 3.00	–	–	290,000	0.25
3.01 – 4.00	386,000	0.27	396,000	1.27
5.01 – 6.00	819,000	1.27	819,000	2.27
7.01 – 8.00	1,036,000	2.07	1,246,700	3.07
	2,241,000		2,751,700	

(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 2018	16,877,000	11.93
Granted	2,295,000	23.15
Granted under modification	5,946,000	23.15
Exercised	(1,359,000)	12.99
Cancelled under modification	(5,946,000)	13.66
Lapsed	(1,746,000)	10.68
Outstanding at 31 December 2018 and 1 January 2019	16,067,000	17.09
Granted	17,313,000	19.13
Exercised	(249,000)	10.24
Outstanding at 31 December 2019	33,131,000	18.21
Exercisable at 31 December 2019	10,437,000	13.93
Exercisable at 31 December 2018	6,189,750	12.51

The weighted average share price at the date of exercise was HK$20.26 (2018: HK$24.51) during the year ended 31 December 2019.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(b) 2012 Share Option Scheme (continued)

The range of exercise prices and the weighted average remaining contractual term of the above share options outstanding as at the dates indicated are as follows:

	2019		2018	
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	6,786,000	6.27	7,035,000	7.27
14.01 – 15.00	800,000	7.28	800,000	8.28
18.01 – 19.00	14,200,000	9.69	–	–
19.01 – 20.00	3,113,000	9.28	–	–
23.01 – 24.00	8,232,000	8.28	8,232,000	9.28
	33,131,000		16,067,000	

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).

On 10 April 2018, the Company granted 2,194,000 Replacement Share Awards to a director for the modification of share options described in aforesaid share option schemes of the Company.

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.

38. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme

Movements of the awarded shares granted under the Share Purchase Scheme are set out below:

	Number of awarded shares	Weighted average grant date fair value HK$
Unvested at 1 January 2018	6,001,700	13.93
Granted	4,665,000	23.15
Granted under modification	2,194,000	9.08
Vested	(10,093,950)	14.99
Lapsed	(126,000)	13.13
Unvested at 31 December 2018 and 1 January 2019	2,640,750	22.18
Granted	9,867,000	19.44
Vested	(4,801,750)	21.13
Unvested at 31 December 2019	7,706,000	19.32

(b) Share Subscription Scheme

No award was granted or outstanding under the Share Subscription Scheme during the years ended 31 December 2019 and 2018.

(II) Melco Resorts

Melco Resorts share incentive plans

Melco Resorts operates two share incentive plans, one adopted by Melco Resorts in 2006 (the "Melco Resorts 2006 Share Incentive Plan"), as amended, and succeeded by a new one adopted by Melco Resorts on 7 December 2011 (the "Melco Resorts 2011 Share Incentive Plan"), which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options, restricted shares, share appreciation rights and other types of awards, subject to certain criteria as defined in the share incentive plans, to eligible participants including directors, employees and consultants of Melco Resorts and its subsidiaries and affiliates (including the Company). The purpose of the share incentive plans is to provide incentives and rewards to eligible participants who contribute to the success of Melco Resorts' operations and to encourage them to work towards enhancing value of Melco Resorts and its shares for the benefit of Melco Resorts and its shareholders as a whole.

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

The Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan both have a term of 10 years. Following the succession by the Melco Resorts 2011 Share Incentive Plan as mentioned above, no further awards can be granted thereunder the Melco Resorts 2006 Share Incentive Plan but the awards which had been granted during the life of the Melco Resorts 2006 Share Incentive Plan shall continue to be valid and exercisable in accordance with their terms of issue. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards to be granted under the Melco Resorts 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the Melco Resorts' ordinary shares in issue upon shareholders' approval of Melco Resorts, and shareholders' approval of Melco International (if required). As at 31 December 2019, the total number of shares available for issue under the Melco Resorts 2011 Share Incentive Plan is 59,055,920 Melco Resorts' ordinary shares (representing approximately 4.05% 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.

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				
	1 April 2019	**23 November 2018**	**2 April 2018**	**29 March 2018**	**16 March 2018**
Share price at date of grant of share options	US$8.14	US$5.66	US$9.40	US$9.66	US$9.15
Exercise price	US$8.14	US$5.66	US$9.40	US$9.66	US$9.15
Expected volatility	42%	42%	40%	40%	40%
Expected life	5.6 years	5.1 years	5.6 years	5.6 years	5.1 years
Risk-free rate	2.34%	2.88%	2.59%	2.60%	2.66%
Expected dividend yield	2.8%	2.5%	2.0%	2.0%	2.0%
Weighted average fair value of share options at the date of grant	US$2.59	US$1.84	US$3.14	US$3.23	US$2.97

38. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

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 2019 and 2018 are set out below:

	Number of share options	Weighted average exercise price US$
Outstanding at 1 January 2018	6,929,538	0.80
Exercised	(4,634,085)	0.38
Forfeited or expired	(5,985)	0.24
Outstanding at 31 December 2018 and 1 January 2019	2,289,468	1.64
Exercised	(138,036)	0.32
Outstanding at 31 December 2019	2,151,432	1.72
Exercisable at 31 December 2019	2,151,432	1.72
Exercisable at 31 December 2018	2,289,468	1.64

The weighted average share price at the date of exercise was US$6.98 (2018: US$8.42) during the year ended 31 December 2019.

38. 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:

	2019		2018	
Range of exercise prices US$	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)
0.01 – 1.00	55,860	0.40	193,896	0.55
1.01 – 2.00	2,095,572	1.23	2,095,572	2.23
	2,151,432		2,289,468	

(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 2019 and 2018 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 1 January 2018	13,446,511	5.55
Granted	5,461,929	9.25
Exercised	(778,269)	5.07
Forfeited or expired	(1,095,211)	6.25
Outstanding at 31 December 2018 and 1 January 2019	17,034,960	6.72
Granted	4,320,498	8.14
Exercised	(528,219)	5.30
Forfeited or expired	(1,037,079)	7.70
Outstanding at 31 December 2019	19,790,160	7.01
Exercisable at 31 December 2019	6,577,455	5.15
Exercisable at 31 December 2018	3,663,867	5.02

38. 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 weighted average share price at the date of exercise was US$7.57 (2018: US$9.88) during the year ended 31 December 2019.

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:

	2019		2018	
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	777,801	2.24	784,662	3.24
4.01 – 5.00	191,328	6.98	191,328	7.98
5.01 – 6.00	6,027,702	5.64	6,677,943	6.64
6.01 – 7.00	4,056,528	7.25	4,368,975	8.25
7.01 – 8.00	123,153	7.49	123,153	8.49
8.01 – 9.00	4,060,254	9.26	–	–
9.01 – 10.00	4,553,394	8.25	4,888,899	9.25
	19,790,160		17,034,960	

Restricted shares

Movements of the restricted shares granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2019 and 2018 are set out below:

	Number of restricted shares	**Weighted average grant date fair value**
		US$
Unvested at 1 January 2018	5,864,888	6.24
Granted	1,879,176	9.50
Vested	(2,159,189)	6.46
Forfeited	(345,801)	6.46
Unvested at 31 December 2018 and 1 January 2019	5,239,074	7.30
Granted	3,681,477	8.14
Vested	(1,438,533)	6.13
Forfeited	(376,842)	7.82
Unvested at 31 December 2019	7,105,176	7.94

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP

MRP share incentive plan

MRP adopted a share incentive plan on 24 June 2013 (the "MRP Share Incentive Plan"), which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options, restricted shares, share appreciation rights and other types of awards, subject to certain criteria as defined in the MRP Share Incentive Plan, to eligible participants including directors, employees and consultants of MRP and its subsidiaries and affiliates (including the Company). The purpose of the share incentive plan is to provide incentives and rewards to eligible participants who contribute to the success of MRP's operations and to encourage them to work towards enhancing value of MRP and its shares for the benefit of MRP and its shareholders as a whole.

The MRP Share Incentive Plan has a term of 10 years. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of common shares to be available for all awards to be granted under the MRP Share Incentive Plan is 442,630,330 shares and up to 5% of MRP's common shares in issue from time to time over 10 years. As at 31 December 2019, the total number of shares available for issue under the MRP Share Incentive Plan is 152,459,026 MRP's common shares (representing approximately 2.68% of the MRP common shares in issue). The exercise price of a share option grant was determined with reference to the market closing prices of MRP's common shares trading on the Philippine Stock Exchange, Inc. ("PSE") on the dates of grant. The share options generally vest over vesting periods of 2 to 3 years.

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 as disclosed in note 42 and the acquiescence of such SIP Retirement Arrangements was obtained from the Philippine Securities and Exchange Commission 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 the tender offer in 2018 and the Settlement Amount of the outstanding share options which was determined using the Black-Scholes valuation model.

As a result of the SIP Modification, on 31 May 2019, the Group recognized a liability of HK$35,139,000 with a corresponding reduction in non-controlling interests of HK$40,726,000 and an increment in the exchange reserve arising on translation of foreign operations of HK$5,587,000 for modification of all the Outstanding Awards from equity-settled to cash-settled, with other terms unchanged. Since the fair values of the modified awards and the original awards were the same on the modification date, no incremental share-based compensation expenses resulted. At the end of each reporting period until the liability is settled, the liability is accrued for the outstanding awards as they become vested at the Settlement Amount, with a corresponding share-based compensation expense recognized in profit or loss for the period.

As at 31 December 2019, the accrued liability associated with the Outstanding Awards under the SIP Modification was HK$11,672,000. No fair value gain or loss on remeasurement of the liability associated with the Outstanding Awards under the SIP Modification was recognized for the year ended 31 December 2019.

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

MRP uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted and/or modified, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant and/or modification. Expected volatility is based on the historical volatility of MRP's common shares trading on the PSE and a peer group of publicly traded companies. Expected life is based upon the expected exercise behavior of the outstanding options for the SIP Modification (2018: based upon the vesting term or the historical expected life of Melco Resorts). The risk-free interest rate used for each period presented is based on the Philippine government bond yield at the time of grant and/or modification for the period equal to the expected life.

Prior to the SIP Modification, the fair values of the restricted shares were determined with reference to the market closing prices of MRP's common shares trading on the PSE on the date of grant.

The fair values of share options granted and/or modified were estimated on the dates of grant/modification using the following assumptions:

	Grant and/or modification date of the share options	
	Previously granted options modified on 31 May 2019	**29 March 2018**
Share price at date of grant/modification	PHP7.25	PHP7.80
Exercise price	PHP6.15	PHP7.80
Expected volatility	45%	45%
Expected life	5.7 years	5.6 years
Risk-free rate	5.81%	5.69%
Expected dividend yield	–	–
Weighted average fair value of share options at the date of grant/ modification	PHP4.23	PHP3.89

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

Share options

Movements of share options granted under the MRP Share Incentive Plan during the years ended 31 December 2019 and 2018 are set out below:

	Number of share options	Weighted average exercise price PHP
Equity-settled		
Outstanding at 1 January 2018	15,067,193	6.10
Granted	2,158,552	7.80
Forfeited or expired	(190,240)	8.98
Outstanding at 31 December 2018 and 1 January 2019	17,035,505	6.28
Forfeited or expired	(1,064,332)	8.31
Modified to cash-settled	(15,971,173)	6.15
Outstanding at 31 December 2019	–	–
Exercisable at 31 December 2019	–	–
Exercisable at 31 December 2018	7,923,724	4.15

	Number of share options
Cash-settled	
Outstanding at 1 January 2019	–
Modified from equity-settled	15,971,173
Vested	(8,587,765)
Outstanding at 31 December 2019	7,383,408

The range of exercise prices and the weighted average remaining contractual term of the above equity-settled share options outstanding as at 31 December 2018 indicated are as follows:

	2018	
Range of exercise prices PHP	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)
3.01 – 4.00	6,796,532	6.88
5.01 – 6.00	1,531,112	8.21
7.01 – 8.00	2,158,552	9.25
8.01 – 9.00	6,549,309	7.88
	17,035,505	

38. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

Restricted shares

Movements of the restricted shares granted under the MRP Share Incentive Plan during the years ended 31 December 2019 and 2018 are set out below:

	Number of restricted shares	Weighted average grant date fair value PHP
Equity-settled		
Unvested at 1 January 2018	48,646,363	4.91
Granted	6,482,482	7.34
Vested	(20,506,393)	4.49
Forfeited	(5,177,792)	4.46
Unvested at 31 December 2018 and 1 January 2019	29,444,660	5.82
Forfeited	(376,236)	5.42
Modified to cash-settled	(29,068,424)	5.83
Unvested at 31 December 2019	–	–

	Number of restricted shares	Weighted average grant date fair value PHP
Cash-settled		
Unvested at 1 January 2019	–	–
Modified from equity-settled	29,068,424	5.83
Vested	(20,816,777)	4.94
Forfeited	(15,961)	4.38
Unvested at 31 December 2019	8,235,686	8.08

39. RETIREMENT BENEFIT SCHEMES

The Group has obligations to make the required contributions with respect to the below defined contribution retirement benefits schemes.

The Group operates defined contribution fund 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 a vesting schedule, achieving full vesting ranging from 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 a monthly fixed contribution or certain percentage of the employees' relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

Forfeited contributions totaling HK$22,547,000 (2018: HK$813,000) were utilized during the year ended 31 December 2019. As of 31 December 2019, HK$14,909,000 (2018: HK$23,034,000) was available to reduce future contributions.

During the year ended 31 December 2019, the Group's contributions into the defined contribution retirement benefits schemes were HK$258,445,000 (2018: HK$185,647,000).

40. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2018

In June 2018, the Group entered into certain agreements with two independent third parties (the "Buyers") to dispose of its entire business and interests in three subsidiaries in Cambodia (the "Cambodian Subsidiaries"). The consideration for disposal of the Cambodian Subsidiaries paid by the Group to the Buyers was approximately HK$27,230,000, which was primarily made in consideration for the Buyers to assume all liabilities arising from the operations of the Cambodian Subsidiaries. Accordingly, the Group had derecognized these liabilities upon completion of the disposal on 29 June 2018.

Information regarding the disposal of the Cambodian Subsidiaries is as follows:

	2018 HK$'000
Net assets disposed of:	
Property, plant and equipment	6,201
Prepayments, deposits and other receivables	55
Cash and bank balances	730
Other payables, accruals and deposits received	(105)
	6,881
Loss on disposal of subsidiaries	(34,111)
Total cash consideration paid by the Group	(27,230)

40. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 December 2018 (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration paid by the Group	(27,230)
Cash and bank balances disposed of	(730)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries	(27,960)

41. ACQUISITION OF A SUBSIDIARY

On 28 November 2019, the Group completed its acquisition of 100% equity interest in Kabushiki Kaisha Okushiga Kogen Resort (the "Japan Ski Resort"), a company currently operates a ski resort in Nagano, Japan, for a cash consideration of 1,685,000,000 Japanese Yen (equivalent to HK$120,506,000), for its business development in Japan. The acquisition was not material to the Group's consolidated financial statements. In connection with this acquisition, the Group recorded a provisional goodwill of HK$107,485,000 which is primarily attributable to the benefit of the future market development of the Group and is not deductible for tax purposes. Acquisition-related costs were expensed as incurred and were not significant.

The Group accounted for the acquisition as business combinations in accordance with the applicable accounting standards and recorded the assets acquired and liabilities assumed at their respective fair value as of the acquisition date. The Group estimated fair value using level 2 inputs, which are observable inputs for similar assets, and level 3 inputs, which are unobservable inputs, for other acquired assets and assumed liabilities. Given how recently the acquisition was completed, the allocation of fair value for assets acquired and liabilities assumed is preliminary and may be adjusted up to one year after the acquisition.

For the period from 28 November 2019 through 31 December 2019, the Japan Ski Resort's revenue and profit for the year were not material. Pro forma results of operations for the acquisition have not been presented because in the opinion of the management of the Group, they were not material to the consolidated statement of profit or loss and other comprehensive income.

42. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES

Melco Resorts and ICR Group

During the year ended 31 December 2018, Melco Resorts repurchased 32,190,355 ADSs (equivalent to 96,571,065 ordinary shares) from the open market for an aggregate consideration of approximately US$657,000,000 (equivalent to approximately HK$5,113,955,000) which increased the Group's ownership interest in Melco Resorts. During the year ended 31 December 2018, certain share options and restricted shares under 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 51.22% on 1 January 2018 to 54.88% on 31 December 2018. The Group recognized a decrease of HK$1,979,923,000 in the Group's special reserve and a decrease of HK$3,119,666,000 in non-controlling interests.

42. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES (continued)

Melco Resorts and ICR Group (continued)

On 24 June 2019, the Company entered into a share purchase agreement with Melco Resorts, pursuant to which the Company conditionally agreed to sell its entire shareholding in ICR Cyprus Holdings Limited to Melco Resorts. The consideration was US$375,000,000 (equivalent to approximately HK$2,930,054,000), which was satisfied by the issuance of 55,500,738 ordinary shares of Melco Resorts. The transaction was completed on 31 July 2019. ICR Cyprus Holdings Limited continues to be a subsidiary of the Company after completion of the transaction and the financial results of ICR Group continue to be consolidated within the consolidated financial statements of the Group after completion via the Group's controlling interest in Melco Resorts. During the year ended 31 December 2019, certain share options and restricted shares under 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 54.88% on 1 January 2019 to 56.54% on 31 December 2019 and the Group's ownership interest in ICR Group decreased from 75% on 1 January 2019 to 42.41% on 31 December 2019. The Group recognized an increase of HK$78,854,000 in the Group's special reserve and a decrease of HK$78,854,000 in non-controlling interests.

In March 2020, Melco Resorts repurchased 3,148,824 ADSs (equivalent to 9,446,472 ordinary shares) under its 2018 Share Repurchase Programs. The repurchase increased the Group's ownership interest in Melco Resorts by approximately 0.37% subsequent to 31 December 2019.

The Philippine subsidiaries

On 31 October 2018, MCO Investments conducted a voluntary tender offer (the "Tender Offer") for up to 1,569,786,768 outstanding common shares of MRP held by the public, at a price of PHP7.25 per MRP share, for the purpose of increasing and consolidating its shareholding interest in MRP. The Tender Offer expired on 29 November 2018 and 1,338,477,668 outstanding common shares of MRP were tendered and acquired by MCO Investments at the offer price of PHP7.25 per MRP share for a total amount of PHP9,703,963,000 (equivalent to HK$1,435,080,000) and were crossed (the "Cross Transaction") over the facilities of the PSE on 10 December 2018. An additional 107,475,300 common shares of MRP were acquired by MCO Investments from 6 December 2018 until 10 December 2018 at a total consideration of PHP779,196,000 (equivalent to HK$115,232,000). After the Cross Transaction, MRP's public ownership level fell below 10% required threshold over the Minimum Public Ownership Rules of the PSE. As a result, the share of MRP were automatically suspended for trading by the PSE on 10 December 2018. MRP was automatically delisted from the PSE effective on 11 June 2019, by reason of its public ownership remaining below the 10% minimum threshold prescribed under the PSE's Rule on Minimum Public Ownership for a period of more than six months. During the year ended 31 December 2018, certain restricted shares under MRP share incentive plan were vested which decreased the Group's ownership interest in MRP.

As a net result of the above transactions and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in MRP increased from 37.28% on 1 January 2018 to 53.75% on 31 December 2018. The Group recognized a decrease of HK$601,016,000 in the Group's special reserve and a decrease of HK$949,297,000 in non-controlling interests.

During the year ended 31 December 2019, MRP issued and its independent directors subscribed for 1,493,900 common shares of MRP with a par value of PHP1 per share, for a total consideration of PHP1,494,000 (equivalent to HK$227,000).

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 MRP increased from 53.75% on 1 January 2019 to 55.37% on 31 December 2019. The Group recognized an increase of HK$24,019,000 in the Group's special reserve and a decrease of HK$24,019,000 in non-controlling interests.

42. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES (continued)

Studio City International Holdings

During the year ended 31 December 2018, Studio City International Holdings completed its Global Offering. In connection with its offering, Studio City International Holdings issued (i) 28,750,000 ADSs, representing 115,000,000 Class A ordinary shares, (ii) 800,376 Class A ordinary shares to the Company to effect the Assured Entitlement Distribution (as described in note 15), pursuant to a concurrent private placement, and (iii) additional 4,312,500 ADSs, representing 17,250,000 Class A ordinary shares, pursuant to the full exercise by the underwriters of the over-allotment option.

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 Studio City International Holdings decreased from 30.73% on 1 January 2018 to 29.93% on 31 December 2018. The Group recognized a decrease of HK$165,809,000 in the Group's special reserve and an increase of HK$1,762,473,000 in non-controlling interests.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2019, property, plant and equipment amounting to HK$565,106,000 (2018: HK$532,554,000) were purchased from external parties and remained unsettled as at 31 December 2019.

During the year ended 31 December 2019, property, plant and equipment amounting to HK$3,300,000 (2018: HK$32,721,000) were purchased from related companies and remained unsettled as at 31 December 2019.

During the year ended 31 December 2019, change in prepayments, deposits, other receivables and other assets of HK$396,395,000 (2018: HK$347,766,000) was related to acquisitions of property, plant and equipment.

(b) Changes in liabilities arising from financing activities during the years ended 31 December 2019 and 2018

	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2018	34,466,735	2,328,423
Net changes of cash flows from financing activities	3,844,142	(261,294)
Foreign exchange movement	128,827	(112,389)
Other (note)	362,216	301,002
At 31 December 2018 and 1 January 2019	38,801,920	2,255,742
Adoption of HKFRS 16 on 1 January 2019	–	1,338,948
At 1 January 2019 upon adoption of HKFRS 16	38,801,920	3,594,690
Acquisition of a subsidiary	–	9,732
New leases	–	223,041
Net changes of cash flows from financing activities	2,832,002	(614,486)
Foreign exchange movement	(221,560)	82,079
Other (note)	(83,545)	9,501
At 31 December 2019	41,328,817	3,304,557

Note: "Other" mainly represents the effect of movement of debt financing costs, modification or extinguishment of debts, lease modification and interest incurred on lease liabilities during the year.

44. 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.

(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 46.

(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 46.

(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.

(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.

45. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	6,373,583	1,026,060

46. OTHER COMMITMENTS

Gaming Subconcession

On 8 September 2006, the Macau government granted a gaming subconcession to Melco Resorts Macau to operate its gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

(i) A fixed annual premium of MOP30,000,000 (equivalent to HK$29,126,000).

(ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- MOP300,000 (equivalent to HK$291,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kinds of games or to certain players;
- MOP150,000 (equivalent to HK$146,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and
- MOP1,000 (equivalent to HK$970) per year for each electrical or mechanical gaming machine, including the slot machine.

(iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

(iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

(v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favor of the Macau government in a maximum amount of MOP300,000,000 (equivalent to HK$291,262,000) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee issued by the bank to the Macau government as disclosed above, a sum of 1.75% of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

46. OTHER COMMITMENTS (continued)

Regular License

Other commitments required by PAGCOR under the Regular License include as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to HK$15,350,000) to ensure prompt and punctual remittances/payments of all license fees.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operations. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR Charter.

- 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.

- 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 be subject to the 5% fee except for rental income received from retail concessionaires.

- Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of 31 December 2019 and 2018, 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

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 Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranties.

Gaming License in 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 HK$21,826,000) per year for the first four years, and EUR5,000,000 (equivalent to HK$43,651,000) per year for the next four years. Upon the completion of the eight years and thereafter every four years during the term of the Cyprus License, the Cyprus government may review the annual license fee, with minimum of EUR5,000,000 (equivalent to HK$43,651,000) 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.

46. OTHER COMMITMENTS (continued)

Gaming License in Cyprus (continued)

(ii) aggregate annual license fee for three operating satellite casinos in Nicosia, Larnaca and Ayia Napa of EUR2,000,000 (equivalent to HK$17,461,000), with annual license fee for the fourth satellite casino in Paphos opened in February 2020 of EUR500,000 (equivalent to HK$4,365,000).

(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.

(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 31 December 2021 based on the decision of the council of Ministers in Cyprus made on 25 July 2019 (the "Opening Date"), the Group shall pay to the Cyprus government the amount of EUR10,000 (equivalent to HK$87,000) for each day the integrated casino resort remains unopened past the Opening Date, up to a maximum of EUR1,000,000 (equivalent to HK$8,730,000). If the integrated casino resort does not open for 100 business days past the Opening Date, the Cyprus government may terminate the Cyprus License.

Guarantees

Except as disclosed in note 34 and the bank guarantee under "Gaming Subconcession" section of this note, the Group had made the following significant guarantees as of 31 December 2019:

- Melco Resorts Macau has issued a promissory note ("Livrança") of MOP550,000,000 (equivalent to HK$533,981,000) to a bank in respect of the bank guarantee issued to the Macau government under its gaming subconcession.

- Melco Resorts has entered into two deeds of guarantee with third parties amounting to US$35,000,000 (equivalent to HK$272,615,000) to guarantee certain payment obligations of the City of Dreams' operations.

- 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 2019 was further extended to 31 August 2021, and is guaranteed by Studio City Company. As of 31 December 2019, approximately HK$5,000,000 of the Trade Credit Facility had been utilized.

- Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to HK$15,350,000) to a bank in respect of a surety bond issued to PAGCOR as disclosed above under the Regular License.

Litigation

As of 31 December 2019, the Group was a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impact on the Group's consolidated financial statements as a whole.

47. RELATED PARTY TRANSACTIONS

(a) The Group has entered into the following significant transactions with related parties:

	2019 HK$'000	2018 HK$'000
A joint venture and a subsidiary of MECOM: (note)		
Construction cost	63,999	79,026
Consultancy fee expense	78,614	91,893
Purchase of property and equipment	15,602	26,777

Note:

Mr. Ho, Lawrence Yau Lung, a Director, Chairman and Chief Executive Officer of the Company, had a shareholding interest of approximately 20% in MECOM during the year ended 31 December 2018 and until 10 December 2019, the date on which Mr. Ho, Lawrence Yau Lung disposed of his entire shareholding interest in MECOM. The amounts in 2019 represent the transactions with a joint venture and a subsidiary of MECOM during the period from 1 January 2019 to 10 December 2019. In July 2018, the Group entered into a term contract with EHY Construction and Engineering Company Limited ("EHY Construction"), a subsidiary of MECOM, pursuant to which EHY Construction agreed to provide certain services to the Group, including but not limited to structural steelworks, civil engineering construction and fitting out and renovation work for a term of three years. The performance by EHY Construction of these services under the term contract is subject to (i) individual work orders as may be issued to EHY Construction from time to time; and (ii) the maximum aggregate contract amount of HK$600,000,000. As of 31 December 2018, the Group had capital commitments contracted but not incurred with a joint venture and a subsidiary of MECOM mainly for the construction for Studio City totaling HK$15,851,000. The amounts included the services provided by EHY Construction of HK$128,148,000 during the period from 1 January 2019 to 10 December 2019 (during the year ended 31 December 2018: HK$180,395,000).

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	87,457	112,369
Post-employment benefits	887	1,067
Share-based compensation	270,442	239,844
	358,786	353,280

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.

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

2019

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortized cost HK$'000
Trade receivables	–	2,246,244
Financial assets included in prepayments, deposits and other receivables	–	409,076
Cash and bank balances	–	11,213,138
Equity investments at fair value through profit or loss	4,882,975	–
Restricted cash	–	451,827
	4,882,975	14,320,285

2018

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortized cost HK$'000
Trade receivables	–	1,899,892
Financial assets included in prepayments, deposits and other receivables	–	430,474
Bank deposits with original maturities over three months	–	40,000
Cash and bank balances	–	11,892,778
Equity investments at fair value through profit or loss	717,356	–
Restricted cash	–	543,887
Amount due from an associate	–	38,645
	717,356	14,845,676

48. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

Financial liabilities

	Financial liabilities at amortized cost	
	2019	**2018**
	HK$'000	HK$'000
Trade payables	171,977	198,341
Financial liabilities included in other payables, accruals and deposits received	4,703,264	6,311,370
Interest-bearing borrowings	41,328,817	38,801,920
Lease liabilities	3,304,557	2,255,742
	49,508,615	47,567,373

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, 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, 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 2019 and 2018. 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$.

48. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

The carrying amounts of the US$-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019	**2018**	**2019**	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000
US$	14,354,359	14,376,408	(21,334,613)	(20,968,887)

Sensitivity analysis

The Group is mainly exposed to transactions denominated in US$ against HK$, which is the functional currency of the relevant group entities.

The following table details the Group's sensitivity to a 1% increase or decrease in HK$ against US$. 1% is the sensitivity rate used for US$, when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US$-denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rate.

A positive number below indicates an increase in profit where the HK$ strengthens 1% against US$ and all other variables were held constant. For a 1% weakening of the HK$ against the relevant US$ and all other variables were held constant, there would be an equal and opposite impact on the profit.

	US$ Impact (note)
	HK$'000
2019: Profit for the year	69,803
2018: Profit for the year	65,925

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.

48. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(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 34 for details). The Group attempts to manage interest rate risk by managing the mix of long-term fixed-rate borrowings and variable-rate borrowings and mitigate the effects of fluctuations in cash flows.

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.

A negative number below indicates a decrease in the Group's profit if interest rate had been 50 basis points higher and all other variables were held constant. If 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 profit.

	Borrowings HK$'000
2019: Profit for the year	(34,356)
2018: Profit for the year	(91,714)

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 Macau and the Philippines, 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 2019, the Group has concentration of credit risk as 31% (2018: 18%) 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.

48. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

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, financial assets at fair value through profit or loss, deposits, other receivables and amount due from an associate. 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, restricted cash and financial assets at fair value through profit or loss was limited because they were deposited with or purchased from several banks with high credit ratings assigned by international credit-rating agencies. Trade receivables, deposits, other receivables and amount due from an associate 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 financial assets at fair value through profit or loss. For the years ended 31 December 2019 and 2018, 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, see note 28.

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 34. As at 31 December 2019, the Group had available unused banking facilities of HK$10,522,863,000 (2018: HK$2,555,722,000).

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 floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

48. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average interest rate	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
2019						
Trade and other payables	–	4,765,567	60,579	41,200	7,895	4,875,241
Borrowings	5.31%	2,761,797	9,330,536	15,066,929	26,324,407	53,483,669
Lease liabilities	11.81%	603,191	556,206	1,387,867	4,158,333	6,705,597
		8,130,555	9,947,321	16,495,996	30,490,635	65,064,507
2018						
Trade and other payables	–	6,467,853	31,411	3,203	7,244	6,509,711
Borrowings	5.01%	5,282,713	14,172,585	16,785,658	8,377,695	44,618,651
Lease liabilities	13.51%	291,660	321,063	1,087,407	3,654,440	5,354,570
		12,042,226	14,525,059	17,876,268	12,039,379	56,482,932

Other price risk

The Group is exposed to equity price risk through its investments in marketable equity securities included as financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 20% in current year (2018: 6%) which the management considered is a reasonable price fluctuation range.

If the prices of the respective equity security had been 20% (2018: 6%) higher/lower, profit for the year ended 31 December 2019 would increase/decrease by HK$976,595,000 (2018: HK$43,041,000) as a result of changes in fair value of the financial assets at fair value through profit or loss.

48. 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

	Level 1	
Financial assets	**2019**	**2018**
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
Equity securities	4,882,975	717,356

The fair values of the investments as at 31 December 2019 and 2018 were determined based on quoted market prices in active markets and were classified as Level 1 of the fair value hierarchy.

(ii) Fair values of the Group's financial assets and liabilities that are not measured at fair 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 management of 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.

49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which is the interest-bearing borrowings disclosed in note 34, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

	2019	**2018**
	HK$'000	HK$'000
Debt – interest-bearing borrowings (note 34)	41,328,817	38,801,920
Equity attributable to owners of the Company	16,950,323	16,232,230

The management of 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.

50. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of partially-owned subsidiaries that have material non-controlling interests

The table below shows details of partially-owned subsidiaries of the Group that have material non-controlling interests:

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
				HK$'000	HK$'000	HK$'000	HK$'000
Melco Resorts Group	Cayman Islands/Macau/ the Philippines/Cyprus	43.46%	45.12%	1,077,544	1,103,768	24,667,269	23,977,900
Individually immaterial subsidiaries with non-controlling interests				842	(26,171)	50,100	492,896
				1,078,386	1,077,597	24,717,369	24,470,796

The summarized financial information of Melco Resorts Group below represents amounts before intragroup eliminations.

Melco Resorts Group

	2019	2018
	HK$'000	HK$'000
Current assets	14,755,897	15,319,098
Non-current assets	89,376,377	85,206,403
Current liabilities	11,888,565	16,699,185
Non-current liabilities	39,818,735	33,611,954

	2019	2018
	HK$'000	HK$'000
Revenue	44,944,138	40,436,029
Expenses	42,637,827	38,139,565
Profit for the year	2,306,311	2,296,464
Other comprehensive income for the year	176,211	(285,115)
Total comprehensive income for the year	2,482,522	2,011,349
Dividend to non-controlling shareholders	1,043,876	1,012,618

50. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of partially-owned subsidiaries that have material non-controlling interests (continued)

Melco Resorts Group (continued)

	2019 HK$'000	2018 HK$'000
Net cash inflow from operating activities	6,550,729	8,283,085
Net cash outflow from investing activities	(8,083,796)	(4,779,193)
Net cash inflow/(outflow) from financing activities	760,818	(3,173,642)
Effect of foreign exchange rate changes	21,489	(12,788)
Net cash (outflow)/inflow	(750,760)	317,462

51. SUBSEQUENT EVENTS

In connection with the outbreak of the coronavirus (COVID-19) in the first quarter of 2020, severe travel restrictions, temporary business closures and other prohibitions have been imposed by the PRC, Macau, the Philippines, Cyprus and other countries throughout the world, which has significantly disrupted the Group's operations. On 5 February 2020, the Group's Macau casino operations were suspended for a 15-day period. On 20 February 2020, casino operations resumed in Macau with limited visitation from Hong Kong, Taiwan and certain regions of the PRC among other countries. In March 2020, the Macau government, the Hong Kong government and several provinces in the PRC, including Guangdong, imposed further entry bans, restrictions and quarantine requirements on nearly all visitors travelling to and from Macau, which is expected to significantly impact the Group's casino and resort operations.

On 15 March 2020, PAGCOR ordered the suspension of all casino operations in Metro Manila, which includes the City of Dreams Manila.

Also in March 2020, the Cyprus government suspended the Group's casino operations in Cyprus and placed restrictions on non-essential social and business activities such as suspension of most construction work within the country, including construction work at City of Dreams Mediterranean development.

The COVID-19 outbreak and the related events have also caused severe disruptions to the Group's resort tenants and other business partners, which may increase the risk of these entities defaulting on their contractual obligations with the Group.

The disruptions to the Group's business had material adverse effects on its financial condition and operations during the first quarter of 2020. As the disruptions are ongoing, the Group expects such adverse effects will continue, and may worsen beyond the first quarter of 2020. The Group is unable to reasonably estimate the financial impact to the Group's future results of operations, cash flows and financial condition due to uncertainties surrounding the business closures, travel restrictions and other events related to the COVID-19 outbreak.

52. COMPARATIVE FIGURES

The Group had initially applied HKFRS 16 on 1 January 2019. Under the modified retrospective approach chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.2. In addition, certain comparative figures have been reclassified to conform to the current year's presentation as the management of the Group considers that the new presentation is more relevant and appropriate to the consolidated financial statements.

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	5,601,299	3,837,451
Other intangible assets	5,700	5,700
Other financial assets	66,985	–
Amounts due from subsidiaries	6,636,832	6,702,765
Total non-current assets	12,310,816	10,545,916
CURRENT ASSETS		
Prepayments, deposits and other receivables	11,066	3,918
Amounts due from subsidiaries	1,768,498	1,710,984
Cash and bank balances	229,280	300,560
Total current assets	2,008,844	2,015,462
CURRENT LIABILITIES		
Other payables, accruals and deposits received	8,316	30,737
Amounts due to subsidiaries	879,058	1,642,639
Loan from a subsidiary	4,980	4,980
Dividends payable	1,221	37,221
Total current liabilities	893,575	1,715,577
NET CURRENT ASSETS	1,115,269	299,885
TOTAL ASSETS LESS CURRENT LIABILITIES	13,426,085	10,845,801
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	28,903	28,901
Loans from subsidiaries	2,166,631	1,603,855
Other payables, accruals and deposits received	23,367	–
Total non-current liabilities	2,218,901	1,632,756
Net assets	11,207,184	9,213,045
EQUITY		
Share capital	5,669,692	5,660,191
Reserves (note)	5,537,492	3,552,854
Total equity	11,207,184	9,213,045

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

Ho, Lawrence Yau Lung
Director

Evan Andrew Winkler
Director

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

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	Share option reserve HK$'000	Shares held under share award schemes HK$'000	Share award reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	7,053	137,154	(168,186)	47,897	2,936,420	2,960,338
Profit for the year	–	–	–	–	934,088	934,088
Exercise of share options	–	(14,510)	–	–	–	(14,510)
Recognition of share-based payments	–	30,944	–	145,062	–	176,006
Transfer of share option reserve upon expiry of share options	–	(5,821)	–	–	5,821	–
Shares vested under the share award schemes	–	–	155,476	(151,301)	(4,175)	–
Repurchase of shares (note 37)	–	–	–	–	(335,179)	(335,179)
Dividends declared (note 15)	–	–	–	–	(167,889)	(167,889)
At 31 December 2018 and 1 January 2019	7,053	147,767	(12,710)	41,658	3,369,086	3,552,854
Profit for the year	–	–	–	–	2,214,411	2,214,411
Exercise of share options	–	(4,911)	–	–	–	(4,911)
Recognition of share-based payments	–	44,943	–	119,397	–	164,340
Transfer of share option reserve upon expiry of share options	–	(435)	–	–	435	–
Shares vested under the share award schemes	–	–	82,401	(101,465)	19,064	–
Purchase of shares for unvested shares under the share award schemes (note 37)	–	–	(165,319)	–	–	(165,319)
Repurchase of shares (note 37)	–	–	–	–	(95,805)	(95,805)
Dividends declared (note 15)	–				(128,078)	(128,078)
At 31 December 2019	7,053	187,364	(95,628)	59,590	5,379,113	5,537,492

FIVE YEARS FINANCIAL SUMMARY

31 December 2019

RESULTS

	For the year ended 31 December				
	2015	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net revenues	395,082	23,852,811	41,180,086	40,724,673	44,987,768
Profit for the year	90,877	9,890,779	1,062,534	1,600,168	1,768,158
Attributable to:					
Owners of the Company	100,924	10,365,940	474,136	522,571	689,772
Non-controlling interests	(10,047)	(475,161)	588,398	1,077,597	1,078,386
	90,877	9,890,779	1,062,534	1,600,168	1,768,158

ASSETS AND LIABILITIES

	At 31 December				
	2015	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	14,316,938	103,650,932	98,270,226	98,026,241	100,361,573
Total liabilities	(1,538,486)	(46,607,439)	(52,418,180)	(57,323,215)	(58,693,881)
	12,778,452	57,043,493	45,852,046	40,703,026	41,667,692
Equity attributable to owners of the Company	12,385,837	22,347,746	18,988,887	16,232,230	16,950,323
Non-controlling interests	392,615	34,695,747	26,863,159	24,470,796	24,717,369
	12,778,452	57,043,493	45,852,046	40,703,026	41,667,692

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 Directors
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. John William Crawford
Mr. Chow Kwong Fai, Edward
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. Chow Kwong Fai, Edward
Mr. Tsui Che Yin, Frank

REMUNERATION COMMITTEE

Mr. Chow Kwong Fai, Edward *(Chairman)*
Mr. Ng Ching Wo
Ms. Karuna Evelyne Shinsho

NOMINATION COMMITTEE

Mr. John William Crawford *(Chairman)*
Mr. Ng Ching Wo
Mr. Chow Kwong Fai, Edward
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 members

AUDITOR

Ernst & Young

LEGAL ADVISORS

Gibson, Dunn & Crutcher LLP
King & Wood Mallesons

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Hong Kong

STOCK CODE
200 (Listed on the Hong Kong Stock Exchange)

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