MELCO

ANNUAL REPORT 2020

MELCO INTERNATIONAL DEVELOPMENT LIMITED
Incorporated in Hong Kong with limited liability
A Hong Kong listed company (Stock code: 200)

CONTENTS

HEALTH AND SAFETY: OUR TOP PRIORITY

VERIFIED®

with Forbes TRAVEL GUIDE

Safeguarding the well-being of our valued guests and colleagues is our top priority. Morpheus and Nüwa at City of Dreams, Star Tower at Studio City, Altira Macau and Nüwa at City of Dreams Manila have become among the first hotels and resorts in the world to achieve the Sharecare Health Security VERIFIED® with Forbes Travel Guide certification.


MELCO
新濠義工

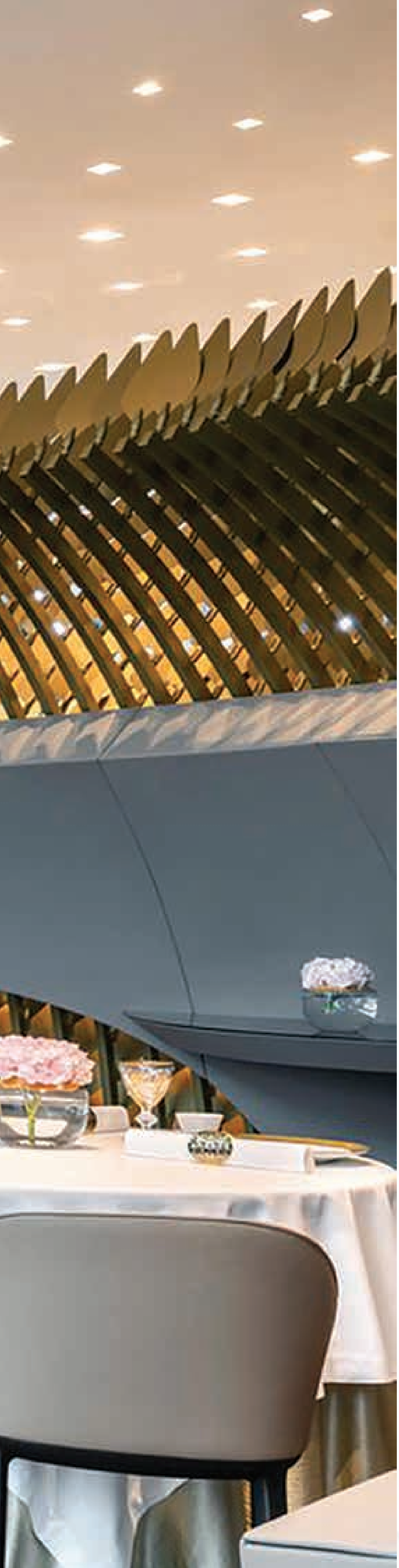
SIMPLE ACTS OF KINDNESS

During the pandemic, our Chairman and CEO deployed colleagues in Macau to volunteer during working hours. The “Simple Acts of Kindness” initiative resulted in almost 8,000 participants and over 600 activities to benefit local NGOs and SMEs, including the elderly, single families, long-term patients and children while practicing social distancing with volunteer-made angel wings made from hangers and used towels. The initiative was recognized by the 2020 Industry Community Awards, while our Chairman and CEO was awarded the “Outstanding Individual Award” for his leadership.

ABOVE & BEYOND

The Group remains firmly driven by the focus around our sustainability goals while inspiring others to follow suit. Our goals stand at the core of the Group's strategy and have become part of the daily operations for our entire workforce, at all levels. For instance, we are embracing Artificial Intelligence to lead the charge against food waste in Macau and adopting a revolutionary water refill system in resort guest rooms to save millions of plastic bottles annually.


CITY OF DREAMS 新濠



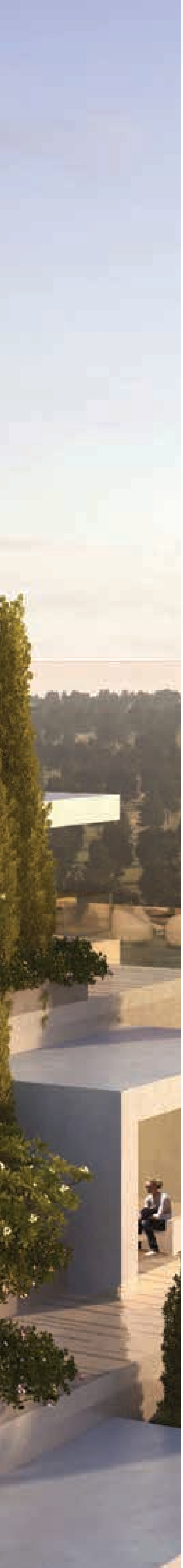
CULINARY AND SERVICE EXCELLENCE

The Group strives to deliver the most exceptional experiences to each of our guests. Four signature restaurants across our properties have been honoured by Michelin Guide Hong Kong Macau 2021 with a collective total of seven Michelin-stars. The Group has also been honoured by 2021 Forbes Travel Guide with a collective total of 97 Stars, including 17 Five-Star awards, leading among Macau and Asia's integrated resort operators.

SAVOR THE FUN AND EXCITEMENT

Studio City is undergoing its Phase 2 expansion to provide new, cutting-edge entertainment options to visitors of all ages. Upon completion, Studio City will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor/outdoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE space.


STUDIO CITY
STUDIO CITY
新濠影滙



EUROPE'S LARGEST INTEGRATED RESORT COMING SOON

Set to open in the summer of 2022, City of Dreams Mediterranean will become Europe's largest premier integrated resort upon completion. The pioneering project will feature a 16-storey, five-star hotel with more than 500 luxury guest rooms and suites, approximately 10,000 square metres of MICE space, an outdoor amphitheater, a family adventure park, and a variety of fine-dining outlets and luxury retail.

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$13.42 billion** Representing a decrease of HK$31.56 billion or 70.2%, compared to HK$44.99 billion for the year ended 31 December 2019	**NEGATIVE ADJUSTED EBITDA** **HK$1.20 billion** Compared to Adjusted EBITDA of HK$12.50 billion for the year ended 31 December 2019
LOSS FOR THE YEAR **HK$12.38 billion** Compared to profit for the year of HK$1.77 billion for the year ended 31 December 2019	**BASIC LOSS PER SHARE** **HK$4.19** Compared to basic earnings per share attributable to owners of the Company of HK$0.46 for the year ended 31 December 2019

COVID-19 and the subsequent travel restrictions significantly impacted the operating and financial performance of Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") throughout the year of 2020.

For the year ended 31 December 2020, net revenues were HK$13.42 billion and the loss after tax during the year amounted to HK$12.38 billion. The decrease was primarily attributable to softer performance in our casino and hospitality operations as a result of the COVID-19 pandemic, which resulted in temporary casino closures and a significant decline in inbound tourism.

In the wake of the pandemic, the Group has prudently managed its balance sheet with cost reduction programs to minimize cash outflows and implemented rationalization efforts to control capital expenditures. Meanwhile, the Group has issued senior notes and completed private placements to reinforce its balance sheet as well as enhance its ability to fund development projects that are integral to the Group's long-term growth.

While impacted by COVID-19, the Group remains committed to its global development program. In Macau, construction on the expansion of Studio City, and our facility upgrade works at City of Dreams are ongoing, The fully renovated Nüwa recently reopened at the end of March 2021, and The Countdown will be closed for renovation as part of its rebranding. In Europe, City of Dreams Mediterranean is expected to open in the summer of 2022, subject to fulfilling all conditions under the Cyprus License and obtaining all requisite regulatory approvals.

The Group remains optimistic on the recovery of Macau and its expected increased visitation in the near term. The rollout of COVID-19 vaccines in Macau and many other countries after possible easing of travel restrictions are expected to soon facilitate the tourism industry's recovery.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Despite the unexpected challenges presented by the COVID-19 pandemic in 2020, the Group continued to forge ahead with maintaining the highest standards of sustainability governance, industry-leading environmental protection and corporate social responsibility in accordance with our 'Above & Beyond' strategy.

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 2020 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$264 million in charitable and in-kind donations or contributions in 2020 53% specifically directed at addressing the COVID-19 pandemic	**Over 177,000 colleague participants participated in our global CSR activities since 2007**

Environmental Protection

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

Greenhouse Gas ("GHG") Emissions

	2018	2019	2020
Total GHG Emissions ($MtCO_2e$)	26,175	32,718 (1)	17,145
Emissions Intensity by Gross Floor Area (square feet)	0.0017 (2)	0.0021 (2)	0.0011

Energy Consumption

	2018	2019	2020
Total Energy Consumption (MWh)	508,604	518,668 (1)	378,848
Energy Intensity by Gross Floor Area (square feet)	0.033 (2)	0.034 (2)	0.025

Waste Footprint

	2018	2019	2020
Waste Disposal (tons)	15,611	18,394	8,275
Waste Intensity by Gross Floor Area (square feet)	0.0010 (2)	0.0012 (2)	0.0005

Notes:

1. Re-calculation for 2019 emissions to include data from certain properties which were not previously included.

2. Floor area is changed for 2018 and 2019 to exclude floor area not owned by the Group.

CORPORATE PROFILE

A LONG HISTORY AND A BRIGHT FUTURE

Melco International was founded in 1910 and listed on The Stock Exchange of Hong Kong Limited (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 integrated resort facilities in Asia and Europe. 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. Melco International has been honoured with the "Best Investor Relations Company in Hong Kong" for the ninth year by Corporate Governance Asia magazine in 2020, and the "Corporate Governance Asia Annual Recognition Awards" for 15 consecutive years in 2021.

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

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

CORPORATE STRUCTURE

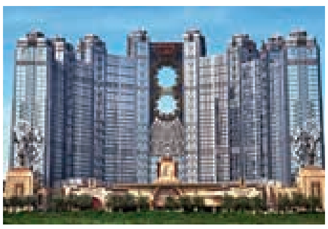
MELCO INTERNATIONAL DEVELOPMENT LIMITED
LISTED ON THE STOCK EXCHANGE OF HONG KONG LIMITED (SEHK: 200)

INTEGRATED RESORT BUSINESS

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

MACAU

City of Dreams, Cotai
Premium Market

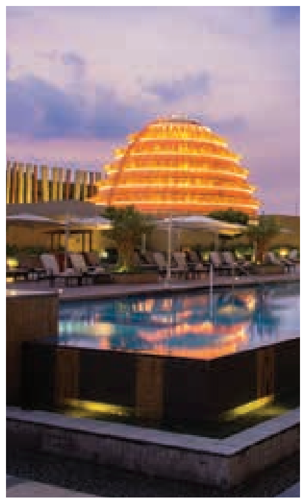


Studio City, Cotai
Mass Market

Altira Macau, Taipa
VIP Market

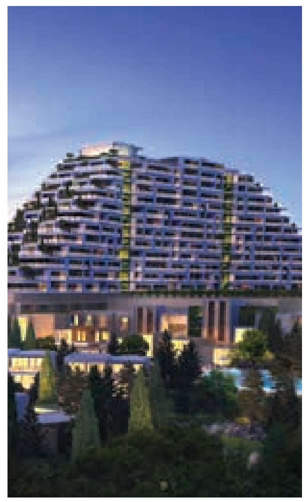
Mocha Clubs, all over Macau
Leisure Market

THE PHILIPPINES



City of Dreams Manila,
Entertainment City, Manila
Mass Market

CYPRUS



City of Dreams
Mediterranean,
Cyprus
(under development)

CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

The outbreak of COVID-19 in late 2019, which continued throughout the full 2020 year, has impacted society on an unprecedented scale. With social distancing measures, lockdowns and travel restrictions imposed by governments around the world, it was inevitable that the travel and tourism industry would be severely impacted by the pandemic.

In Macau, through the government's prompt action in containing the virus, the issuance of Individual Visit Scheme visa was able to resume nationwide in September 2020, which, in turn, opened the way for the return of visitors to the enclave. With the loosening of travel restrictions, our mass table games operations experienced a gradual yet progressive recovery towards the latter half of the year. This was substantiated by the positive Property EBITDA for the Macau operations, as well as our global operations as a whole in the fourth quarter of 2020. The encouraging metrics extended to City of Dreams Manila, which also delivered positive Property EBITDA despite its gaming and hospitality operations running on a limited basis.

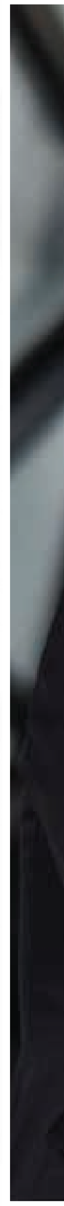
Based on recent developments, we hold a positive view particularly towards Macau's recovery, and expect a faster rebound and growth in the local market driven by greater visitor arrivals from Mainland China, catalyzed by quarantine-free travel and the establishment of travel bubbles with neighboring jurisdictions. Our portfolio of luxury integrated resorts, which cater for the premium mass and premium direct segments, will be ready and able to meet the pent-up demand. While buoyed by the prospect of a business upswing, we will not grow complacent, especially in protecting the health of our employees, patrons and the community at large, and will take all and any measure deemed necessary in ensuring their wellbeing.

This assiduousness is part of our corporate culture and underpins all our pursuits, particularly with respect to financial and business management. In the wake of the pandemic, this has taken the form of cost reduction programs to minimize cash outflows, and rationalization efforts to control capital expenditures. Furthermore, we have issued senior notes and completed private placements to reinforce our balance sheet as well as enhance our ability to fund development projects that are integral to our long-term growth.

While COVID-19 has brought unprecedented challenges, we will not bow to its headwinds. We remain steadfast in realizing our asset enhancement goals, as evidenced by Studio City Phase 2, our next major project in Macau. Construction is ongoing, and upon completion, the Phase 2 expansion will offer approximately 900 luxury rooms and suites, thus augmenting Studio City's hotel room inventory by approximately 60 percent. In addition, new gaming spaces and non-gaming attractions will ensure wide demographic reach.

Our competitiveness is set to be further enhanced with the upgrade of City of Dreams, including the fully renovated Nüwa which recently reopened at the end of March this year. Still other developments in the pipeline, including the renovation and rebranding of The Countdown, are expected to further reinforce our leading position in the Macau leisure and entertainment sector.

The enthusiasm we hold for the future is not restricted to our traditional stronghold. The development of City of Dreams Mediterranean in Cyprus continues to progress and is set to become the largest integrated resort in Europe once fully completed. To achieve such distinction, it will offer visitors over 500 luxury hotel rooms, approximately 10,000 square metres of MICE space, a striking outdoor amphitheater, a fun-filled family adventure park, and an impressive array of fine-dining and luxury retail options.



For those who long for excitement and desire a unique destination in Asia offering the best of both the East and West, we are committed to tapping the Japan market with this objective in mind. With Japan's tremendous potential, it continues to be our goal to bring an exceptional integrated resort with a uniquely Japanese touch to this new frontier.

Looking ahead, it is difficult to predict how and when the pandemic will pass. Nonetheless, we remain confident that with the rollout of vaccines around the world, the worst is behind us. As for Macau, we are confident that the enclave will achieve a sooner rather than later turnaround, as it remains the most attractive integrated resort market in the world. In respect of the Group, we trust that with the strengthening of our financial position through recent capital market transactions, we can overcome whatever adversities which may transpire in the near term, while concurrently investing for the future.

At this time, I would like to extend my sincere gratitude to the Board, shareholders, business partners and our colleagues for their generous support. Having faced one of the most perilous periods of our times, we will soldier on as we remain committed to making the Group the preeminent developer, owner and operator of integrated resort facilities.

With best wishes,

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2021

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

The year 2020 posed unprecedented challenges to the Group as the COVID-19 pandemic wreaked havoc nearly everywhere and it continues to plague the tourism industry across Asia and the rest of the world.

During the year, our operations were impacted by significant travel bans, restrictions, and quarantine requirements imposed by governments in Macau, Hong Kong, and various China provinces on visitors traveling to and from Macau. Despite these challenges, our integrated resorts in Macau posted moderate business recoveries in the fourth quarter of 2020, benefitting from the nationwide resumption of the issuance of Individual Visit Scheme visas in September 2020.

Our casino gaming operations in the Philippines were closed due to the Enhanced Community Quarantine across the entire island of Luzon, including Metro Manila, which began on 16 March 2020. Except for a short period in August 2020 when Metro Manila was placed under Modified Enhanced Community Quarantine, City of Dreams Manila's casino has been open since 19 June 2020, allowing a limited capacity of guests while strictly adhering to the new guidelines on social distancing, hygiene and sanitation procedures imposed by the Philippine government. However, City of Dreams Manila was temporarily closed beginning on 29 March 2021 as the Enhanced Community Quarantine over Metro Manila and adjacent provinces was re-imposed from 29 March 2021 to 4 April 2021 to stem the recent surge of COVID-19 cases. It will remain closed for the duration of the Enhanced Community Quarantine period.

In Cyprus, all gaming operations of Cyprus Casinos ("C2") were suspended from 16 March to 13 June 2020, in full compliance with the Cypriot government's measures to curb the spread of COVID-19. The Group further suspended the gaming operations of C2 between 12 November and 30 November 2020 in Limassol and Paphos in line with a regional lockdown. All C2 casinos were closed during December 2020 and remain closed as part of the government's nationwide measures, aimed at preventing the spread of COVID-19.

Despite the global pandemic, our long-term philosophies and values remain steadfast. We continue to be focused on building and improving our assets for the future. In Macau, construction on the expansion of the Studio City complex is progressing, and our facility upgrade work on City of Dreams is also ongoing. In Europe, City of Dreams Mediterranean, set to become the continent's largest integrated resort, is advancing well towards completion, and is scheduled to open in the summer of 2022, subject to fulfilling all conditions under the Cyprus License and obtaining all requisite regulatory approvals.

While we continue to see improvements in our business volumes, ensuring the safety and well-being of our colleagues, customers and the communities in which we operate remains our highest priority. We continue to support the government's anti-epidemic measures as we remain fully dedicated to providing the most memorable luxury hospitality experiences to all guests.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary, Melco Resorts, a developer, owner and operator of integrated resort facilities in Asia and Europe. As of 31 December 2020, Melco International, through its subsidiary, holds approximately 55.8% of the total issued shares of Melco Resorts.

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

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

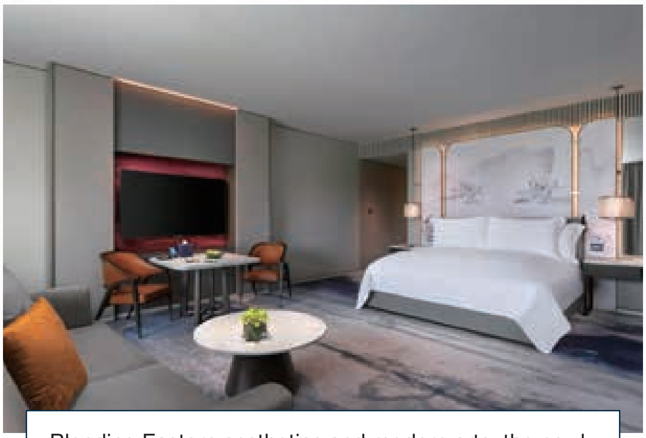
Due to the weaker performance of all gaming segments and non-gaming operations amid the COVID-19 pandemic which resulted in temporary casino closures and a significant decline in inbound tourism in 2020, net revenues for 2020 were HK$13.42 billion and the loss after tax for the year amounted to HK$12.38 billion.

City of Dreams

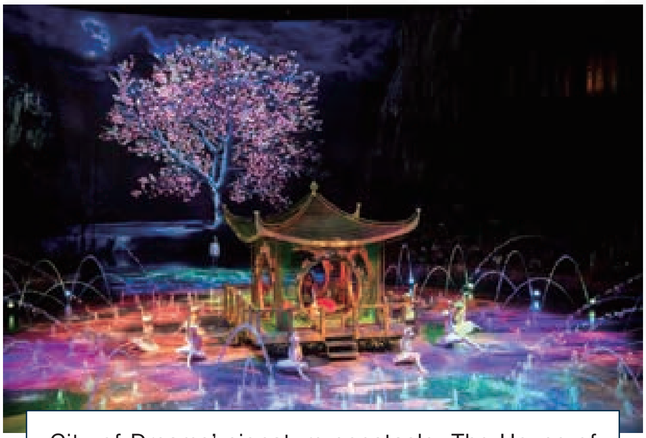
City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property that targets high-end customers and rolling chip players from regional markets across Asia. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, the property operated an average of 496 gaming tables and 487 gaming machines in 2020.

As part of the Group's unrelenting efforts to create world-leading hospitality and entertainment in Macau to attract new and quality tourism to the city, facility upgrade work at City of Dreams is ongoing, with the fully renovated Nüwa recently reopening at the end of March this year. The Countdown will be closed for renovations as part of its rebranding.

The property's signature spectacle, The House of Dancing Water, has been temporarily suspended since late June 2020 to be re-imagined by its legendary creative director, Franco Dragone. The new show will present an unprecedented and further enhanced entertainment experience.



Blending Eastern aesthetics and modern arts, the newly refurbished Nüwa has completely elevated its FTG Five-star hospitality to new levels of unparalleled luxury.



City of Dreams' signature spectacle, The House of Dancing Water, will be re-imagined to offer new energy and excitement, further enhancing its status as Macau's must-see performance.

Studio City

The Hollywood-inspired and cinematically-themed integrated resort, Studio City, is designed to be the most diverse entertainment offering in Macau. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, the property operated an average of 282 gaming tables and 586 gaming machines in 2020. A VIP rolling chip area has been built at Studio City with up to 45 VIP tables authorized for VIP rolling chip operations as of 31 December 2020. Such VIP rolling chip operations are operated by Melco Resorts, through Melco Resorts (Macau) Limited ("Melco Resorts Macau"). In December 2020, Studio City International Holdings Limited ("SCIHL") announced that Melco Resorts Macau would continue VIP rolling chip operations at Studio City until 31 December 2021, subject to early termination with 30 days' prior notice.

Construction on the expansion of Phase 2 at Studio City, aimed at significantly differentiating the integrated resort from all other Macau resorts, is in progress. Upon completion, Studio City Phase 2 will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor/outdoor water parks, a cineplex, fine-dining restaurants, and state-of-the-art MICE spaces.

Altira Macau

Altira Macau is an integrated resort designed to cater for 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. By delivering impeccable services customised for each guest, both Altira Macau and Altira Spa have attained the highest Forbes Travel Guide ("FTG") Five-Star recognition for the 12th consecutive year in 2021. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, Altira Macau operated an average of 97 gaming tables, and 110 gaming machines (operated as a Mocha Club at Altira Macau) in 2020.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operator of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top-quality electronic gaming machines from around the world to offer a contemporary entertainment mix to broader visitors. Excluding gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, Mocha Clubs operated eight clubs with an average total of 870 gaming machines (including 110 gaming machines at Altira Macau) in 2020.

City of Dreams Manila

Beyond Macau, City of Dreams Manila, which is strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asian market and continues to set the benchmark for the Group's robust capacity to execute its international vision. This dynamic property boasts of ultimate entertainment, hotel, retail, dining, and lifestyle experiences with an extensive gaming space, including VIP and mass-market gaming facilities. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, the property operated an average of 302 gaming tables and 2,262 gaming machines in 2020.

City of Dreams Mediterranean and Cyprus Casinos

ICR Cyprus, a joint venture company held 75% by Melco Resorts, is developing the City of Dreams Mediterranean integrated resort project in Cyprus. ICR Cyprus holds a 30-year casino-gaming licence that commenced from June 2017, of which the first 15 years are exclusive.

Featuring a variety of exhilarating and family-friendly water rides and attractions, the soon-opening Studio City Water Park will be the next top destination for summer and family fun.

Altira Macau celebrates its 12th consecutive year as FTG Five-Star award recipient across both Hotel and Spa categories, demonstrating its dedication to exceptional hospitality.

Construction work at City of Dreams Mediterranean, the first integrated resort in Cyprus, was suspended temporarily from March 2020 due to the COVID-19 outbreak, but it resumed from May 2020. Upon completion, it is expected to become Europe's largest premier integrated resort and will help enhance the aspiration of Cyprus to become a must-visit global tourism destination. It is expected to attract 300,000 tourists annually in its first year of operation. Its 7,500-square-metre gaming area will provide over 100 tables and over 1,000 state-of-the-art slot machines. The property will also offer more than 500 luxury hotel rooms, large recreation and wellness facilities, a variety of fine-dining outlets and luxury retail outlets, an outdoor amphitheatre, a family adventure park, and approximately 10,000 square metres of MICE facilities along with an Expo Centre.

Ahead of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol opened its doors in June 2018. The four C2 satellite casinos are located at Nicosia, Larnaca, Ayia Napa and Paphos, while the C2 satellite casino in Larnaca, previously located within the premises of the Larnaca International Airport, is currently closed for relocation. Excluding gaming tables and gaming machines that were not operational due to government-mandated closures or social distancing measures amid the COVID-19 pandemic, C2 operated an average of 28 gaming tables and 336 gaming machines in 2020.

OUTLOOK

The COVID-19 pandemic has wreaked havoc across the world and created unprecedented challenges for the hospitality industry. Travel restrictions and quarantine requirements in Macau and across the world have led to a dramatic reduction in the number of visitors to all of the Group's integrated resorts. In 2020, Macau suffered the first year-on-year decline in visitor arrivals since 2015 as the city's full-year annual visitor arrival tally fell below 6 million.

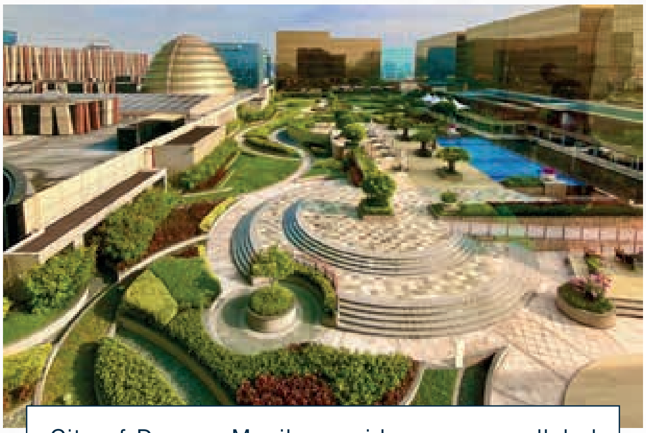
Being severely impacted by a dramatic decline in tourism, temporary closure of casinos since COVID-19's outbreak at the start of 2020 and ensuing travel restrictions, gross gaming revenues in Macau plunged by 79.3% year-on-year last year. For the first two months of 2021 combined, Macau's gross gaming revenues were down 39.2% year-on-year.

As COVID-19 continues to exact a heavy toll on economies around the world, any recovery from such disruptions will depend on an array of future events, including the successful production, distribution and wide acceptance of safe and effective vaccines, the development of effective treatments for COVID-19, including those for new virus strains, the duration of travel and visa restrictions as well as customer sentiment and behaviour, including the length of time before customers resume travels and participate in entertainment and leisure activities at high-density venues and the impact of potential higher unemployment, declines in income levels and erosion of personal wealth from COVID-19 on consumer behaviour relating to discretionary spending and travel, which can all be highly uncertain.

Nonetheless, we remain optimistic on the recovery of Macau and expect increased visitation in the near-term. In February 2021, all quarantine restrictions were lifted for those traveling from mainland China to Macau. More notably, there are no quarantine restrictions for those mainland Chinese citizens who are returning from Macau. Also, the rollout of COVID-19 vaccines in Macau and many other countries after possible easing of travel restrictions are also expected to soon facilitate the tourism industry's recovery.

While impacted by COVID-19, we remain committed to our global development program. Construction of the Studio City Phase 2 development and the City of Dreams Mediterranean project are progressing well. Japan remains a focus of the Group, and we are committed to bringing to the country a world-leading integrated resort. Though the process has been delayed and remains complex due to COVID-19, momentum has returned as jurisdictions are again initiating RFP processes. We will continue to stay patient as we evaluate the landscape to ensure that the Group pursues the right opportunity to leverage its core strengths to drive strong value creation.

Looking ahead, with the Group's portfolio of world-class integrated resorts and the unwavering support from the Board, shareholders, employees and partners, we are confident in bolstering our pioneering and innovative role in providing premium travel, leisure and entertainment. We will continue to reassure guests and employees around the world that their safety and security remain our highest priority while we expect to soon emerge from this pandemic.



City of Dreams Manila provides an unparalleled hospitality experience for the Southeast Asia market. Nüwa Manila once again achieved two FTG Five-Star awards for its hotel and spa.

ACHIEVEMENTS AND AWARDS

Melco International consistently employs and adheres to the highest corporate governance and corporate social responsibility standards, as both elements are integral to our commitment to strengthening the Group's position and stature as a leading global leisure and entertainment integrated resort operator. Our efforts have continued to be widely acknowledged in 2020.

Corporate Governance

In recognition of our outstanding corporate governance practices, our management team has received prestigious leadership awards from the business and investment communities. In 2020, our Group Chairman and Chief Executive Officer, Mr. Ho, Lawrence Yau Lung, was conferred with the "Outstanding Individual Award" at the Industry Community Awards. He was named "Asia's Best CEO" for the ninth time at the Asian Excellence Awards by Corporate Governance Asia, and honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for nine consecutive years since 2012.

The Group was cited and distinguished for having the "Best Investor Relations by a Hong Kong Company" at the Asian Excellence Awards for the ninth time in 2020. We were also awarded the "Corporate Governance Asia Annual Recognition Award – Icon on Corporate Governance" by Corporate Governance Asia magazine for 15 consecutive years in 2021. These awards further substantiate our determination to adopt the best corporate governance practices throughout our business operations, and they also reflect the Group's unwavering commitment to ensuring accountability, fairness and transparency in its relationships with all stakeholders.

In collaboration with CCTV, the Group presented the National Final of the "GBA Sim Racing Grand Prix 2020" at City of Dreams to promote diversification through new generation sports – further elevating the city as a multifaceted tourist destination.

We place our colleagues at the centre of our corporate strategy, and a strong emphasis is placed on their careers and personal growth. Consequently, HR Asia magazine selected Melco Resorts as one of the "Best Companies to Work for in Asia". Melco Resorts also garnered the Gold Award for "Excellence in Internship Recruitment/Development" at the HR Distinction Awards 2020, and the Bronze Award for "Best In-house Recruitment Team" at the Asia Recruitment Awards 2020. These awards highlighted acknowledgment of the Group's market insights, top-notch services and achievements of its recruitment team.

Business Operations

The Group constantly strives to curate the most unique journeys in the hospitality industry by integrating breakthrough ideas and innovative offerings to transform guest experiences. Such dedication and commitment have enabled Melco Resorts to win the "Integrated Resort of the Year" award at International Gaming Awards 2020. Furthermore, Morpheus at City of Dreams was named "Best New Hotel in Macao" at the TTG China Travel Awards 2020.

The Group was honoured by 2021 FTG with a collective total of 97 stars, including 17 Five-Star awards, leading among Macau and Asia's integrated resort operators. Our entire integrated resort portfolio, including City of Dreams, Studio City, Altira Macau and City of Dreams Manila have received the top tier recognitions. Notably, Altira Macau celebrates its 12th consecutive year as FTG Five-Star award recipient across both Hotel and Spa categories.

The Group is home to a collection of impeccable award-winning restaurants. Four signature restaurants across our properties have been honoured by Michelin Guide Hong Kong Macau 2021 with a collective total of seven Michelin-stars. Our Chinese fine dining restaurant Jade Dragon was awarded the prestigious three Michelin-stars for the third consecutive year in 2021, while Pearl Dragon and Ying were honoured with one Michelin-star each. Furthermore, paying homage to the great traditions and savoir-faire of French gastronomy, Alain Ducasse at Morpheus was awarded two Michelin-stars for the third consecutive year. Pearl Dragon was also selected as a Regional Winner in the "Chinese Cuisine" category at the 2020 World Luxury Restaurant Award.

While we are dedicated to providing the best-in-class hospitality experience, safeguarding the wellbeing of our guests and colleagues has always been our top priority. Morpheus and Nüwa at City of Dreams, Star Tower at Studio City, Altira Macau and Nüwa at City of Dreams Manila were among the first in the world to achieve the Sharecare Health Security VERIFIED® with FTG certification, a comprehensive facility verification for compliance with expert-validated best practices on health and safety protocols.

Corporate Social Responsibility

The Group has remained steadfast in its commitment to being a responsible partner to its employees and local communities.

Mindful of serious public health concerns associated with COVID-19, the Group mobilized its workforce en masse in Macau to support the local community, encouraging all colleagues to care for the community through the "Simple Acts of Kindness" program. Thousands of colleagues took part in a multitude of volunteering events during work hours to support our community partners, SMEs and groups such as the elderly, single families, long-term patients, children and more.

The Group deployed nearly 8,000 colleague participants to volunteer in the community during work hours and reached out to over 1,600 organizations through over 600 activities, with up to 17 activities and up to 150 volunteers deployed each day, supporting non-governmental organizations, SMEs and other aforementioned local groups in need.

In partnership with the Macao Federation of Trade Unions and Fu Hong Society of Macau, we opened the "Melco & Colleagues Giving Stores" to support the disadvantaged and the most needy in the local community. The stores provide beneficiaries access to a broad range of donated goods, which are either new or almost brand new, from the Group and its colleagues, representing their collective efforts to contribute to the community. The Group and its colleagues have donated over 72,000 items to continuously replenish the inventory of the stores.

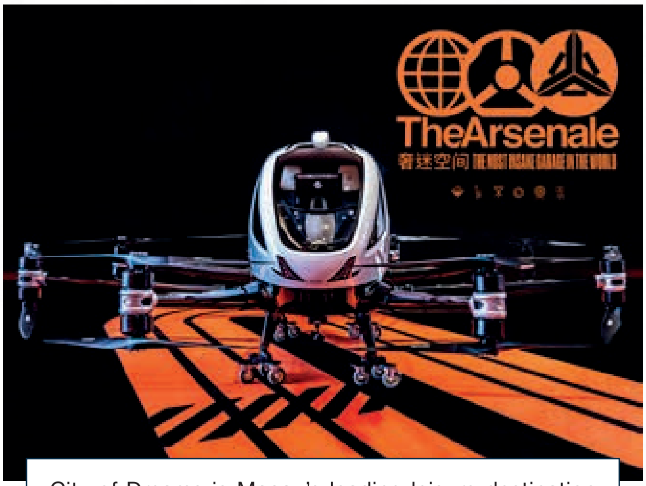
We have long been committed to the development and advancement of local SMEs for Macau's sustainable growth. Throughout the pandemic, we did not back down on this commitment, and instead leaned in and worked to strengthen relationships with our suppliers across our value chain. For instance, the Group offered innovative additional revenue opportunities to local SMEs to sell direct to our colleagues through roadshows in the employee areas of City of Dreams, Studio City and Altira Macau.

In recognition of our commitment in caring for the community, employees and the environment over the past year, Melco International was awarded the "15 Years Plus Caring Company Logo" in 2021. Melco Resorts was named winner of the 2020 Industry Community Awards's "Community Award – Asia", which recognizes our proactive and innovative corporate social responsibility initiatives, especially in our efforts to support the local community through the "Simple Acts of Kindness" program. It was also selected as "Asia's Best CSR" by Corporate Governance Asia Magazine, underscoring our efforts in the area of corporate social responsibility.

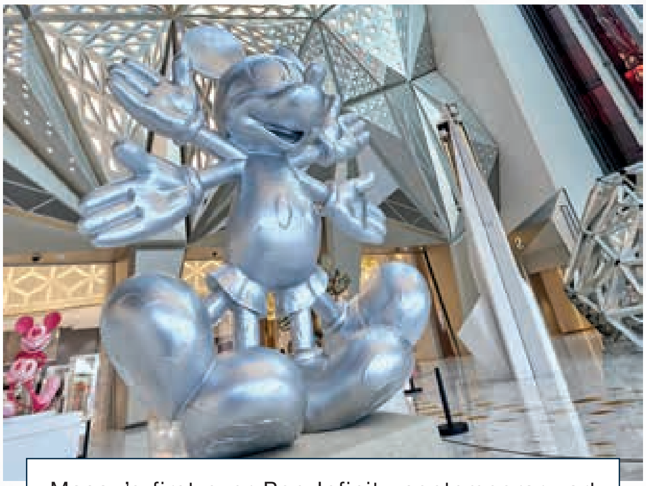
Environmental Sustainability

Our "Above & Beyond" programme is a sustainability strategy which aims to further elevate the Group's commitment to being a force for good across all of our resorts globally. We remain fully committed to our sustainability goals, including becoming carbon neutral and achieving zero waste by 2030. Such goals have become an integral part of our business strategy as well as part of the daily operations of our entire workforce.

Our efforts and commitment to sustainability and positive social impact have earned accolades from the industry. Reflecting acknowledgement of the high priority that the Group places on the sustainability of its operations, the title "Best Environmental Responsibility" has been bestowed for eight consecutive years to Melco Resorts at the Asian Excellence Awards.



City of Dreams is Macau's leading leisure destination focused on delivering the most unique and innovative experiences. The V2 of TheArsenale offers a range of products from around the world beyond imagination.



Macau's first ever Pop Infinity contemporary art exhibition was presented at Morpheus, City of Dreams.

In recognition of our energy conservation efforts as part of its corporate vision of promoting sustainability, the Group has been honoured with four accolades at the Macau Energy Saving Activity 2020. Studio City and City of Dreams were awarded 1st Runner-up and Excellence Award, respectively, at the Hotel Group B category, and Studio City and Altira Macau were recipients of the "Continuous Energy Saving Award (Hotel Group)".

Studio City Phase 2 has been named winner of the "Regional Award, Asia" at the BREEAM Awards 2021. The accolade recognizes the project's targeted sustainability strategy, as well as its contribution towards achieving the Group's carbon neutral and zero waste goals. In addition, the Group currently holds BREEAM "Excellent" ratings for the design stage for both Studio City Phase 2 in Macau and City of Dreams Mediterranean in Cyprus, highlighting our commitment to incorporating the very highest sustainability standards into the project designs.

In 2020, Melco Resorts was named "Best First Time Performer" and received an A- score by CDP, the global non-profit environmental organization, crediting our efforts in environmental protection, as well as the dedication and commitment to mitigating climate risks.

All of these accolades serve as an acknowledgment by the industry and the community of our steadfast commitment to excellence in all aspects of our business that span from corporate governance and operational performance, up to our relentless pursuit of customer-centric experiences. Upholding the highest level of excellence across all facets of the Group and maintaining a market-leading position well into the future remains our top priority.

FINANCIAL REVIEW

Results	2020	2019	YOY%
HK$' million			
Net revenues	13,424.4	44,987.8	–70.2%
Adjusted EBITDA	(1,198.2)	12,497.7	N/A
(Loss)/profit attributable to owners of the Company	(6,339.9)	689.8	N/A
Basic (loss)/earnings per share attributable to owners of the Company (HK$)	(4.19)	0.46	N/A

Financial Position	2020	2019	YOY%
HK$' million			
Total assets	95,534.7	100,361.6	–4.8%
Total liabilities	64,757.4	58,693.9	10.3%
Equity attributable to owners of the Company	10,764.2	16,950.3	–36.5%
Net assets value per share attributable to owners of the Company (HK$)	7.1	11.2	–36.6%
Gearing ratio (%)	53.0%	41.2%	N/A

Net Revenues

Net revenues of the Group decreased by 70.2% from HK$44.99 billion for the year ended 31 December 2019 to HK$13.42 billion for the year ended 31 December 2020. The decrease in net revenues was primarily attributable to softer performance in our casino and hospitality operations as a result of the COVID-19 pandemic, which resulted in temporary casino closures and a significant decline in inbound tourism.

	2020	2019	YOY%
HK$' million			
Casino revenue	11,417.8	38,989.5	–70.7%
Entertainment and resort facilities:			
Rooms	842.6	2,741.2	–69.3%
Catering service income	581.3	1,899.7	–69.4%
Entertainment, retail and other	576.1	1,350.7	–57.3%
Property rental income	6.0	5.2	15.2%
Electronic gaming machines participation	–	0.6	–100.0%
Others	0.6	0.9	–35.1%
	13,424.4	44,987.8	–70.2%

Adjusted EBITDA [1]

The Group generated negative Adjusted EBITDA of HK$1.20 billion for the year ended 31 December 2020, compared to Adjusted EBITDA of HK$12.50 billion for the year ended 31 December 2019. The decrease in Adjusted EBITDA was mainly attributable to softer performance in our casino and hospitality operations as a result of the COVID-19 pandemic.

(Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$6,339.9 million for the year ended 31 December 2020, compared to profit attributable to owners of the Company of HK$689.8 million for the year ended 31 December 2019. The decrease was mainly attributable to softer performance in our casino and hospitality operations as a result of the COVID-19 pandemic.

Basic (Loss)/Earnings Per Share Attributable to Owners of the Company

Basic loss per share attributable to owners of the Company was HK$4.19 per share for the year ended 31 December 2020, compared to basic earnings per share attributable to owners of the Company of HK$0.46 per share for the year ended 31 December 2019.

Financial and Operational Performance

Melco Resorts, a majority-owned subsidiary of the Group as at 31 December 2020, contributed the most majority of the financial results of the Group.

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

According to the unaudited financial results of Melco Resorts prepared in accordance with the U.S. generally accepted accounting principles, it recorded total operating revenues of US$1.73 billion for the year ended 31 December 2020, versus US$5.74 billion for the year ended 31 December 2019. The decrease in total operating revenues was primarily attributable to softer performance in all gaming segments and non-gaming operations as a result of the COVID-19 pandemic, which resulted in temporary casino closures and a significant decline in inbound tourism in 2020.

Operating loss for 2020 was US$940.6 million, compared with operating income of US$747.7 million for 2019.

Melco Resorts generated negative Adjusted Property EBITDA[2] of US$0.10 billion for the year ended 31 December 2020, compared with Adjusted Property EBITDA of US$1.69 billion in 2019.

Net loss attributable to the financial performance of Melco Resorts for 2020 was US$1.26 billion, compared with a net income attributable to the financial performance of Melco Resorts of US$373.2 million for 2019.

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(1) Adjusted EBITDA is the profit/loss for the year before interest, income tax, depreciation and amortization, share-based compensation expenses, pre-opening costs, development costs, property charges and other, payments to the Philippine Parties, corporate expenses and other non-operating income and expenses. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this annual report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

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

City of Dreams

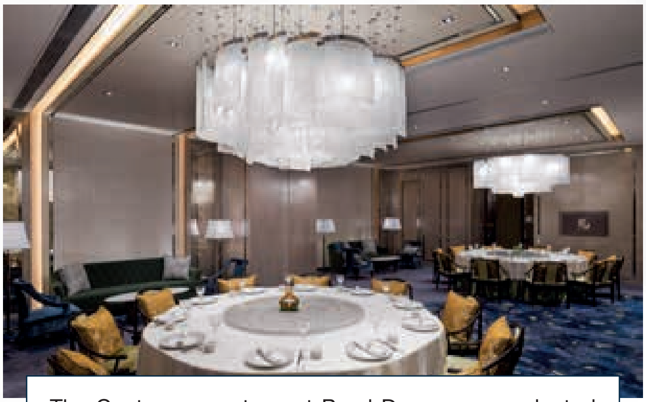
For the year ended 31 December 2020, total operating revenues at City of Dreams were US$985.6 million, compared to US$3,050.5 million in 2019. City of Dreams generated negative Adjusted Property EBITDA of US$1.3 million in 2020, compared with Adjusted Property EBITDA of US$922.8 million in 2019.

Gaming Performance US$'million	2020	2019	YOY%
VIP Gaming			
Rolling chip volume	15,698.8	58,285.0	–73.1%
Win rate	4.21%	2.93%	N/A
Mass Market			
Table drop	1,441.4	5,509.2	–73.8%
Hold percentage	32.1%	32.3%	N/A
Gaming Machine			
Handle	1,170.9	4,419.5	–73.5%
Win rate	3.4%	3.8%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2020 was US$125.9 million, compared with US$404.2 million in 2019.

The Chinese fine-dining restaurant Jade Dragon was awarded 3 Michelin-stars for the third consecutive year in Michelin Guide Hong Kong Macau 2021, setting the benchmark for fine dining in Macau.



The Cantonese restaurant Pearl Dragon was selected as a Regional Winner in the "Chinese Cuisine" category at the 2020 World Luxury Restaurant Awards.

Altira Macau

For the year ended 31 December 2020, total operating revenues at Altira Macau were US$108.9 million, compared to US$465.1 million in 2019. Altira Macau generated negative Adjusted Property EBITDA of US$58.8 million in 2020, compared with Adjusted Property EBITDA of US$51.5 million in 2019.

Gaming Performance US$'million	**2020**	**2019**	**YOY%**
VIP Gaming			
Rolling chip volume	3,035.1	17,577.6	–82.7%
Win rate	4.11%	3.45%	N/A
Mass Market			
Table drop	143.1	611.0	–76.6%
Hold percentage	23.2%	21.7%	N/A
Gaming Machine			
Handle	181.6	304.6	–40.4%
Win rate	3.2%	4.2%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau in 2020 was US$10.3 million, compared with US$27.5 million in 2019.

Stringent operational protocols have been adopted by the Group to safeguard the wellbeing of our valued guests and colleagues, as we remain fully dedicated to providing the most memorable luxury hospitality experiences for every guest.

Our volunteers took on the task of cleaning up Hac Sa Beach, its surrounding walking trails and picnic areas as part of the 'Simple Acts of Kindness' initiative to do good for the environment and give back to the community.

Mocha Clubs

Total operating revenues from Mocha Clubs were US$65.3 million in 2020, compared to US$117.5 million in 2019. Mocha Clubs generated Adjusted Property EBITDA of US$3.6 million in 2020, compared with Adjusted Property EBITDA of US$23.3 million in 2019.

US$'million	2020	2019	YOY%
Gaming Machine			
Handle	1,460.9	2,510.7	–41.8%
Win rate	4.5%	4.7%	N/A

Studio City

For the year ended 31 December 2020, total operating revenues at Studio City were US$266.5 million, compared to US$1,355.3 million in 2019. Studio City generated negative Adjusted Property EBITDA of US$79.0 million in 2020, compared with Adjusted Property EBITDA of US$415.1 million in 2019.

Gaming Performance US$'million	2020	2019	YOY%
VIP Gaming			
Rolling chip volume	2,206.7	10,994.6	–79.9%
Win rate	2.28%	3.08%	N/A
Mass Market			
Table drop	728.3	3,488.7	–79.1%
Hold percentage	26.6%	29.1%	N/A
Gaming Machine			
Handle	735.7	2,598.2	–71.7%
Win rate	2.8%	3.1%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2020 was US$59.9 million, compared with US$189.3 million in 2019.

City of Dreams Manila

For the year ended 31 December 2020, total operating revenues at City of Dreams Manila were US$224.7 million, compared to US$602.5 million in 2019. City of Dreams Manila generated Adjusted Property EBITDA of US$29.0 million in 2020, compared with Adjusted Property EBITDA of US$247.1 million in 2019.

Gaming Performance US$'million	**2020**	**2019**	**YOY%**
VIP Gaming			
Rolling chip volume	2,107.9	8,641.0	–75.6%
Win rate	3.34%	2.94%	N/A
Mass Market			
Table drop	327.7	795.4	–58.8%
Hold percentage	33.1%	31.0%	N/A
Gaming Machine			
Handle	1,709.7	3,936.4	–56.6%
Win rate	4.7%	5.4%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2020 was US$50.1 million, compared with US$126.0 million in 2019.

The Group hosted innovative Heart of House roadshow series to help local SMEs generate revenue and market exposure, realizing our commitment to enhance SME prosperity.

Driven by the Group's strong focus around environmental sustainability, we embrace Artificial Intelligence to lead the charge against food waste in Macau.

Cyprus Operations

Melco Resorts is currently operating a temporary casino, the first casino in the Republic of Cyprus, and is licensed to operate four satellite casinos ("Cyprus Casinos"), of which three satellite casinos are planned to reopen after the current government restrictions are lifted. Upon the completion and opening of City of Dreams Mediterranean, Melco Resorts will continue to operate the satellite casinos while operation of the temporary casino will cease.

For the year ended 31 December 2020, total operating revenues at Cyprus Casinos were US$51.0 million, compared to US$94.7 million in 2019. Cyprus Casinos generated Adjusted Property EBITDA of US$2.3 million in 2020, compared with Adjusted Property EBITDA of US$29.8 million in 2019.

Gaming Performance US$'million	2020	2019	YOY%
VIP Gaming			
Rolling chip volume	0.3	61.9	–99.5%
Win rate	–28.07%	6.68%	N/A
Mass Market			
Table drop	62.8	143.7	–56.3%
Hold percentage	19.6%	20.8%	N/A
Gaming Machine			
Handle	764.2	1,176.1	–35.0%
Win rate	5.1%	5.2%	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 2020, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$13,860.8 million (2019: HK$11,213.1 million).

As at 31 December 2020, the Group had available borrowing capacity of HK$13.70 billion (2019: HK$10.52 billion), subject to satisfaction of certain conditions precedent.

On 7 July 2020, the Group announced a series of private share offers of its non-wholly owned subsidiary, SCIHL, to be offered to certain existing institutional holders of SCIHL's Class A ordinary shares and ADSs (the "Private Placements"). The Private Placements were completed in August 2020 with gross proceeds of approximately US$500.0 million (equivalent to approximately HK$3.88 billion), out of which approximately US$219.2 million (equivalent to approximately HK$1.70 billion) was from shareholders outside the Group.

Major changes in our indebtedness during the year ended and subsequent to 31 December 2020 are summarized below.

In March 2020, the Group drew down HK$1.95 billion from a revolving credit facility.

On 29 April 2020, the Group entered into a senior credit facilities agreement with a syndicate of banks, under which lenders made available HK$14.85 billion in revolving credit facility for a term of five years (the "2020 Credit Facilities").

On 6 May 2020, the Group drew down HK$2.73 billion of its revolving credit facility under the 2020 Credit Facilities and, on 7 May 2020, used such proceeds to repay all outstanding loan amounts of HK$1.96 billion under an existing senior secured credit facilities agreement, together with accrued interest and associated costs, other than HK$1.0 million which remained outstanding under the term loan facility.

On 15 July 2020, the Group issued US$500.0 million (equivalent to approximately HK$3.88 billion) in aggregate principal amount of 6.00% senior notes due 2025 and US$500.0 million (equivalent to approximately HK$3.88 billion) in aggregated principal amount of 6.50% senior notes due 2028. On 14 August 2020, the Group used a portion of the net proceeds to redeem in full the US$850.0 million 7.25% senior notes due 2021, together with accrued interest and redemption premium.

On 21 July 2020, the Group issued US$500.0 million (equivalent to approximately HK$3.88 billion) in aggregate principal amount of 5.75% senior notes due 2028 (the "Original 2028 Senior Notes"). On 29 July 2020, the Group used a portion of the net proceeds to repay the outstanding revolving credit facility under the 2020 Credit Facilities in aggregate principal amount of HK$2.73 billion, together with accrued interest and associated costs.

On 11 August 2020, the Group issued US$350.0 million (equivalent to approximately HK$2.71 billion) in aggregate principal amount of 5.75% senior notes due 2028 in addition to the Original 2028 Senior Notes (the "Additional 2028 Senior Notes"). The Additional 2028 Senior Notes were consolidated and formed a single series with the Original 2028 Senior Notes and the net proceeds will be used for general corporate purposes.

On 23 September 2020, the Group drew down HK$1.94 billion from the revolving credit facility under the 2020 Credit Facilities. On 26 November 2020, MCO Nominee One Limited received confirmation that the majority of lenders of the 2020 Credit Facilities have consented and agreed to waive the following financial condition covenants contained in the facility agreement under the Facility Agreement: (i) meet or exceed the interest cover ratio (ratio of consolidated EBITDA to consolidated net finance charges as such terms are defined in the Facility Agreement) of 2.50 to 1.00; (ii) not exceed the senior leverage ratio (ratio of consolidated total debt to consolidated EBITDA as such terms are defined in the Facility Agreement) of 3.50 to 1.00; and (iii) not exceed the total leverage ratio (ratio of consolidated total debt to consolidated EBITDA as such terms are defined in the Facility Agreement) of 4.50 to 1.00, in each case in respect of the relevant periods ended or ending on the following applicable test dates: (a) 31 December 2020; (b) 31 March 2021; (c) 30 June 2021; (d) 30 September 2021; and (e) 31 December 2021. Such consent became effective on 2 December 2020.

On 8 May 2020 and 3 December 2020, the Group obtained consents from lenders of a senior secured term loan and revolving credit facilities agreement (the "2017 Credit Facilities") to amend the repayment schedule of the term loan by deferring instalments totaling US$70.0 million (equivalent to approximately HK$542.7 million) from the years 2020 and 2021 to February 2022. The consent obtained on 3 December 2020 also permits the Group to withdraw no more than US$14.0 million (equivalent to approximately HK$108.5 million) from the Debt Service Account as defined in the 2017 Credit Facilities until 3 Business Days prior to the date falling 54 months after the first utilization date, so long as no Event of Default as defined in the 2017 Credit Facilities is outstanding at the time of withdrawal.

On 28 December 2020, the Group used existing cash on hand to fully repay an outstanding secured bank loan in aggregate principal amount of HK$9.8 million.

Studio City Phase 2 has been named winner of the "Regional Award, Asia" at BREEAM Awards 2021, recognizing its efforts towards environmental sustainability.

City of Dreams Mediterranean is Cyprus' first development to achieve a BREEAM "Excellent" rating. The accolade recognizes the project's incorporation of the highest design sustainability standards and integration into its natural environmental surroundings.

On 14 January 2021, the Group issued US$750.0 million (equivalent to approximately HK$5.82 billion) in aggregate principal amount of 5.00% senior notes due 2029 (the “Studio City 2029 Senior Notes”). Net proceeds from the issuance of the Studio City 2029 Senior Notes were used to fund the conditional cash tender offer announced by the Group on 4 January 2021 for any and all of its outstanding 7.25% senior notes due 2024 (the “2024 Senior Notes”) and fully redeem the 2024 Senior Notes which remained outstanding following the completion of such conditional cash tender offer. The remaining balance will be used to partially fund the capital expenditures and for general corporate purposes.

On 21 January 2021, the Group issued an additional US$250.0 million (equivalent to approximately HK$1.94 billion) in aggregate principal amount of its 5.375% senior notes due 2029 (the “Additional 2029 Senior Notes”). Net proceeds from the issuance of the Additional 2029 Senior Notes were used for repayment of the principal amount drawn under the 2020 Credit Facilities, together with accrued interest and associated costs. The remaining balance will be used for general corporate purposes.

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

The availability period of an unsecured credit facility amounted to Philippine Peso2.35 billion (equivalent to approximately HK$379.3 million) was extended from 31 May 2020 to 31 January 2021 during the year ended 31 December 2020, and was further extended to 1 May 2021 in January 2021, on substantially similar terms as before.

For further details of our indebtedness, please refer to note 33 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 53.0% as at 31 December 2020 (2019: 41.2%).

NPC and CPPCC delegates were invited to share the spirits of the “Two Sessions” at the Group’s “Splendors of China” Leadership Forum – promoting a deeper understanding of China’s cultural heritage, economic policies, social systems and values.

Pledges of assets

As at 31 December 2020, borrowings amounting to HK$6,680.6 million (2019: HK$13,446.9 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 2020.

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 hedging transactions with respect to foreign exchange exposures of revenues and expenses in the day-to-day operations during the period under review. Instead, the Group maintains a certain amount of its operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of its financing transactions and capital expenditure programs.

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carry interest at floating rates. The Group attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and mitigate the effects of fluctuations in cash flows.

Equity price risk

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 19,769 as of 31 December 2020 (2019: 23,261). Among these employees, 281 are located in Hong Kong and the remaining 19,488 are located in the Philippines, Japan, Cyprus, Macau, Taiwan and the PRC. The related staff costs for the year ended 31 December 2020, including directors' emoluments and share-based compensation expenses amounted to HK$5,921.4 million (2019: HK$7,590.4 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 start with embracing diversity. Equal opportunities are ensured in every area, including compensation, benefits, recruitment, promotion, transfer, training opportunities and development. The Group believes, through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco International builds employees' loyalty through recognition, involvement and participation. Melco International's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success.

Recruitment

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

Performance and Rewards

Melco International seeks 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 44)

Executive Director (Chairman and Chief Executive Officer)

Mr. Ho has been the Chairman and Chief Executive Officer of the Company since March 2006. Before that, he was the group managing director of the Company after he completed a general offer for shares of the Company in 2001. He is also the chairman of the Executive Committee, Finance Committee and Regulatory Compliance Committee of the Company and a director of certain subsidiaries of the Company. Mr. Ho is currently the chairman and chief executive officer of Melco Resorts & Entertainment Limited, a company listed on the Nasdaq Global Select Market in the United States, that holds one of the six Macau gaming concessions and subconcessions and develops, owns and operates casino gaming and entertainment resort facilities in Asia and Europe. He is also a director of Studio City International Holdings Limited, a company listed on the New York Stock Exchange in the United States. He is also the chairman and director of Maple Peak Investments Inc., a company listed on the TSX Venture Exchange in Canada.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also serves on the board or participates as a committee member in various organizations in Hong Kong, Macau and mainland China. He is a vice chairman of the All-China Federation of Industry and Commerce; a vice patron of The Community Chest of Hong Kong; a member of the All China Youth Federation; a member of the Macau Basic Law Promotion Association; chairman of the Macau International Volunteers Association; a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; a member of the Asia International Leadership Council; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary patron of The Canadian Chamber of Commerce in Macao; honorary president of the Association of Property Agents and Real Estate Developers of Macau and director Executive of the Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honoured him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005. In 2017, Mr. Ho was awarded the Medal of Merit-Tourism by the Macau 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", organised by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine. In 2008, he was granted the "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China. In 2009, Mr. Ho was selected as one of the "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

Mr. Ho was selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth time in 2014. He was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015 and was awarded the "Outstanding Individual Award" at the Industry Community Awards in 2020. Mr. Ho has been honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for nine consecutive years since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the ninth time in 2020.

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 46)
Executive Director (President and Managing Director)

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

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

Mr. CHUNG Yuk Man, Clarence (aged 58)
Executive Director

Mr. Chung has been an Executive Director of the Company since May 2006. He is also a member of the Executive Committee and Finance Committee of the Company and a director of various subsidiaries of the Company. He is currently a director of Melco Resorts & Entertainment Limited, a company listed on the Nasdaq Global Select Market in the United States, and a director of Studio City International Holdings Limited, a company listed on the New York Stock Exchange and the chairman and president of Melco Resorts and Entertainment (Philippines) Corporation, a subsidiary of the Company. Mr. Chung has more than 30 years of experience in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. He was named one of the "Asian Gaming 50" by Inside Asian Gaming magazine for multiple years.

Mr. Chung obtained a master's degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology; and a bachelor's degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a member of Conselho para o Desenvolvimento Turístico and Conselho para as Indústrias Culturais.

Mr. NG Ching Wo (aged 70)

Non-executive Director

Mr. Ng has been a Non-executive Director of the Company since September 2004. He is also the chairman of the Corporate Governance Committee and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Ng is a partner of King & Wood Mallesons. Mr. Ng received his LL.B. degree in 1980 from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta, Canada in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong in 1986 and 1987, respectively. Mr. Ng's practice focused primarily in the areas of cross-border, transactional, corporate and commercial work and he has extensive experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, international tax planning, large-scale international joint ventures and technology transfers.

Mr. John William CRAWFORD, J.P. (aged 78)

Independent Non-executive Director

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

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

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

Mr. TSUI Che Yin, Frank (aged 63)

Independent Non-executive Director

Mr. Tsui was re-designated as an Independent Non-executive Director in July 2020. Before his re-designation, Mr. Tsui served as an Executive Director from November 2001 to June 2017 and a Non-executive Director from July 2017 to June 2020. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. He was previously the chairman and a non-executive director of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange and a director of Mountain China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui was formerly the president of China Assets Investment Management Limited 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.

Ms. Karuna Evelyne SHINSHO (aged 53)
Independent Non-executive Director

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

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

SENIOR MANAGEMENT

Mr. Geoffrey Stuart DAVIS, CFA (aged 52)
Chief Financial Officer

Mr. Davis has been the Chief Financial Officer of the Company since December 2017, overseeing the Group's finance and treasury functions. He is also a director of a number of subsidiaries of the Company. He is currently an Executive Vice President and Chief Financial Officer of Melco Resorts & Entertainment Limited ("Melco Resorts"), a company listed on the Nasdaq Global Select Market in the United States and a Director and Chief Financial Officer of Studio City International Holdings Limited, a company listed on the New York Stock Exchange in the United States. Prior to that, he served as the Deputy Chief Financial Officer of Melco Resorts from August 2010 to March 2011 and Senior Vice President, corporate finance of Melco Resorts from 2007, when he joined Melco Resorts. Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he held a number of positions at Hilton Hotels Corporation and Park Place Entertainment. Park Place was spun off from Hilton Hotels Corporation and subsequently renamed Caesars Entertainment. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts degree from Brown University in 1991.

Mr. LEUNG Hoi Wai, Vincent (aged 47)
Group General Counsel

Mr. Leung is the Group General Counsel and he also serves as the Company Secretary of the Company. Mr. Leung oversees the legal, corporate secretarial and compliance matters of the Group. He is also a director of a number of subsidiaries of the Company. He joined the Group in May 2015. Prior to joining the Group, he was a senior counsel of Hutchison Whampoa Limited (currently CK Hutchison Holdings Limited) and Hutchison Port Holdings Trust, a multinational conglomerate and a business trust listed in Hong Kong and Singapore respectively, and practised law with the Hong Kong office of Linklaters, a leading international law firm. Mr. Leung is qualified as a solicitor in Hong Kong and England and Wales with over 20 years of experience in the legal profession specializing in corporate finance, infrastructure projects, listing and compliance matters, as well as cross-border mergers and acquisitions. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.

CORPORATE GOVERNANCE REPORT

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. The Group is committed to promoting and maintaining the highest standard of corporate governance, with the objectives of (i) maintenance of responsible decision making; (ii) improvement in transparency and disclosure of information to shareholders; (iii) continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders; and (iv) improvement in management of risks and the enhancement of performance by the Group. We consider good corporate governance forms the core of a well-managed organization.

CORPORATE GOVERNANCE PRACTICES

(a) Company's Corporate Governance Code

The Company has in place its code on corporate governance (the "Company Code"), which sets out the corporate standards and practices used by the Company in directing and managing its business affairs, and is revised from time to time with reference to the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company Code not only formalizes the Company's existing corporate governance principles and practices, it also serves to assimilate practices with benchmarks prescribed by the Hong Kong Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders. The Company Code has been posted on the Company's website.

(b) Exceeding compliance requirements

In addition to the code provisions of the CG Code, the Company's corporate governance practices exceed the requirements of the CG Code in a number of aspects:

Code of conduct

To ensure the highest standard of integrity in our business, the Company has a written code of business conduct and ethics (the "Code of Conduct") which sets out the ethical standards of conduct expected of all employees. Briefings on the Code of Conduct are held for new employees during orientation sessions.

Whistle-blowing

The Company considers having a whistle-blowing channel is a useful means of identifying possible misconduct or fraud risks of a particular operation or function and encourages employees to raise concerns in good faith. The Group has formulated procedures for handling complaints and whistle-blowing at the Company and subsidiaries levels. All complaints and whistle-blowing are directed to the Company's Audit Committee Chairman, the Group General Counsel and the Head of Internal Audit (the "Whistle-blowing Committee") concurrently for investigations.

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

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

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

Inside information

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

(c) Compliance of the Company Code and CG Code

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the year ended 31 December 2020:

(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 passing away of the late Mr. Chow Kwong Fai, Edward on 1 June 2020, (i) the number of Independent Non-executive Directors (the "INED(s)") fell below the minimum number of three and the number of INEDs could not represent at least one-third of the Board, as, respectively, required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the chairmanship of the Remuneration Committee was vacant and the number of INEDs on the Remuneration Committee did not meet the majority requirement under Rule 3.25 of the Listing Rules; and (iii) the number of members on the Audit Committee fell below the minimum number of three and the number of INEDs did not meet the majority requirement under Rule 3.21 of the Listing Rules. On 1 July 2020, Mr. Tsui Che Yin, Frank was re-designated from a Non-executive Director to an INED and was appointed as the Chairman of the Remuneration Committee and Mr. Ng Ching Wo, a Non-executive Director, was appointed as a member of the Audit Committee. Following the aforesaid changes, the Company has complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 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 seven Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; one Non-executive Director, Mr. Ng Ching Wo; and three INEDs, namely, Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho. The number of INEDs represents more than one-third of the Board and complies with Rule 3.10A of the Listing Rules.

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

Each of Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho, INEDs, has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

For Mr. Tsui Che Yin, Frank, who served as an Executive Director from November 2001 to June 2017 and a Non-executive Director from July 2017 to June 2020, was re-designated as an INED with effect from 1 July 2020. The Company had, prior to Mr. Tsui's re-designation as an INED, demonstrated to the satisfaction of the Hong Kong Stock Exchange that Mr. Tsui is qualified to serve as an INED and is independent for the purposes of Rule 3.13 of the Listing Rules, for the reasons set out below:

(a) During the two years immediately prior to the date of his re-designation as an INED, Mr. Tsui has not performed any executive role or management function in the Company, any of its subsidiaries or any core connected persons of the Company.

(b) Since his re-designation as a Non-executive Director in July 2017, Mr. Tsui has been acting impartially, exercising independent judgement to the business and affairs of the Company and providing professional and critical advice and recommendation to the Company, and thereby performing the duties and responsibilities commensurate to that performed by an INED.

(c) The Company believes that Mr. Tsui would be able to continue to exercise his professional judgement and draw upon his extensive financial expertise and knowledge in risk management, internal control and corporate governance matters for the benefit of the Company and its shareholders as a whole, and carry out the duties and responsibilities expected of an INED, impartially and independently.

(d) In accordance with Rule 3.13 of the Listing Rules, the Board will re-assess the independence of Mr. Tsui at least annually.

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. The Company had, prior to Mr. Crawford's appointment on 13 September 2019, 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 made on the date of his appointment. Further, Mr. Crawford resigned from his position as an independent director of Melco Resorts and Entertainment (Philippines) Corporation, a subsidiary of the Company, on 29 October 2020 and after such resignation, he was able to meet all the independence guidelines set out in Rule 3.13.

For the reasons stated above, the Company is of the view that all the INEDs are independent in accordance with the Listing Rules.

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

Under the Company's articles of association (the "Articles of Association"), at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Evan Andrew Winkler, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho will retire from office by rotation at the forthcoming annual general meeting (the "AGM"). All the retiring Directors, being eligible, have confirmed they will offer themselves for re-election at the AGM. The biographical details of the retiring Directors who will offer themselves for re-election at the AGM will be set out in a circular to assist shareholders to make informed decisions on their re-elections.

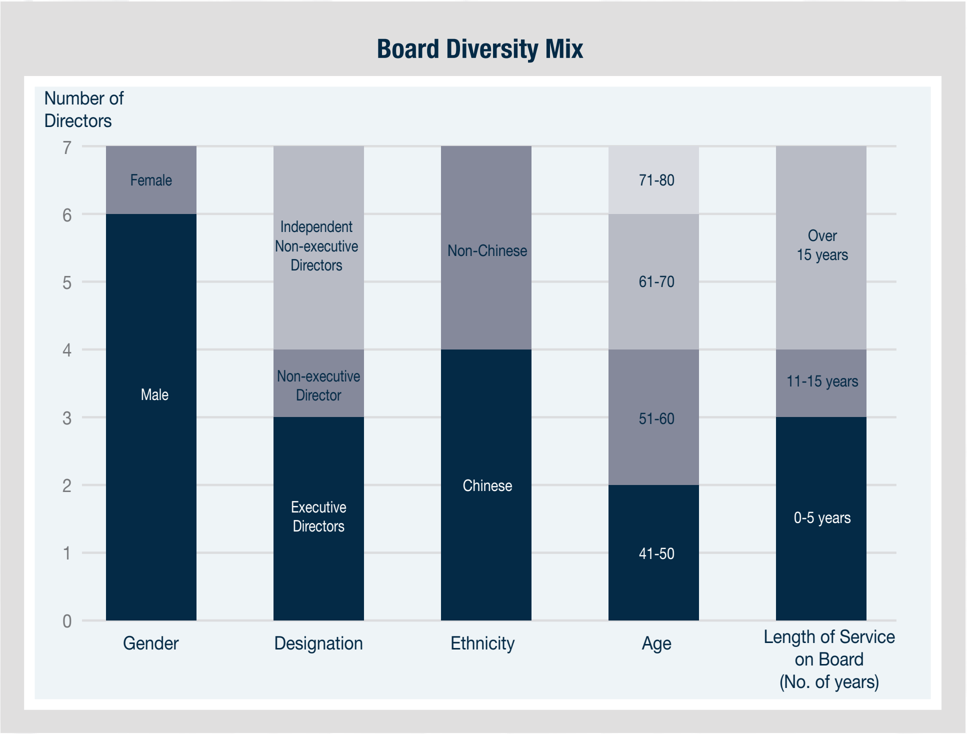
Pursuant to Paragraph A.4.3 of the CG Code, re-election of independent non-executive director who has served the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. Mr. Tsui Che Yin, Frank, an INED, after having taken into account the period he served as an Executive Director for fifteen years, has served the Board for more than nineteen years. Mr. Tsui has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules. In view of this and in view of the fact that Mr. Tsui is a very seasoned and experienced director, the Board considers Mr. Tsui has the necessary character, integrity and experience to remain independent notwithstanding his long length of service and will continue to bring invaluable independent advice and perspectives to the Company and its business. The Board therefore recommends Mr. Tsui to be re-elected as INED at the AGM. Separate resolution for his re-election will be proposed for approval by the shareholders of the Company at the AGM.

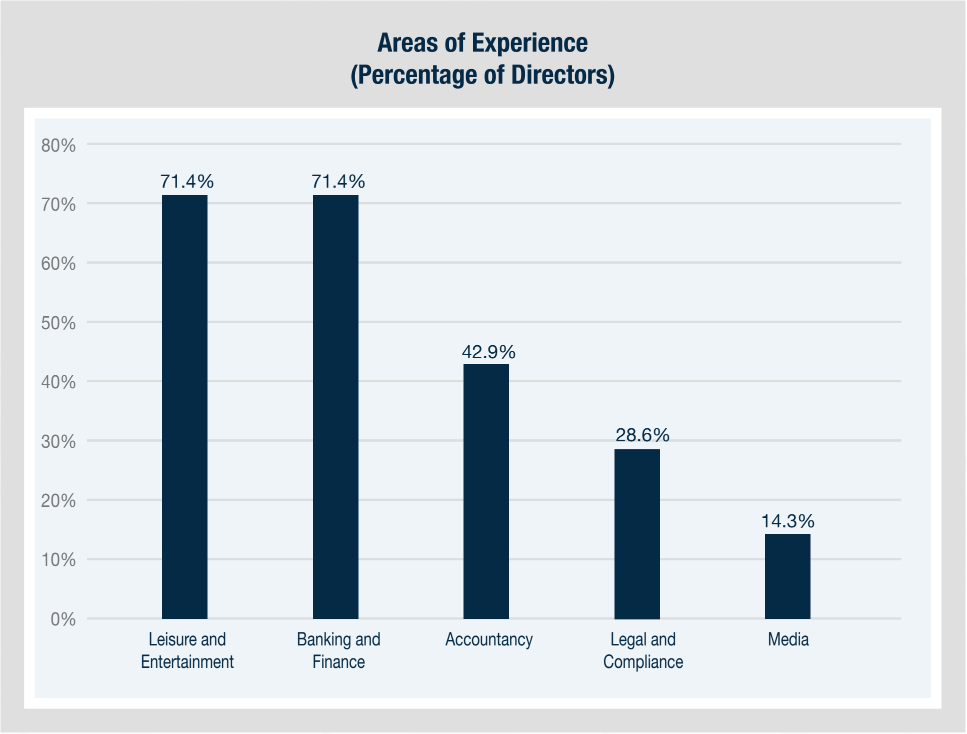
Board Diversity Policy

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

The Board adopted a board diversity policy which sets out the approach by the Company to achieve diversity on the Board, through consideration of a number of measurable objectives including age, gender, cultural and educational backgrounds, ethnicity, professional experience, skills and knowledge. Under this policy, all Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits. The Nomination Committee is in charge of implementing the board diversity policy, making recommendations on measurable objectives for achieving diversity of the Board as appropriate and reports annually on the Board appointment process in the Corporate Governance Report.

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





Directors' Training

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

All Directors have participated in continuous professional development to develop and refresh their skills and knowledge in accordance with Paragraph A.6.5 of the CG Code. During the year, the Company invited an external expert consultant to provide a training session to our Directors on the topic of "HKEx/SFC Regulatory Developments – A Practical Update 2020", which included a particular focus on directors' duties, environmental, social and governance ("ESG") trends and the related regulatory 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 2020 is set out below:

Board Meetings

The Directors met five times during the year of 2020. In addition, the Chairman met the INEDs 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 Director		
Mr. Ng Ching Wo	✓	✓
Independent Non-executive Directors		
Mr. John William Crawford	✓	✓
Mr. Tsui Che Yin, Frank	✓	✓
Ms. Karuna Evelyne Shinsho	✓	✓

Board and Board Committee Attendance

The attendance records of the Directors at Board meetings, Board committee meetings and general meetings during the year ended 31 December 2020 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	Extraordinary general meeting
Executive Directors							
Mr. Ho, Lawrence Yau Lung	5/5	–	–	–	–	1/1	1/1
Mr. Evan Andrew Winkler	5/5	–	–	–	–	1/1	1/1
Mr. Chung Yuk Man, Clarence	5/5	–	–	–	–	1/1	1/1
Non-executive Director							
Mr. Ng Ching Wo(1)	5/5	1/1	2/2	2/2	1/1	1/1	1/1
Independent Non-executive Directors							
Mr. John William Crawford	5/5	2/2	–	2/2	1/1	1/1	1/1
Mr. Tsui Che Yin, Frank(2)	5/5	2/2	–	–	–	1/1	1/1
Ms. Karuna Evelyne Shinsho	5/5	–	2/2	2/2	1/1	0/1	0/1
Ms. Chow Kwong Fai, Edward(3)	2/2	1/1	1/1	1/1	–	–	–
Average Attendance Rate	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**85.71%**	**85.71%**

Notes:

1. Appointed as a member of the Audit Committee with effect from 1 July 2020.
2. Appointed as the Chairman of the Remuneration Committee with effect from 1 July 2020.
3. Passed away on 1 June 2020.

Procedure to Enable Directors' Seeking Independent Professional Advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances.

Securities Dealings by Directors and Employees

The Company has a code for dealing in the Company's securities by the Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2020, except for a non-compliance case in relation to Ms. Karuna Evelyne Shinsho as described below.

On 10 September 2020, 1,066 shares of the Company held by Ms. Shinsho were sold (the "Transaction") without first obtaining clearance to deal from the Company's Securities Dealings Committee in accordance with the Code of Securities Dealings. Ms. Shinsho's failure to act in full compliance with the Code of Securities Dealings did not arise from Ms. Shinsho's own action but occasioned from a sale effected by her broker without first obtaining her prior approval. Upon Ms. Shinsho becoming aware of the Transaction on 15 March 2021, the Transaction was promptly disclosed to the Hong Kong Stock Exchange and the public on 17 March 2021. The Company has been informed by Ms. Shinsho that she has put in place necessary measures with her broker to ensure that no trade of the Company's securities will take place without her prior approval so as to prevent any similar incident occurring in the future.

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 2020, 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 219 and 220 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 fifteen times to discuss the Company's business, new projects and makes decisions on matters relating to the management and operations of the Group.

(2) Audit Committee

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

The role of the Audit Committee is to (a) monitor external auditor's work, appointment and remuneration, (b) review the Group's financial statements and published reports, (c) provide advice and comments thereon to the Board and (d) oversee the financial reporting system, risk management and internal control systems of the Group.

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

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

(a) reviewed the annual financial results of 2019 and interim financial results of 2020;

(b) reviewed and approved the 2019 annual report and 2020 interim report;

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

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

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

(f) approved the internal audit plan for 2020;

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

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

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

(j) endorsed the amendments to the terms of reference of the Audit Committee;

(k) endorsed the amendments to the ESG Risk Management and Internal Control Policy; and

(l) approved the external auditor's remuneration and terms of engagement for 2020.

(3) Nomination Committee

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

The committee reviews the Board's size and composition and advises the Board on appointment of new directors and re-election of directors. It met two 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 INEDs;

(d) reviewed the Nomination Policy;

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

(f) nominated Board candidates to stand for election by shareholders at the Company's 2020 annual general meeting.

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

For re-election of retiring Directors, the Nomination Committee reviews the profile, meeting attendance and participation in the affairs of the Company of the retiring Directors and determines whether they are suitable to stand for re-election as Directors at the AGM.

(4) Remuneration Committee

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

The Company has a Remuneration Policy in place. When considering remuneration of Executive Directors and senior management, the committee considers a number of factors, including salaries paid by comparable companies, job responsibilities, and individual and company performances. Details of emoluments of the Directors, Chief Executive and senior management are set out in notes 12 and 45(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 two 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 and recommended to the Board on the remuneration of Non-executive Director and INEDs;

(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 the Director who was redesignated from a Non-executive Director to an INED 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 Remuneration Committee's approval.

The emoluments paid or payable to the senior management (including the one who resigned as senior management member in August 2020) for the year ended 31 December 2020 fell within the following bands:

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

(5) Corporate Governance Committee

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

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

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

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

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

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

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

Oversight of ESG, which was previously delegated to the Audit Committee, has been strengthened this year, with it since August 2020 under the remit of the Corporate Governance Committee and directly under the Chairman and Chief Executive Officer. The committee now has a duty to consider the ESG framework with the ESG taskforce and senior management to ensure the establishment and maintenance of effective and appropriate ESG management systems.

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

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

(b) reviewed the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements; 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, Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence and the Chief Financial Officer, Mr. Geoffrey Stuart Davis (in a non-voting capacity). The Finance Committee holds meetings from time to time to discuss financial matters of the Group. It conducts reviews on Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets, major acquisitions and investments and their funding requirements.

(7) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of two Executive Directors, Mr. Ho, Lawrence Yau Lung and Mr. Evan Andrew Winkler and the Group General Counsel, Mr. Leung Hoi Wai, Vincent (in a non-voting capacity). The Regulatory Compliance Committee holds meetings from time to time to discuss compliance matters of the Group. It reviews and advises on matters relating to regulation of the Company's gaming business and compliance with applicable laws, regulations and Listing Rules.

COMPANY SECRETARY

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

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of the Group's financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). These responsibilities include designing, implementing and maintaining the necessary internal control systems, ensuring that the Group's financial statements are free from material misstatement, applying the appropriate accounting policies and making reasonable accounting estimates. The responsibilities of the external auditor are set out in the Independent Auditor's Report on pages 93 to 99 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the fees paid or payable by the Company to its external auditors for providing audit and non-audit services amounted to approximately HK$1.4 million and HK$1.8 million (2019: HK$1.7 million and HK$4.4 million) respectively. The non-audit services comprise primarily 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 on an ongoing basis to safeguard the shareholders' investment and the Group's assets. The Group's internal control systems are designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management systems are intended to manage, not eliminate, significant risks in the Group's business environment.

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

Risk Management System

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

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

During the year, the risk management taskforce reviewed the Group's risk management framework and conducted assessments on different risk categories. Results of the work covering areas such as finance, governance, operations, compliance, strategic and planning risks are submitted to the 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.

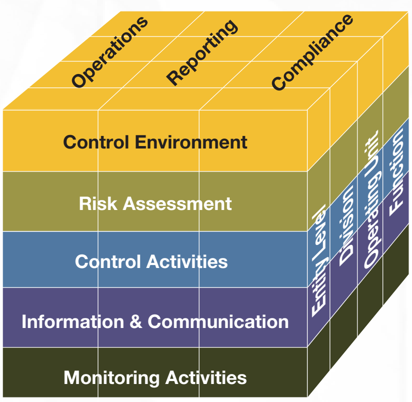
Our principal subsidiary, Melco Resorts, which is separately listed on Nasdaq Global Select Market in the United States, has its own risk management system. The risk and compliance department is tasked with overseeing and assessing the risk management framework. The risk management policy, adopted by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

Internal Control Systems

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

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

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



(1) ***Control Environment***

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

(2) ***Risk Assessment***

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

(3) ***Control Activities***

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

(4) ***Information and Communications***

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

(5) ***Monitoring Activities***

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

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

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

Audit Committee Supervision

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

The Board, through the Audit Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems for 2020 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and the budget for the Group's accounting, internal audit and financial reporting functions, and considered that they are adequate.

ESG Governance

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

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

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

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

Procedures for Nomination of Directors for Election

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

Dividend Policy

The Company has a dividend policy (the "Dividend Policy") in place to allow its shareholders to participate in the Company's profits while preserving the Company's liquidity to capture future growth opportunities. Pursuant to the Dividend Policy, the Company intends to provide its shareholders with semi-annual dividends in an aggregate amount per year of approximately 20% of the Company's annual consolidated net income attributable to the shareholders. The Dividend Policy also allows the Company to declare special dividends from time to time. In May 2020, the Company announced the suspension of its semi-annual dividend program under the Dividend Policy.

Annual General Meeting

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

The Board Chairman, Board committees' chairmen (or their delegates) and the Company's auditor attended the 2020 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 2020.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

General

The business review for the year ended 31 December 2020, including discussion of the principal risks and uncertainties and future developments in the Group's businesses, is outlined in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" on pages 20 and 21 and 22 to 39, respectively, of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is included on pages 16 and 17 and in the Group's Five-year Financial Summary on page 218 of this annual report.

Our ESG Commitment

Board Oversight

The board of Directors (the "Board") is responsible for the management approach, strategy and reporting of the Group's Environmental, Social and Governance ("ESG") issues. The Board reviews and approves the Group's ESG policies and framework on an ongoing basis and also ensures the appropriateness and effectiveness of the Group's ESG risk management and internal control systems. Oversight of ESG, which was previously delegated to the Audit Committee, was strengthened in 2020 with it now being under the remit of the Corporate Governance Committee and directly under our Chairman and CEO.

The Board tracks progress made against strategies and goals with the assistance of its ESG Taskforce. Through regular engagement with the ESG and Corporate Social Responsibility ("CSR") committees of major subsidiaries, the Company is able to assess ESG-related risks, performance and ensure sufficient resources are provided at the subsidiary level to fulfil commitments. The Board annually reviews the Group's ESG reports, as well as the Group's sustainability initiatives periodically during the year, to identify areas for improvement and priorities for action.

In 2020, regular presentations on ESG-related topics were made to the Board on a semi-annual basis. Issues discussed with the Board included progress on the Group's energy and waste related goals as well as global regulatory developments and trends. Specific initiatives and progress made on focus areas, including BREEAM certification, the Group's climate risk and mitigation approach, Greenhouse gas ("GHG") verification and value chain emissions, the Global Tourism Plastics Initiative, the Winnow Vision Food waste project, playing card recycling, water conservation and the sustainable sourcing of cotton, chemicals and seafood, were also presented to the Board.

COVID-19 relief measures for the community were a priority this year. As such, the Group's unprecedented response to mobilise resources – from medical supplies, mask and hand sanitisers to funding and volunteering to support relief efforts – was recognised by the Board. The 'Simple Acts of Kindness' programme, expanded support provided to suppliers and small and medium enterprises ("SMEs"), and other community programmes to help people in need, were discussed at the Board level. Updates on culture and heritage conservation, and responsible gaming initiatives that engaged all colleagues from top to bottom were also presented to the Board.

Similar to the previous year, an external expert consultant was invited to provide Board members with training on regulatory developments and ESG trends in 2020.

Our Strategy

In 2020, despite the unexpected challenges presented by the COVID-19 pandemic, the Group continued to forge ahead with maintaining the highest standards of sustainability governance, industry-leading environmental protection and social responsibility in accordance with our 'Above & Beyond' strategy.

To enhance our strategy, a comprehensive materiality assessment was conducted to identify the risks, opportunities and areas for differentiation across our value chain. This involved an in-depth stakeholder engagement process to understand stakeholders' concerns and evaluate ESG priorities for the Group. As a result of this process, the key topics material to our business were identified as: guest experience, ethics & integrity, privacy & cybersecurity, engaging people, health, safety & wellbeing, responsible gaming, community engagement and investment (including promoting local culture and supporting SMEs), energy & climate resilience, material use & waste and sustainable & ethical supply chain.

Our approach to integrating sustainable practices across our value chain contributed to the Group receiving accolades for two years in a row at the International Gaming Awards. In 2019, Melco Resorts & Entertainment Limited ("Melco Resorts") was recognised 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 of our initiatives and progress against our goals in 2020 are shared below.

Our ESG Performance and Goals

Our commitment to the highest sustainability governance standards remains steadfast as we strive to change the future of gaming and entertainment. Our pledge to uphold the highest ethical standards extends beyond the Group to our business partners. Accordingly, our SME training programme in Macau included an ethics section with 112 people from 87 companies attending eight sessions in 2020.

As part of our governance initiatives, we continue to focus on minimizing any risk of business disruption from data security concerns. In 2020, a Global Chief Information Security Officer was appointed and regular phishing campaigns were conducted across all jurisdictions to ensure awareness of potential malware and spyware. A total of 7,352 emails were sent out to email users in all of our regions including Hong Kong, Macau, Manila, Cyprus and Japan. As we work toward adopting the National Institute of Standards and Technology Framework for cybersecurity, a gap analysis of existing information systems was conducted to ensure compliance with requirements of the Macau Cybersecurity Law, which came into effect at the end of 2019. A report on the Group's overall security status and controls implemented has been submitted to the government.

Our efforts to be the best partner and place to work in the industry continue to be of the highest importance. This means providing a nurturing environment for colleagues and championing safety internally as well as for guests and our communities. As we endeavour to be a leading corporate citizen, we strive to promote responsible gaming, bolster economic prosperity for SMEs and celebrate local culture and heritage. Our longstanding community programmes have seen over 177,000 colleague participants in our global CSR activities since 2007. In 2020, the Group donated and contributed over HK$264 million to benefit our communities and colleagues, with 53% specifically directed at addressing the COVID-19 pandemic.

We also continue to work towards meeting our environmental goals of achieving carbon neutrality and zero waste across our resorts by 2030. Our commitment towards energy efficiency and adopting renewable energy is at the heart of our sustainability efforts. As such, we remain focused on embedding efficiency measures across our value chain, transitioning to electric vehicles and investing in renewables through solar technology at our properties and the purchase of renewable energy certificates. With 2020 being an anomaly with room nights and guest visitation down on average by 70% at our integrated resorts due to COVID-19 restrictions, combined with ongoing performance improvements, our intensity metrics reduced over 2019 for GHG emissions by 48%, energy consumption by 27%, water consumption by 38% and waste generation by 55%.

Our journey towards zero waste has been another key focus in 2020. A successful six-month trial period of Artificial Intelligence-driven technology, Winnow Vision, saw us reducing overall food waste in colleague dining areas at City of Dreams Macau by 67%, the equivalent of avoiding over 7,000 kg of waste from the landfill annually, which equates to avoiding almost 30 tonnes of carbon dioxide equivalent or the GHG emissions generated through charging 3.6 million smartphones[1]. We are committed to scaling up the adoption of this technology across our operations, including in customer-facing restaurants and all Heart-of-House colleague dining areas, to help eradicate preventable food waste at source.

We have also achieved an important milestone in our long-term commitment towards reducing the use of plastic and promoting circular economy practices across our global operations. We are among the first to sign up for the Global Tourism Plastics Initiative, led by the UN Environment Programme and the World Tourism Organization in collaboration with the Ellen MacArthur Foundation. Under this initiative, we are required to report on our impact annually. Additionally, the adoption of a revolutionary NORDAQ 2000 water refilling system across our entire property portfolio in Macau will eliminate 14.8 million plastic bottles annually and thereby, significantly reducing our plastic waste and the associated carbon footprint.

Due to our efforts, we received a number of accolades in 2020, ranging from Melco Resorts being honoured the "Best Environmental Responsibility" at the Asian Excellence Award by Corporate Governance Asia magazine for eight consecutive years since 2013, BREEAM "Excellent" ratings for the Design stage for both Studio City Phase 2 and City of Dreams Mediterranean and four awards at the Companhia de Electricidade de Macau (CEM) *Macau Energy Saving Activity 2020*[2] to attaining high scores in our first submission to the Dow Jones Sustainability Index, putting us in the 93rd percentile for the environment category and in the 75th percentile of our industry group overall, as well as scores of A- for our climate-related supplier engagement strategy and an overall score of B from the Carbon Disclosure Project.

Our commitment to sustainable and responsible practices remained strong in the face of the unprecedented challenges brought on by the ongoing COVID-19 pandemic in 2020. Our focus continued to be supporting our guests, colleagues, suppliers and communities in innovative ways throughout the year.

Guests. The security and comfort of our guests remains a key priority for us. With our industry hit by the full weight of COVID-19 in 2020, our commitment to our guests required us to take all possible measures to ensure that our properties are as safe and hygienic as possible. As we strive to deliver the best and most memorable guest experiences in an environmentally- and socially-responsible manner, we see opportunities to not only raise awareness about sustainability but also to align ourselves with evolving societal expectations for a better future. Despite unprecedented challenges in 2020, our service excellence earned us 97 stars in the 2020 Forbes Travel Guide, including 17 five-star awards. This top tier recognition across our entire portfolio sets us apart from other integrated resort operators in Macau and Asia. Furthermore, four signature restaurants at our Macau properties of City of Dreams, Studio City and Altira Macau have been honored by the Michelin Guide Hong Kong Macau 2021 with a collective total of seven Michelin-stars.

We understand our fundamental duty to help ensure all our guests game responsibly and see our responsible gaming ("RG") culture as a proud point of differentiation. In 2021, Melco's properties City of Dreams Macau, Studio City, Altira Macau and City of Dreams Manila became the first in Macau and the Philippines to achieve international third-party accreditation for our RG programs through RG Check by the Responsible Gambling Council. RG Check is the most comprehensive and rigorous RG accreditation program in the world. It is designed to meet or exceed all existing RG regulatory requirements and is valid for three years, Accreditation is reviewed by a prestigious and independent panel of RG specialists.

Colleagues. We strive to be the company people choose to work for in our industry. Fundamental to our efforts this year has been our commitment to ensuring the health, safety and wellbeing of our people. We have also worked hard to minimise the impact of the pandemic, while continuing to provide fair compensation, benefits, recruitment, promotion, transfer and training opportunities to all colleagues.

As an equal opportunity employer, we have always welcomed people of all genders, and social and ethnic backgrounds. We have zero tolerance for any form of discrimination or harassment based on gender, age, race, religion, gender identity, sexual orientation, disability, parental/marital status, or other non-meritocratic factors. Our continued focus on increasing gender equality has resulted in women comprising 35% of senior leadership and 41% of our general management team at the Group level.

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1 https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

2 The award is based on the year-on-year kilowatt-hour (kWh) percentage reduction recorded by CEM's electricity bills for the resort from May to October each year.

We continue to be encouraged by our colleagues' positive feedback on our proactive leadership and are proud that Melco Resorts was chosen as one of HR Asia's 2020 Best Companies to Work for in Asia for the second consecutive year. It also garnered the Gold Award for "Excellence in Internship Recruitment/Development" by the HR Distinction Awards 2020 for the initiative to offer work experience opportunities to special needs students, which was another special honor for us this year.

Suppliers. Our sustainable sourcing programmes are designed to protect and enhance workers' lives in our supply chain, empower communities by sourcing locally, and reduce our impact on the world around us. We are proud that our ongoing investment in strengthening our relationship with suppliers resulted in 87% of our procurement from local companies in Macau, out of which 46% was with micro and small enterprises in 2020. In Manila and Cyprus, over 86% and 80% of our procurement supports local businesses, respectively.

Throughout the pandemic, we have invested in capacity building and communicating with our suppliers to ensure that we are ready to meet renewed demands in the future. This has entailed providing business development skill training, helping suppliers adopt our environmental management best practices for reducing plastic and providing training on how to enhance ESG practices in the supply chain. We also launched a fast-track Express Payment Scheme to alleviate liquidity pressures and offered rent-free roadshows in the Heart-of-House areas of properties, which contributed over HK$3.4 million in revenue to local SMEs and NGOs.

In addition, we have continued to strengthen sustainability attributes in our procurement process and increase transparency through active engagement in the sourcing of cotton, cleaning products and seafood. In 2020, we also joined The Mekong Club, membership-based business association that inspires and engages the private sector to collaborate and lead in the fight against modern slavery.

Communities. We support the communities where we operate through focused investment and engagement activities. During the pandemic, over 7,800 colleagues came to the aid of communities through our *Simple Acts of Kindness* initiative, which supported non-governmental organisations, SMEs and other local groups in need, including the elderly, single families, long-term patients and children. From the outset of COVID-19, we were the first operator in Macau to provide swift aid by donating HK$20 million to support Wuhan and Hubei to purchase medical supplies, including face masks and hand sanitisers, and to support the local communities. This was followed by donating additional aid and relief goods, equivalent to HK$35.8 million, to the local communities in Cyprus, Macau and the Philippines.

In acknowledgement of *Simple Acts of Kindness*, Melco was recognized by the 2020 Industry Community Awards ("ICA") for *Community Award – Asia*. In the category of *Outstanding Individual Award*, ICA awarded our Chairman & CEO, Mr. Lawrence Ho, for his leadership role in supporting stakeholders.

To ensure our community investment efforts are in line with our strategic business goals, we continue to work according to our established CSR pillars: youth, education, women, environment, culture & heritage, responsible gaming, whole person development and SMEs. Our programmes and partnerships to support and build capacity within communities are delivered through volunteerism and philanthropy initiatives designed to build local prosperity. We have attained the 15 Year Plus Caring Company award from the Hong Kong Council of Social Service for the second year, demonstrating our long-standing commitment to the community. Melco Resorts was also selected as "Asia's Best CSR" by Corporate Governance Asia Magazine, underscoring our efforts in the area of corporate social responsibility.

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 2020, 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 44 to 58 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, as well as the Cyprus Prevention and Suppression of Money Laundering and Terrorist Financing Law, adopting the corresponding EU Directives on combatting money laundering and terrorism financing, the Cyprus Gaming Commission's Direction on Prevention and Suppression of Money Laundering and Terrorist Financing and the Cyprus Casino Law and Regulations.

We have stringent anti-corruption policies in place at both the Company and subsidiary levels, which 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 the Company and subsidiary levels so employees are aware of these regulations. Employees are encouraged to utilise our established whistle-blowing mechanisms to report any actions of misconduct.

In addition to ensuring bribery prevention and anti-corruption practices, we pay close attention to safeguarding the interests of all our stakeholders by adhering to the Macau Personal Data Protection Act as well as data privacy regulations in all areas 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 100 and 101 of this annual report.

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK3.01 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 4 June 2021. 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, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 31 May 2021.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, investment properties, gaming license and subconcession, goodwill, trademarks, other intangible assets and right-of-use assets) during the year are set out in notes 17, 18, 19, 20, 21, 22 and 34, respectively, to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year ended 31 December 2020 are set out in note 36 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 218 of this annual report. This summary does not form part of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution consisted of the capital reserve and retained profits of approximately HK$7,053,000 and HK$5,441,506,000, respectively, (2019: HK$7,053,000 and HK$5,379,113,000, respectively). The Company considers it has fulfilled the conditions required for distribution of the capital reserve.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the five largest customers accounted for less than 30% of the Group's total turnover and the five largest suppliers accounted for less than 30% of the Group's total purchases.

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

DIRECTORS

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

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

Non-executive Director
Mr. Ng Ching Wo

Independent Non-executive Directors

Mr. John William Crawford
Mr. Tsui Che Yin, Frank *(re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 1 July 2020)*
Ms. Karuna Evelyne Shinsho
Mr. Chow Kwong Fai, Edward *(passed away on 1 June 2020)*

In accordance with Article 98(A) of the articles of association of the Company (the "Articles and Association"), Mr. Evan Andrew Winkler, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho, 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 Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho, Independent Non-executive Directors, confirming his/her independence to the Company.

Mr. Tsui Che Yin, Frank has been re-designated as an Independent Non-executive Director with effect from 1 July 2020. Before his re-designation, Mr. Tsui served as an Executive Director from November 2001 to June 2017 and a Non-executive Director from July 2017 to June 2020. Prior to Mr. Tsui's re-designation, the Company had demonstrated to the satisfaction of the Hong Kong Stock Exchange that Mr. Tsui is qualified to serve as an Independent Non-executive Director and is independent for the purposes of Rule 3.13 of the Listing Rules. The reasons are set out in the Company's announcement dated 2 July 2020 and in the Corporate Governance Report on pages 44 to 58 of this annual report.

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. The Company had, prior to Mr. Crawford's appointment on 13 September 2019, 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 made on the date of his appointment. Further, Mr. Crawford resigned from his position as an independent director of Melco Resorts and Entertainment (Philippines) Corporation ("Melco Resorts Philippines"), a subsidiary of the Company, on 29 October 2020 and after such resignation, he was able to meet all the independence guidelines set out in Rule 3.13.

For the reasons stated above, the Company is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Biographical details of the Directors are set out on pages 40 to 43 of this annual report.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions" and "Related Party Transactions" of this report, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and 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 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 2020, the interests and short positions of each Director and Chief Executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and Chief Executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

(a) Ordinary shares of the Company

	Number of ordinary shares held					
Name of Director	**Personal interests[2]**	**Family interests[3]**	**Corporate interests[4]**	**Other interests[5]**	**Total**	**Approximate % of total issued shares[1]**
Mr. Ho, Lawrence Yau Lung	85,625,132	4,212,102	478,668,975[6]	312,666,187[7]	881,172,396	58.13%
Mr. Evan Andrew Winkler	4,472,384	–	–	–	4,472,384	0.30%
Mr. Chung Yuk Man, Clarence	2,981,440	–	–	–	2,981,440	0.20%
Mr. Ng Ching Wo	333,000	–	–	–	333,000	0.02%
Mr. John William Crawford	5,000	–	–	–	5,000	0.00%
Mr. Tsui Che Yin, Frank	7,170,660	–	–	–	7,170,660	0.47%
Ms. Karuna Evelyne Shinsho	6,934	–	–	–	6,934	0.00%

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

Name of Director	**Number of underlying shares held pursuant to share options[2 & 8]**	**Number of awarded shares held[2 & 9]**	**Total**	**Approximate % of total issued shares[1]**
Mr. Ho, Lawrence Yau Lung	4,500,000	3,584,000	8,084,000	0.53%
Mr. Evan Andrew Winkler	20,921,000	3,393,000	24,314,000	1.60%
Mr. Chung Yuk Man, Clarence	3,347,000	106,000	3,453,000	0.23%
Mr. Ng Ching Wo	1,123,000	21,000	1,144,000	0.08%
Mr. John William Crawford	57,000	14,000	71,000	0.00%
Mr. Tsui Che Yin, Frank	1,119,000	14,000	1,133,000	0.07%
Ms. Karuna Evelyne Shinsho	70,000	16,000	86,000	0.01%

Notes:

1. As at 31 December 2020, the total number of issued shares of the Company was 1,515,763,755.

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

7. In addition to the deemed interests as stated in note 6 above, Mr. Ho, Lawrence Yau Lung is also taken to have interests in the 312,666,187 shares held by L3G Holdings Inc. (formerly known as Great Respect Limited*), representing approximately 20.63% of the total issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. L3G Holdings Inc. is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

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

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

* *With effect from 25 February 2021, the name has been changed to L3G Holdings Inc.*

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

(A) 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	–	812,729,781(4)	812,729,781	55.80%
Mr. Evan Andrew Winkler	45,369	–	45,369	0.00%
Mr. Chung Yuk Man, Clarence	36,295	–	36,295	0.00%
Mr. John William Crawford	45,369	–	45,369	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	6,154,260	13,691,241	0.94%
Mr. Evan Andrew Winkler	–	90,174	90,174	0.01%
Mr. Chung Yuk Man, Clarence	–	198,207	198,207	0.01%
Mr. John William Crawford	–	95,619	95,619	0.01%

Notes:

1. As at 31 December 2020, 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 58.13% of the total issued shares of the Company.

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

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

(B) Melco Resorts Philippines *(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	1	0.01%

Notes:

1. As at 31 December 2020, the total number of issued shares of Melco Resorts Philippines was 11,379.5294 shares (as a result of the change of par value of the shares of Melco Resorts Philippines from Peso1.00 per share to Peso500,000.00 per share).
2. This represents interest held by Mr. John William Crawford 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 2020, the total number of issued shares of SCIHL was 442,864,460 (including 370,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares).
2. This represents interest held by Mr. Chung Yuk Man, Clarence as beneficial owner.

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

Debentures issued by Studio City Finance

	Principal amount of the 6.00% Senior Notes due 2025 held (US$)		
Name of Director	Personal interest[1]	Corporate interest[2]	Total
Mr. Ho, Lawrence Yau Lung	50,000,000	10,000,000[3]	60,000,000

Notes:

1. This represents interest held Mr. Ho, Lawrence Yau Lung as beneficial owner.
2. This represents interest held by Mr. Ho, Lawrence Yau Lung through his controlled corporation.
3. This represents the interest held by Black Spade Capital Limited, a company wholly owned by Mr. Ho, Lawrence Yau Lung.

Save as disclosed above, as at 31 December 2020, 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 with certain rules of such scheme amended on 5 June 2020 (the "2012 Share Option Scheme"), under which the Directors may, at their discretion, grant to any eligible participants (as defined below) share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein.

The following is a summary of the principal terms of the 2002 Share Option Scheme and 2012 Share Option Scheme:

(i) Purpose of the schemes

To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(ii) Participants of the schemes

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

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

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

Following the expiry of the 2002 Share Option Scheme, no further share options could be granted thereunder. As at the date of this report, a total of 1,125,000 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 0.07% of the shares in issue.

As at the date of this report, the total number of shares available for issue under the 2012 Share Option Scheme is 56,162,538 shares and a total of 34,920,000 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 3.70% and 2.30%, respectively, of the shares in issue.

(iv) ***Maximum entitlement of each participant under the schemes***

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

In addition, any share options to a substantial shareholder of the Company and/or an independent non-executive Director or any of their respective associates that would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the shares in issue and with an aggregate value (based on the price of the shares on the date of grant) in excess of HK$5 million is subject to shareholders' approval in a general meeting.

(v) ***The period within which the shares must be taken up under an option***

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

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

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

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

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

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

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

The exercise price is determined by the Board which shall be at least the higher of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date when an option is offered; and (ii) a price being the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered.

(ix) ***The remaining life of the schemes***

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

Movements of share options granted under the 2002 Share Option Scheme and 2012 Share Option Scheme during the year ended 31 December 2020 were as follows:

Under the 2002 Share Option Scheme

	Number of share options									
Category of participants	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	As at 31 December 2020	Date of grant	Exercise price HK$	Exercise period (Note)
Directors										
Mr. Chung Yuk Man, Clarence	170,000	–	(170,000)	–	–	–	–	07.04.2010	3.76	3
	330,000	–	–	–	–	–	330,000	27.01.2012	7.10	5
Mr. Ng Ching Wo	60,000	–	(60,000)	–	–	–	–	07.04.2010	3.76	6
	350,000	–	–	–	–	–	350,000	08.04.2011	5.75	4
	210,000	–	–	–	–	–	210,000	27.01.2012	7.10	5
Sub-total	1,120,000	–	(230,000)	–	–	–	890,000			
Employees	96,000	–	(96,000)	–	–	–	–	07.04.2010	3.76	3
	469,000	–	(219,000)	–	–	(250,000)	–	08.04.2011	5.75	4
	359,000	–	(161,000)	–	–	(150,000)	48,000	27.01.2012	7.10	5
Sub-total	924,000	–	(476,000)	–	–	(400,000)	48,000			
Others[17]	60,000	–	–	(60,000)	–	–	–	07.04.2010	3.76	3
	–	–	–	–	–	250,000	250,000	08.04.2011	5.75	4
	137,000	–	–	–	–	150,000	287,000	27.01.2012	7.10	5
Sub-total	197,000	–	–	(60,000)	–	400,000	537,000			
Total	**2,241,000**	**-**	**(706,000)**	**(60,000)**	**-**	**-**	**1,475,000**			

Under the 2012 Share Option Scheme

Category of participants	Number of share options: As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	As at 31 December 2020	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	9
	1,500,000	–	–	–	–	–	1,500,000	10.04.2019	19.90	12
	–	1,500,000	–	–	–	–	1,500,000	14.04.2020	12.70	15
Mr. Evan Andrew Winkler	5,946,000	–	–	–	–	–	5,946,000	10.04.2018	23.15	11
	775,000	–	–	–	–	–	775,000	10.04.2019	19.90	13
	14,200,000	–	–	–	–	–	14,200,000	06.09.2019	18.96	14
Mr. Chung Yuk Man, Clarence	2,219,000	–	–	–	–	–	2,219,000	08.04.2016	10.24	7
	237,000	–	–	–	–	–	237,000	10.04.2017	15.00	8
	144,000	–	–	–	–	–	144,000	10.04.2018	23.15	10
	153,000	–	–	–	–	–	153,000	10.04.2019	19.90	13
	–	264,000	–	–	–	–	264,000	14.04.2020	12.70	16
Mr. Ng Ching Wo	395,000	–	–	–	–	–	395,000	08.04.2016	10.24	7
	48,000	–	–	–	–	–	48,000	10.04.2017	15.00	8
	36,000	–	–	–	–	–	36,000	10.04.2018	23.15	10
	36,000	–	–	–	–	–	36,000	10.04.2019	19.90	13
	–	48,000	–	–	–	–	48,000	14.04.2020	12.70	16
Mr. Chow Kwong Fai, Edward*	14,000	–	–	–	–	(14,000)	–	08.04.2016	10.24	7
	33,000	–	–	–	–	(33,000)	–	10.04.2017	15.00	8
	24,000	–	–	–	–	(24,000)	–	10.04.2018	23.15	10
	33,000	–	–	–	–	(33,000)	–	10.04.2019	19.90	13
	–	57,000	–	–	–	(57,000)	–	14.04.2020	12.70	16
Mr. John William Crawford	–	57,000	–	–	–	–	57,000	14.04.2020	12.70	16
Mr. Tsui Che Yin, Frank	1,040,000	–	–	–	–	–	1,040,000	08.04.2016	10.24	7
	18,000	–	–	–	–	–	18,000	10.04.2018	23.15	10
	16,000	–	–	–	–	–	16,000	10.04.2019	19.90	13
	–	45,000	–	–	–	–	45,000	14.04.2020	12.70	16
Ms. Karuna Evelyne Shinsho	22,000	–	–	–	–	–	22,000	10.04.2019	19.90	13
	–	48,000	–	–	–	–	48,000	14.04.2020	12.70	16
Sub-total	28,389,000	2,019,000	–	–	–	(161,000)	30,247,000			
Employees	2,307,000	–	(669,000)	–	–	(1,154,000)	484,000	08.04.2016	10.24	7
	414,000	–	–	(174,000)	–	(111,000)	129,000	10.04.2017	15.00	8
	504,000	–	–	–	–	(75,000)	429,000	10.04.2018	23.15	10
	542,000	–	–	–	–	(74,000)	468,000	10.04.2019	19.90	13
	–	912,000	–	–	–	(126,000)	786,000	14.04.2020	12.70	16
Sub-total	3,767,000	912,000	(669,000)	(174,000)	–	(1,540,000)	2,296,000			
Others[17]	811,000	–	(112,000)	–	–	1,168,000	1,867,000	08.04.2016	10.24	7
	68,000	–	(10,000)	–	–	144,000	202,000	10.04.2017	15.00	8
	60,000	–	–	(18,000)	–	99,000	141,000	10.04.2018	23.15	10
	36,000	–	–	(36,000)	–	107,000	107,000	10.04.2019	19.90	13
	–	–	–	(94,000)	–	183,000	89,000	14.04.2020	12.70	16
Sub-total	975,000	–	(122,000)	(148,000)	–	1,701,000	2,406,000			
Total	**33,131,000**	**2,931,000**	**(791,000)**	**(322,000)**	**–**	**–**	**34,949,000**			

* *Mr. Chow Kwong Fai, Edward passed away on 1 June 2020.*

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$14.97.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

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

12. 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.

13. 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.

14. 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.

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

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

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

On 14 April 2020, the Company granted a total of 2,931,000 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 14 April 2020 to 13 April 2030. The options entitle the grantees to subscribe for a total of 2,931,000 shares of the Company at an exercise price of HK$12.70 per share. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$12.90. The estimated fair value of the 2,931,000 share options granted was approximately HK$12,737,770. The weighted average fair value per option granted was HK$4.35.

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

Grant date of the share options	**14 April 2020**
Valuation model	Black-Scholes
Exercise price	HK$12.70
Expected volatility	44% – 46%
Expected life	3.1 – 6.1 years
Risk-free rate	0.55% – 0.63%
Expected dividend yield	0.47%
Suboptimal exercise factor	N/A

Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ordinary shares trading on the Hong Kong Stock Exchange. Expected life is based upon the vesting term, and expected term adopted by other publicly traded companies. The risk-free interest rate used for each period presented is based on the Hong Kong Government Bond rate at the time of grant for the period equal to the expected life.

(II) Melco Resorts

Melco Resorts adopted a share incentive plan in 2006 (the "Melco Resorts 2006 Share Incentive Plan") 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 report, the total number of Melco Resorts Shares available for issue under the Melco Resorts Amended 2011 Share Incentive Plan is 35,987,759 Melco Resorts Shares, representing approximately 2.47% 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 2020 were as follows:

(i) Stock options granted to the Directors

	Number of stock options								
Name of Director	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2020	Date of grant	Exercise price US$	Exercise period (Note)
Under the Melco Resorts 2006 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	1,446,498	–	–	–	–	1,446,498	23.03.2011	1.75	3
Total	**1,446,498**	**–**	**–**	**–**	**–**	**1,446,498**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	474,399	–	–	–	–	474,399	29.03.2012	3.93	4
	362,610	–	–	–	–	362,610	10.05.2013	5.32	5
	320,343	–	–	–	–	320,343	28.03.2014	5.32	6
	690,291	–	–	–	–	690,291	30.03.2015	5.32	7
	1,302,840	–	–	–	–	1,302,840	18.03.2016	5.32	8
	1,470,000	–	–	–	–	1,470,000	31.03.2017	6.18	11
	1,470,000	–	–	–	–	1,470,000	02.04.2018	9.40	16
Total	**6,090,483**	**–**	**–**	**–**	**–**	**6,090,483**			

(ii) Stock options granted to other eligible participants

	Number of stock options								
	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2020	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	10
	649,074	–	(211,281)	–	–	437,793	23.03.2011	1.75	3
Total	**704,934**	**–**	**(267,141)**	**–**	**–**	**437,793**			
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Other Eligible Participants[20]	303,402	–	–	–	–	303,402	29.03.2012	3.93	4
	322,416	–	(10,311)	–	–	312,105	10.05.2013	5.32	5
	364,587	–	(10,527)	(2,310)	–	351,750	28.03.2014	5.32	6
	721,629	–	(34,344)	(4,179)	–	683,106	30.03.2015	5.32	7
	1,489,092	–	(49,554)	(13,188)	–	1,426,350	18.03.2016	5.32	8
	191,328	–	–	–	–	191,328	23.12.2016	4.79	9
	2,586,528	–	(17,304)	(41,544)	(43,299)	2,484,381	31.03.2017	6.18	11
	88,635	–	–	–	(88,635)	–	30.05.2017	7.30	12
	34,518	–	–	–	–	34,518	08.09.2017	7.61	13
	36,225	–	–	–	–	36,225	16.03.2018	9.15	14
	3,047,169	–	–	(73,071)	(230,010)	2,744,088	29.03.2018	9.66	15
	453,894	–	–	–	–	453,894	23.11.2018	5.66	17
	4,060,254	–	–	–	(722,088)	3,338,166	01.04.2019	8.14	18
	–	12,159,207	–	–	(1,762,776)	10,396,431	31.03.2020	4.13	19
Total	**13,699,677**	**12,159,207**	**(122,040)**	**(134,292)**	**(2,846,808)**	**22,755,744**			

Notes:

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

2. In respect of the stock options exercised during the year, the weighted average closing price of the Melco Resorts Shares immediately before the date on which the stock options were exercised was US$4.6941.

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

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

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

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

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

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

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

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

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

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

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

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

15. 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.

16. 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.

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

18. 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.

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

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

On 31 March 2020, Melco Resorts granted a total of 12,159,207 stock options to eligible participants under the Melco Resorts Amended 2011 Share Incentive Plan. The validity period of the stock options granted is ten years, from 31 March 2020 to 30 March 2030. The stock options entitle the grantees to subscribe for a total of 12,159,207 shares of Melco Resorts at an exercise price of US$4.13 per share. The closing price of the shares of Melco Resorts immediately before the date on which the stock options were granted was US$4.16. The estimated fair value of the 12,159,207 stock options granted was approximately US$14,692,380. The fair value per stock option granted was US$1.21.

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

Grant date of the stock options	**31 March 2020**
Valuation model	Black-Scholes
Exercise price	US$4.13
Expected volatility	43.50%
Expected life	5.6 years
Risk-free rate	0.43%
Expected dividend yield	3.10%

Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market. Expected life is based upon the vesting term or the historical expected life of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected life.

(III) Melco Resorts Philippines

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

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

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

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

(i) Purpose of the plan

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

(ii) Types of awards

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

(iii) Participants of the plan

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

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

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

The maximum aggregate number of MRP Shares which may be issued pursuant to all awards under the plan is 442,630,330 MRP Shares, and in no event the number of MRP Shares which may be issued upon exercise of all outstanding awards granted and yet to be exercised under the plan and any other share incentive plans or other schemes exceed 5% of the MRP Shares in issue from time to time. As at the date of this report, the total number of MRP Shares available for issue under the MRP Amended Share Incentive Plan is 305 MRP Shares, representing approximately 2.68% of the total number of MRP Shares in issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

No awards were granted or outstanding under the MRP Amended Share Incentive Plan during the year ended 31 December 2020.

SHARE AWARD SCHEMES

(I) The Company

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

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

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

(a) Share Purchase Scheme

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

The Board 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 2020 were as follows:

	Number of awarded shares							
Category of participants	As at 1 January 2020	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2020	Date of award	Vesting date
Directors								
Mr. Ho, Lawrence Yau Lung	2,200,000	–	(2,200,000)	–	–	–	10.04.2019	10.04.2020
	–	3,585,000	(3,585,000)	–	–	–	14.04.2020	14.04.2020
	–	3,584,000	–	–	–	3,584,000	14.04.2020	14.04.2021
	2,200,000	7,169,000	(5,785,000)	–	–	3,584,000		
Mr. Evan Andrew Winkler	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
	5,091,000	–	(1,698,000)	–	–	3,393,000		
Mr. Chung Yuk Man, Clarence	19,000	–	(19,000)	–	–	–	10.04.2017	10.04.2020
	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	10.04.2020
	14,000	–	–	–	–	14,000	10.04.2019	10.04.2021
	14,000	–	–	–	–	14,000	10.04.2019	10.04.2022
	–	22,000	(22,000)	–	–	–	14.04.2020	14.04.2020
	–	22,000	–	–	–	22,000	14.04.2020	14.04.2021
	–	22,000	–	–	–	22,000	14.04.2020	14.04.2022
	–	22,000	–	–	–	22,000	14.04.2020	14.04.2023
	85,000	88,000	(67,000)	–	–	106,000		
Mr. Ng Ching Wo	4,000	–	(4,000)	–	–	–	10.04.2017	10.04.2020
	3,000	–	(3,000)	–	–	–	10.04.2018	10.04.2020
	3,000	–	–	–	–	3,000	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
	–	4,000	(4,000)	–	–	–	14.04.2020	14.04.2020
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2021
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2022
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2023
	19,000	16,000	(14,000)	–	–	21,000		

Category of participants	As at 1 January 2020	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2020	Date of award	Vesting date
	Number of awarded shares							
Mr. Chow Kwong Fai, Edward*	2,000	–	(2,000)	–	–	–	10.04.2017	10.04.2020
	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	10.04.2020
	3,000	–	–	–	(3,000)	–	10.04.2019	10.04.2021
	3,000	–	–	–	(3,000)	–	10.04.2019	10.04.2022
	–	5,000	(5,000)	–	–	–	14.04.2020	14.04.2020
	–	5,000	–	–	(5,000)	–	14.04.2020	14.04.2021
	–	5,000	–	–	(5,000)	–	14.04.2020	14.04.2022
	–	4,000	–	–	(4,000)	–	14.04.2020	14.04.2023
	15,000	19,000	(12,000)	–	(22,000)	–		
Mr. John William Crawford	–	5,000	(5,000)	–	–	–	14.04.2020	14.04.2020
	–	5,000	–	–	–	5,000	14.04.2020	14.04.2021
	–	5,000	–	–	–	5,000	14.04.2020	14.04.2022
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2023
	–	19,000	(5,000)	–	–	14,000		
Mr. Tsui Che Yin, Frank	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	10.04.2020
	1,000	–	–	–	–	1,000	10.04.2019	10.04.2021
	1,000	–	–	–	–	1,000	10.04.2019	10.04.2022
	–	4,000	(4,000)	–	–	–	14.04.2020	14.04.2020
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2021
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2022
	–	3,000	–	–	–	3,000	14.04.2020	14.04.2023
	6,000	15,000	(7,000)	–	–	14,000		
Ms. Karuna Evelyne Shinsho	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
	–	4,000	(4,000)	–	–	–	14.04.2020	14.04.2020
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2021
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2022
	–	4,000	–	–	–	4,000	14.04.2020	14.04.2023
	6,000	16,000	(6,000)	–	–	16,000		
Sub-total	7,422,000	7,342,000	(7,594,000)	–	(22,000)	7,148,000		

Category of participants	Number of awarded shares: As at 1 January 2020	Awarded during the year	Vested during the year	Lapsed during the year	Reclassified during the year	As at 31 December 2020	Date of award	Vesting date
Employees	33,000	–	(33,000)	–	–	–	10.04.2017	10.04.2020
	40,000	–	(40,000)	–	–	–	10.04.2018	10.04.2020
	39,000	–	–	–	(6,000)	33,000	10.04.2018	10.04.2021
	49,000	–	(49,000)	–	–	–	10.04.2019	10.04.2020
	49,000	–	–	–	(7,000)	42,000	10.04.2019	10.04.2021
	47,000	–	–	–	(6,000)	41,000	10.04.2019	10.04.2022
	–	77,000	(77,000)	–	–	–	14.04.2020	14.04.2020
	–	77,000	–	–	(11,000)	66,000	14.04.2020	14.04.2021
	–	75,000	–	–	(10,000)	65,000	14.04.2020	14.04.2022
	–	75,000	–	–	(10,000)	65,000	14.04.2020	14.04.2023
Sub-total	257,000	304,000	(199,000)	–	(50,000)	312,000		
Others**	7,000	–	(7,000)	–	–	–	10.04.2017	10.04.2020
	6,000	–	(6,000)	–	–	–	10.04.2018	10.04.2020
	5,000	–	–	–	8,000	13,000	10.04.2018	10.04.2021
	3,000	–	(3,000)	–	–	–	10.04.2019	10.04.2020
	3,000	–	–	–	10,000	13,000	10.04.2019	10.04.2021
	3,000	–	–	–	9,000	12,000	10.04.2019	10.04.2022
	–	–	–	–	16,000	16,000	14.04.2020	14.04.2021
	–	–	–	–	15,000	15,000	14.04.2020	14.04.2022
	–	–	–	–	14,000	14,000	14.04.2020	14.04.2023
Sub-total	27,000	–	(16,000)	–	72,000	83,000		
Total	**7,706,000**	**7,646,000**	**(7,809,000)**	**–**	**–**	**7,543,000**		

* *Mr. Chow Kwong Fai, Edward passed away on 1 June 2020.*

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

(b) Share Subscription Scheme

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

The Board 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 awards were granted or outstanding under the Share Subscription Scheme during the year ended 31 December 2020.

(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 2020 were as follows:

(i) Restricted shares granted to Directors

	Number of restricted shares						
Name of Director	As at 1 January 2020	Awarded during the year	Vested during the year	Cancelled during the year	As at 31 December 2020	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	631,470	–	(631,470)	–	–	31.03.2017	30.03.2020
	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
	–	2,330,670	–	–	2,330,670	31.03.2020	31.03.2022
	–	2,330,670	–	–	2,330,670	31.03.2020	31.03.2023
	2,390,079	4,661,340	(897,159)	–	6,154,260		
Mr. Evan Andrew Winkler	8,091	–	(8,091)	–	–	31.03.2017	30.03.2020
	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
	–	21,168	–	–	21,168	31.03.2020	31.03.2021
	–	21,168	–	–	21,168	31.03.2020	31.03.2022
	–	21,168	–	–	21,168	31.03.2020	31.03.2023
	50,682	63,504	(24,012)	–	90,174		
Mr. Chung Yuk Man, Clarence	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	29.03.2020
	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
	–	48,993	–	–	48,993	31.03.2020	31.03.2021
	–	48,993	–	–	48,993	31.03.2020	31.03.2022
	–	48,993	–	–	48,993	31.03.2020	31.03.2023
	94,830	146,979	(43,602)	–	198,207		
Mr. John William Crawford	8,091	–	(8,091)	–	–	31.03.2017	30.03.2020
	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
	–	22,983	–	–	22,983	31.03.2020	31.03.2021
	–	22,983	–	–	22,983	31.03.2020	31.03.2022
	–	22,983	–	–	22,983	31.03.2020	31.03.2023
	50,682	68,949	(24,012)	–	95,619		
Total	**2,586,273**	**4,940,772**	**(988,785)**	**–**	**6,538,260**		

(ii) Restricted shares granted to other eligible participants

	Number of restricted shares							
	As at 1 January 2020	Awarded during the year	Modified vesting date during the year	Vested during the year	Cancelled during the year	As at 31 December 2020	Date of award	Vesting date
Other eligible participants[6]	7,116	–	–	(7,116)	–	–	18.03.2016	05.05.2020[1]
	98,109	–	–	(98,109)	–	–	21.02.2017	08.01.2020
	1,069,575	–	–	(1,052,430)	(17,145)	–	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
	20,352	–	–	(20,352)	–	–	16.03.2018	16.03.2020
	518,985	–	(3,696)	(492,297)	(20,406)	2,586	29.03.2018	29.03.2020[5]
	8,694	–	–	(8,694)	–	–	29.03.2018	05.05.2020[1]
	–	–	7,392	(7,392)	–	–	29.03.2018	01.10.2020[2]
	519,468	–	(28,668)	–	(36,201)	454,599	29.03.2018	29.03.2021
	–	–	12,483	–	–	12,483	29.03.2018	27.04.2021[3]
	–	–	12,489	–	–	12,489	29.03.2018	27.04.2022[4]
	72,894	–	–	(72,894)	–	–	23.11.2018	23.11.2020
	12,276	–	–	(12,276)	–	–	01.04.2019	30.06.2020
	23,028	–	–	(23,028)	–	–	01.04.2019	01.04.2020
	–	–	8,034	(8,034)	–	–	01.04.2019	01.10.2020[2]
	1,059,336	–	(40,263)	–	(74,856)	944,217	01.04.2019	01.04.2021
	–	–	36,246	–	–	36,246	01.04.2019	27.04.2021[3]
	1,059,336	–	(40,263)	–	(74,856)	944,217	01.04.2019	01.04.2022
	–	–	36,246	–	–	36,246	01.04.2019	27.04.2022[4]
	2,226	–		(2,226)	–	–	31.07.2019	30.06.2020
	–	–	15,342	(15,342)	–	–	31.03.2020	01.10.2020[2]
	–	50,805	–	–		50,805	31.03.2020	31.03.2021
	–	2,174,547	(116,430)	–	(83,211)	1,974,906	31.03.2020	31.03.2022
	–	–	108,759	–	–	108,759	31.03.2020	27.04.2021[3]
	–	2,174,547	(116,430)	–	(83,211)	1,974,906	31.03.2020	31.03.2023
	–	–	108,759	–	–	108,759	31.03.2020	27.04.2022[4]
	–	78,576	–	–	–	78,576	24.11.2020	24.11.2021
	–	78,576	–	–	–	78,576	24.11.2020	24.11.2022
Total	**4,518,903**	**4,557,051**	**–**	**(1,833,450)**	**(424,134)**	**6,818,370**		

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 vesting date of these restricted shares were modified from 29 March 2020, 29 March 2021, 1 April 2021, 1 April 2022, 31 March 2022 and 31 March 2023 to 1 October 2020, with effect from 1 April 2020.

3. The vesting date of these restricted shares were modified from 29 March 2021, 1 April 2021 and 31 March 2022 to 27 April 2021, with effect from 11 May 2020.

4. The vesting date of these restricted shares were modified from 29 March 2021, 1 April 2022 and 31 March 2023 to 27 April 2022, with effect from 11 May 2020.

5. The contractual right to vesting of 2,586 restricted shares has been terminated when the relevant employees notified of their resignation before the vesting date of 29 March 2020. Such 2,586 unvested restricted shares were cancelled when the termination date of their employment became effective.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, no Directors has had an interest in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's businesses which is required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2020, 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 Transactions

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

On 31 March 2020, Melco Resorts granted restricted shares in respect of 1,553,780 American depositary shares ("ADSs") of Melco Resorts (equivalent to 4,661,340 Melco Resorts Shares) (the "Restricted Shares") to Mr. Ho, Lawrence Yau Lung under its share incentive plan. The Restricted Shares granted represented approximately 0.32% of Melco Resorts' issued shares as of 1 April 2020 and will be allotted and issued to Mr. Ho in two tranches, as to 776,890 Melco Resorts ADSs (equivalent to 2,330,670 Melco Resorts Shares) and 776,890 Melco Resorts ADSs (equivalent to 2,330,670 Melco Resorts Shares) on 31 March 2022 and 31 March 2023, respectively.

Based on the closing price of US$12.40 per Melco Resorts ADSs as quoted on the Nasdaq Global Select Market on 31 March 2020, the market value of the Restricted Shares granted to Mr. Ho, Lawrence Yau Lung was approximately US$19.3 million (equivalent to approximately HK$150 million).

The purpose of the aforesaid grant of the Restricted Shares to Mr. Ho, Lawrence Yau Lung was to recognize his contribution to the success and development of the Melco Resorts and its subsidiaries ("Melco Resorts Group") and to incentivize and motivate him to continue to strive for the future development of Melco Resorts Group and its business. The grant was also part of the cash preservation initiatives implemented by Melco Resorts during the then COVID-19 pandemic, to satisfy Mr. Ho's performance bonus for 2019 which he would otherwise have received in cash.

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. The grant of Restricted Shares to Mr. Ho constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the announcement of the Company dated 1 April 2020.

(2) Private Placements by SCIHL

In July 2020, SCIHL commenced a series of private offers of its Class A ordinary shares ("Class A Shares") at a price of US$3.89 per Class A Share (the "Private Placements") to certain of the then institutional holders of its Class A Shares and ADSs ("SCIHL ADSs").

On 31 July 2020, New Cotai, LLC ("New Cotai"), a shareholder of SCIHL, and one of its affiliates entered into subscription agreements with SCIHL, pursuant to which New Cotai and its affiliate agreed to purchase from SCIHL, in aggregate, 49,119,164 Class A Shares, including Class A Shares underlying SCIHL ADSs, at an aggregate subscription price of US$191,073,547.96 (equivalent to approximately HK$1,480.82 million) (the "New Cotai Subscriptions"). At completion of the Private Placements, the interests of New Cotai and its affiliates, in aggregate, were increased from approximately 36.82% to approximately 37.22% of the issued share capital of SCIHL.

At completion of the Private Placements, SCIHL received gross proceeds of approximately US$500 million (equivalent to approximately HK$3,875 million). SCIHL intended to use the proceeds of the Private Placements to fund the development of Phase 2 of the Studio City Project and for general corporate purposes, including but not limited to financing working capital and repayment of certain indebtedness of SCIHL.

Immediately prior to the Private Placements, New Cotai and its affiliates were interested, in aggregate, in approximately 36.82% of the issued share capital of SCIHL and were, therefore, substantial shareholders of SCIHL and connected persons of the Company for the purposes of the Listing Rules. The New Cotai Subscriptions constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the Company's announcements dated 7 July and 3 August 2020.

(II) Continuing Connected Transactions

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

On 14 December 2018, Melco Resorts Services Limited ("MRSL"), a subsidiary of the Company, for itself and on behalf of the Group, and Shun Tak-China Travel Ship Management Limited ("STCTSML") entered into a ferry ticket sales framework agreement (the "Ferry Ticket Sales Framework Agreement") relating to the purchases from time to time by the Group of the ferry tickets to and from Macau (the "Ferry Tickets") from STCTSML for a term of three years 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 Ferry Ticket Sales Framework Agreement and any implementation agreements in relation thereto is determined in accordance with the then prevailing market prices with bulk purchase discounts (net of departure tax and any fees) at which Ferry Tickets are offered to the general public by Shun Tak-China Travel Shipping Investments Limited (and its subsidiaries including STCTSML). As such, the Company considers that entering into of the Ferry Ticket Sales Framework Agreement and any related implementation agreements is beneficial to the Group.

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

The aggregate amount of the transactions under the Ferry Ticket Sales Framework Agreement is subject to annual caps for three years 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 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 2020, the total amount of fees paid by Melco Resorts Group to STCTSML under the Ferry Ticket Sales Framework Agreement was approximately HK$2,067,000 (the "Continuing Connected Transactions"), which is within the annual cap of 37,800,000 set for the year ended 31 December 2020 thereunder.

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

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

(ii) on normal commercial terms; and

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

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2020, which did not constitute connected transactions under the Listing Rules, are disclosed in note 45 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of total issued shares	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	301,368,606	–	19.88%	2
Lasting Legend Ltd.	Beneficial owner	122,243,024	–	8.06%	2
	Interest of controlled corporation	301,368,606	–	19.88%	2
Trident Trust Company (Cayman) Limited	Trustee	423,611,630	–	27.95%	3
L3G Holdings Inc.*	Beneficial owner	312,666,187	–	20.63%	5
Zedra Trust Company (Cayman) Limited	Trustee	312,666,187	–	20.63%	5
Mr. Ho, Lawrence Yau Lung	Beneficial owner	85,625,132	8,084,000	6.18%	8
	Interest of controlled corporations	478,668,975	–	31.58%	4
	Interest of spouse	4,212,102	–	0.28%	6
	Others	312,666,187	–	20.63%	5
Ms. Lo Sau Yan, Sharen	Beneficial owner	4,212,102	–	0.28%	–
	Interest of spouse	876,960,294	8,084,000	58.39%	7, 8
Southeastern Asset Management, Inc.	Investment manager	169,426,781	–	11.18%	–

* *Formerly known as Great Respect Limited. With effect from 25 February 2021, the company name has been changed to L3G Holdings Inc.*

Notes:

1. As at 31 December 2020, the total number of issued shares of the Company was 1,515,763,755.

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

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

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

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

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

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

8. The interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the share options and awarded shares granted by the Company) are set out in the "Directors' interests in shares, underlying shares and debentures" section of this report.

Save as disclosed above, as at 31 December 2020, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Purchase Scheme purchased on the Hong Kong Stock Exchange a total of 2,495,000 shares of the Company at a total consideration of approximately HK$30,767,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Purchase Scheme.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Other than the share option schemes as disclosed in the "Share Options Schemes" section of this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 44 to 58 of this annual report.

REMUNERATION POLICY

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

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

The emoluments payable by the Company to the Directors are determined by taking into account the Company's operating results, individual performances and comparable market standards. Particulars of the emoluments of Directors on a named basis for the year are set out in note 12 to the consolidated financial statements.

The Company has adopted a share option scheme and share award schemes as an incentive to Directors and employees. Details of the schemes are set out in the "Share Option Schemes" and "Share Award Schemes" sections of this report and in note 37 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

DONATIONS AND CONTRIBUTIONS

During the year ended 31 December 2020, donations and contributions by the Group for charitable and other purposes amounted to approximately HK$264,415,000 (2019: HK$133,338,000).

AUDITOR

The financial statements of the Company for the year ended 31 December 2020 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2021

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 217, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 26 to the Group's consolidated financial statements, an impairment of trade receivables was recognized to reduce the Group's trade receivables based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The Group has made ECL allowance for trade receivables of approximately HK$1,553 million as at 31 December 2020. 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 26 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of the controls over the Group's assessment of the collectability and ECL of trade receivables. In addition, we evaluated whether the ECL impairment model was calculated in accordance with HKFRS 9 *Financial Instruments*. We also checked and tested the data used in the Group's ECL impairment model, such as historical collection analysis, aging profile, security in front monies and/or deposits, and other background information in order to assess the adequacy of the provision made by the management for trade receivables. We also assessed whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and trademarks	
Referring to note 23 to the Group's consolidated financial statements for impairment testing on goodwill and trademarks, the Group carried goodwill and trademarks in the amounts of approximately HK$5,299 million and approximately HK$16,992 million, respectively, as at 31 December 2020. Management performs impairment test at the end of each financial year, and the recoverable amounts of the Group's cash-generating units ("CGUs") or group of CGUs as at 31 December 2020 were determined by a value-in-use calculation. We identified the impairment of goodwill and trademarks as a key audit matter because the impairment test and assessment were largely based on management's expectations and estimates of future results of CGUs in the casino and hospitality operations of the Group. The assumptions used in impairment test were based on management's estimates of variables such as budgeted revenue, gross margin, discount and growth rates. Further disclosures are included in notes 3 and 23 to the consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the annual impairment assessment including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We evaluated the reasonableness of the inputs and assumptions used to determine the profit and cash flow forecasts against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans. We also involved our valuation specialists to assess the appropriateness of the discount rates and methodologies used; and re-performed the underlying calculations used in the Group's assessment and performed sensitivity testing of the inputs used.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets (other than goodwill, trademarks and investment properties)	
As at 31 December 2020, the aggregate carrying amounts of the Group's non-current non-financial assets, comprising property, plant and equipment, right-of-use assets, gaming license and subconcession and other intangible assets amounted to approximately HK$54,536 million. The management performed an impairment test, where an indication of impairment exists or when annual impairment testing for an asset is required. As the Group has incurred operating losses due to the severe decline in overall market conditions resulting from the outbreak of COVID-19 pandemic in early 2020, the Group has therefore performed an impairment test on its non-current non-financial assets, and the assets' recoverable amounts as at 31 December 2020 were determined by a value-in-use calculation. We identified the impairment of non-current non-financial assets as a key audit matter because the impairment test and assessment were largely based on management's expectations and estimates of future results in the casino and hospitality operations of the Group. The assumptions used in impairment test were, based on management's estimates of variables such as budgeted revenue, gross margin, growth rates, which can be affected by expectations about future market and economic conditions, including the impact of COVID-19 pandemic. Related disclosure are included in notes 3, 17, 19, 22 and 34 to the Group's consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the Group's impairment assessment process, including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We have also evaluated the reasonableness of the inputs and assumptions used to determine the profit and cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans. We also involved our valuation specialists to assess the appropriateness of the discount rates and methodologies used; and re-performed the underlying calculations used in the Group's assessment and performed sensitivity testing on the inputs used. We have re-performed the underlying calculation for the impairment assessment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NET REVENUES	5	13,424,435	44,987,768
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	6	(5,856,534)	(19,984,104)
Employee benefits expenses	7	(5,921,358)	(7,590,422)
Depreciation and amortization	11	(5,706,046)	(6,065,756)
Other operating expenses, gains and losses, net	8	(4,173,091)	(6,463,308)
Share of profits and losses of associates		–	796
Total operating costs and expenses, net		(21,657,029)	(40,102,794)
OPERATING (LOSS)/INCOME		(8,232,594)	4,884,974
NON-OPERATING INCOME/(EXPENSES)			
Interest income		42,422	77,032
Interest expenses, net of amounts capitalized	9	(2,869,289)	(2,746,954)
Losses on modification or extinguishment of debts, net		(133,419)	(124,357)
Other financing costs		(62,319)	(22,808)
Foreign exchange gains/(losses), net		7,724	(40,688)
Other expenses, net	10	(1,097,595)	(193,148)
Total non-operating expenses, net		(4,112,476)	(3,050,923)
(LOSS)/PROFIT BEFORE TAX	11	(12,345,070)	1,834,051
Income tax expense	14	(32,858)	(65,893)
(LOSS)/PROFIT FOR THE YEAR		(12,377,928)	1,768,158

	Notes	2020 HK$'000	2019 HK$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		61,372	245,268
Reclassification of exchange reserve upon disposal of investment in an associate		–	28,703
		61,372	273,971
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) arising from defined benefit obligations		885	(5,121)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		62,257	268,850
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(12,315,671)	2,037,008
(Loss)/profit for the year attributable to:			
Owners of the Company		(6,339,887)	689,772
Non-controlling interests		(6,038,041)	1,078,386
		(12,377,928)	1,768,158
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(6,343,777)	857,947
Non-controlling interests		(5,971,894)	1,179,061
		(12,315,671)	2,037,008
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		HK$(4.19)	HK$0.46
Diluted		HK$(4.20)	HK$0.45

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	45,173,939	45,758,622
Right-of-use assets	34	7,297,089	7,694,763
Investment properties	18	356,000	348,000
Gaming license and subconcession	19	1,635,880	2,724,883
Goodwill	20	5,299,451	5,406,936
Trademarks	21	16,992,458	16,992,458
Other intangible assets	22	428,987	222,128
Investment in an associate	24	–	–
Trade receivables	26	–	30,200
Prepayments, deposits and other receivables	27	2,193,534	1,347,468
Other financial assets	30	130,929	4,498,436
Restricted cash	28	122,038	159,649
Deferred tax assets	35	49,430	27,710
Total non-current assets		79,679,735	85,211,253
CURRENT ASSETS			
Inventories	25	289,094	343,767
Trade receivables	26	1,005,073	2,216,044
Prepayments, deposits and other receivables	27	697,882	700,654
Tax recoverable		92	–
Other financial assets	30	–	384,539
Bank deposits with original maturities over three months		39,500	–
Restricted cash	28	2,060	292,178
Cash and bank balances	29	13,821,297	11,213,138
Total current assets		15,854,998	15,150,320
CURRENT LIABILITIES			
Trade payables	31	73,575	171,977
Other payables, accruals and deposits received	32	7,748,623	11,199,008
Tax payable		123,599	80,433
Interest-bearing borrowings	33	4,278,102	420,967
Lease liabilities	34	831,172	574,737
Total current liabilities		13,055,071	12,447,122
NET CURRENT ASSETS		2,799,927	2,703,198
TOTAL ASSETS LESS CURRENT LIABILITIES		82,479,662	87,914,451

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	32	258,036	173,637
Interest-bearing borrowings	33	46,356,559	40,907,850
Lease liabilities	34	2,683,688	2,729,820
Deferred tax liabilities	35	2,404,083	2,435,452
Total non-current liabilities		51,702,366	46,246,759
Net assets		30,777,296	41,667,692
EQUITY			
Share capital	36	5,692,080	5,669,692
Reserves		5,072,107	11,280,631
Equity attributable to owners of the Company		10,764,187	16,950,323
Non-controlling interests		20,013,109	24,717,369
Total equity		30,777,296	41,667,692

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

The consolidated financial statements on pages 100 to 217 were approved and authorized for issue by the Board of Directors on 31 March 2021 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 2020

	Attributable to owners of the Company											
	Share capital HK$'000 (note 36)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Other revaluation reserve HK$'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)	903	(151,997)	147,767	(12,710)	41,658	16,490,721	16,232,230	24,470,796	40,703,026
Exchange differences 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 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 36)*	–	–	–	–	–	–	(165,319)	–	–	(165,319)	–	(165,319)
Reclassification of long term incentive schemes from equity-settled to cash-settled *(note 37(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 39)*	–	–	102,873	27	–	–	–	–	–	102,900	(102,900)	–
Repurchase of shares *(note 36)*	–	–	–	–	–	–	–	–	(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)*	(1,905)*	19,013*	187,364*	(95,628)*	59,590*	16,976,109*	16,950,323	24,717,369	41,667,692

	Attributable to owners of the Company											
	Share capital HK$'000 (note 36)	Capital reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Other revaluation reserve HK$'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 2020	5,669,692	7,053	(5,870,965)	(1,905)	19,013	187,364	(95,628)	59,590	16,976,109	16,950,323	24,717,369	41,667,692
Exchange differences on translation of foreign operations	–	–	–	–	(4,374)	–	–	–	–	(4,374)	65,746	61,372
Actuarial gain arising from defined benefit obligations	–	–	–	484	–	–	–	–	–	484	401	885
Other comprehensive income/(loss) for the year	–	–	–	484	(4,374)	–	–	–	–	(3,890)	66,147	62,257
Loss for the year	–	–	–	–	–	–	–	–	(6,339,887)	(6,339,887)	(6,038,041)	(12,377,928)
Total comprehensive loss for the year	–	–	–	484	(4,374)	–	–	–	(6,339,887)	(6,343,777)	(5,971,894)	(12,315,671)
Exercise of share options	22,388	–	–	–	–	(10,612)	–	–	–	11,776	–	11,776
Recognition of share-based payments	–	–	–	–	–	64,365	–	138,714	–	203,079	300,925	504,004
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	(1,055)	–	–	1,055	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	123,374	(114,227)	(9,147)	–	–	–
Purchase of shares for unvested shares under the share award schemes *(note 36)*	–	–	–	–	–	–	(30,767)	–	–	(30,767)	–	(30,767)
Reclassification of long term incentive schemes from equity-settled to cash-settled *(note 37(l))*	–	–	–	–	–	–	–	(22,912)	–	(22,912)	–	(22,912)
Dividends declared *(note 15)*	–	–	–	–	–	–	–	–	(45,591)	(45,591)	–	(45,591)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(330,994)	(330,994)
Change in ownership interests of certain subsidiaries *(note 39)*	–	–	42,056	–	–	–	–	–	–	42,056	1,297,703	1,339,759
	22,388	–	42,056	–	–	52,698	92,607	1,575	(53,683)	157,641	1,267,634	1,425,275
At 31 December 2020	5,692,080	7,053*	(5,828,909)*	(1,421)*	14,639*	240,062*	(3,021)*	61,165*	10,582,539*	10,764,187	20,013,109	30,777,296

* These reserve accounts comprise the consolidated reserves of HK$5,072,107,000 (2019: HK$11,280,631,000) 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 2020, the aggregate balance of the reserves amounted to HK$245,255,000 (2019: HK$245,255,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(12,345,070)	1,834,051
Adjustments for:			
Depreciation of property, plant and equipment	11	4,089,834	4,394,362
Amortization of intangible assets	11	1,139,753	1,109,435
Depreciation of right-of-use assets	11	476,459	561,959
Loss/(gain) on disposal of property, plant and equipment	8	7,736	(1,297)
Impairment losses on property, plant and equipment	8	63,189	82,425
Gains on lease modifications	8	(1,630)	(45,359)
Allowances for credit losses, net	8	1,058,708	281,260
Impairment losses on intangible assets	22	1,332	–
Impairment loss on goodwill	8	107,485	–
Impairment losses on other assets	8	–	62,321
Share-based compensation	7	596,081	403,937
Gains on fair value change of investment properties	8	(8,000)	(38,000)
Loss on fair value changes of financial assets at fair value through profit or loss	10	1,221,988	335,381
Interest income		(42,422)	(77,032)
Interest expenses, net of amounts capitalized	9	2,869,289	2,746,954
Losses on modification or extinguishment of debts, net		133,419	124,357
Adjustment of lease liabilities	8	(63,487)	–
Loss on disposal of investment in an associate	10	–	7,593
Share of profits and losses of associates		–	(796)
		(695,336)	11,781,551
Changes in working capital:			
Decrease/(increase) in inventories		56,263	(17,405)
Decrease/(increase) in trade receivables		208,608	(630,275)
Increase in prepayments, deposits, other receivables and other assets		(465,895)	(51,404)
Decrease in trade payables		(98,402)	(27,852)
Decrease in other payables, accruals and deposits received		(4,249,384)	(2,346,545)
Cash (used in)/generated from operations		(5,244,146)	8,708,070
Income tax paid, net of refunds		(42,641)	(30,597)
Net cash (used in)/generated from operating activities		(5,286,787)	8,677,473

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and deposits for property, plant and equipment		(3,333,847)	(3,510,420)
Payments for intangible and other assets		(212,011)	(17,463)
Placement of bank deposits with original maturities over three months		(74,300)	(63,241)
Payments for right-of-use assets		(5,799)	(2,347)
Proceeds from disposal of property, plant and equipment		4,254	10,050
Withdrawals of bank deposits with original maturities over three months		34,800	103,241
Interest received		42,842	77,631
Decrease in restricted cash		324,121	95,051
Proceeds from disposal of financial assets at fair value through profit or loss		3,177,866	389,352
Proceeds from disposal of investment in and loan to an associate	10	–	52,000
Acquisition of a subsidiary, net of cash acquired		–	(117,711)
Purchase of financial assets at fair value through profit or loss		–	(4,905,816)
Net cash used in investing activities		(42,074)	(7,889,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing borrowings		(11,399,573)	(22,400,500)
Interest paid		(1,944,327)	(2,009,791)
Payments of deferred financing costs		(617,790)	(245,771)
Dividends paid		(45,569)	(164,078)
Dividends paid to non-controlling shareholders		(265,307)	(1,043,876)
Payments of lease liabilities (including associated interest)		(259,406)	(614,486)
Purchase of shares for the share award schemes		(30,767)	(165,319)
Repurchase of shares		–	(95,805)
Repurchase of Melco Resorts' shares		(350,610)	–
Proceeds from exercise of share options		18,662	26,737
Net proceeds from issuance of shares by subsidiaries		1,694,139	227
Proceeds from interest-bearing borrowings		20,982,599	25,232,502
Net cash generated from/(used in) financing activities		7,782,051	(1,480,160)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,453,190	(692,360)
Cash and cash equivalents at beginning of year		11,213,138	11,892,778
Effect of foreign exchange rate changes, net		154,969	12,720
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	13,821,297	11,213,138
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		13,821,297	11,213,138

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. ORGANIZATION AND BUSINESS

(a) Corporate and group information

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

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

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

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries

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

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2020	2019	2020	2019
Melco Resorts	Cayman Islands	Investment holding	Ordinary shares – United States dollars ("US$") 14,565,479	–	–	56.80%	56.54%
COD Resorts Limited	Macau	Integrated resort development and related operations	Quota capital – Macau Pataca ("MOP") 1,050,000	–	–	56.80%	56.54%
MCO (NEA) Holdings Limited	Hong Kong	Investment holding	Ordinary share – Hong Kong dollars ("HK$") 1	–	–	56.80%	56.54%
MCO (KittyHawk) Investments Limited	Cayman Islands	Investment holding	Ordinary share – US$1	–	–	56.80%	56.54%
MCO Cotai Investments Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	56.80%	56.54%
MCO (Philippines) Investments Limited	The British Virgin Islands ("BVI")	Investment holding	Ordinary share – US$1	–	–	56.80%	56.54%
MCO Holdings Limited	Cayman Islands	Investment holding	Ordinary share – US$0.01	–	–	56.80%	56.54%
MCO International Limited	Cayman Islands	Investment holding	Ordinary shares – US$4	–	–	56.80%	56.54%
MCO Investments Limited ("MCO Investments")	Cayman Islands	Investment holding	Ordinary shares – US$2.02	–	–	56.80%	56.54%
MCO Nominee One Limited ("MCO Nominee One")	Cayman Islands/ Hong Kong	Investment holding and financing	Ordinary share – US$0.01	–	–	56.80%	56.54%
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	–	–	56.80%[(3)]	56.54%[(3)]
Melco Resorts and Entertainment (Philippines) Corporation ("MRP")	The Philippines	Investment holding	Common shares – the Philippine Peso ("PHP") 5,689,764,700 (2019: PHP5,688,764,700)	–	–	55.61%	55.37%

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company Directly 2020	Directly 2019	Indirectly 2020	Indirectly 2019
Melco Resorts Finance Limited ("Melco Resorts Finance")	Cayman Islands/ Hong Kong	Financing	Ordinary shares – US$12.02	–	–	56.80%	56.54%
Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure")	The Philippines	Integrated resort development and related operations	Common shares – PHP2,281,894,500	–	–	55.61%	55.37%
MSC Cotai Limited ("MSC Cotai")	BVI	Investment holding	Ordinary shares – US$37,035.27 (2019: US$24,181.80)	–	–	31.24%	30.60%
SCP One Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.24%	30.60%
SCP Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.24%	30.60%
SCP Holdings Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.24%	30.60%
Studio City Company Limited ("Studio City Company")	BVI	Investment holding and financing	Ordinary shares – US$3	–	–	31.24%	30.60%
Studio City Developments Limited	Macau	Integrated resort development	Quota capital – MOP6,001,000	–	–	31.24%	30.60%
Studio City Finance Limited ("Studio City Finance")	BVI/Hong Kong	Investment holding and financing	Ordinary shares – US$3	–	–	31.24%	30.60%
Studio City Holdings Limited	BVI	Investment holding	Ordinary share – US$1	–	–	31.24%	30.60%
Studio City Holdings Two Limited	BVI	Investment holding	Ordinary share – US$1 A share* – US$1	–	–	31.24%	30.60%
SCIHL	Cayman Islands	Investment holding	Ordinary shares – Class A shares(4): US$37,035.27 (2019: US$24,181.80) Class B shares(4): US$7,251.18	0.17%	0.24%	31.07%	30.60%
Studio City Investments Limited	BVI	Investment holding	Ordinary shares – US$3	–	–	31.24%	30.60%

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Proportion of ownership interest and voting rights held by the Company			
				Directly		Indirectly	
				2020	2019	2020	2019
ICR Cyprus	Cyprus	Investment holding	Ordinary shares – Euro ("EUR")1,000,000	–	–	42.60% *(note 39)*	42.41%
Integrated Casino Resorts Cyprus Limited	Cyprus	Operation of an integrated resort and satellite casinos	Ordinary shares – EUR11,000	–	–	42.60%	42.41%
ICR Cyprus Resort Development Co Limited	Cyprus	Integrated resort development and related operations	Ordinary shares – EUR11,000	–	–	42.60%	42.41%
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 service to group companies	Ordinary share – US$1	100%	100%	–	–
Melco Investment Resources Limited	BVI/Hong Kong	Financing	Ordinary share – US$1	100%	100%	–	–

* Class A share has no voting right.

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries (continued)

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

Notes:

(1) The holders of the Class A shares of Melco Resorts Macau, as a group, are entitled to an annual dividend in an amount in the aggregate of up to MOP1 (the "Class A Dividend") and a 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 56.80% (2019: 56.54%) owned subsidiary of the Company for purposes of the consolidated financial statements of the Company because the economic interest of the 10% holding of the managing director is limited to, in aggregate with other Class A shareholders, MOP1 on the winding up or liquidation of Melco Resorts Macau and to receive an aggregate annual dividend of MOP1.

(4) Each Class A ordinary share and each Class B ordinary share entitles its holder to one vote on all matters to be voted on by shareholders generally and holders of Class A ordinary shares and Class B ordinary shares will vote together as a single class on all matters presented to the shareholders for their vote or approval, except as otherwise required by applicable law or the memorandum of association and articles of association. The Class A ordinary shares and the Class B ordinary shares have the same rights, except that holders of the Class B ordinary shares only have voting and no economic rights to receive dividends or distribution upon the liquidation or winding up of SCIHL. In addition, pursuant to the terms of a participation agreement ("Participation Agreement") signed in 2018 among SCIHL, MSC Cotai, a subsidiary of SCIHL, and New Cotai, LLC ("New Cotai"), the holders of all outstanding Class B ordinary shares, New Cotai has a non-voting, non-shareholding economic participation interest in MSC Cotai, which entitles New Cotai to receive from MSC Cotai an amount equal to a certain percentage of the MSC Cotai's distribution, subject to adjustments, exceptions and conditions as set out in the Participation Agreement. The Participation Agreement also provides that New Cotai is entitled to exchange all or a portion of its Participation Interest for a number of Class A ordinary shares subject to adjustments, exceptions and conditions as set out in the Participation Agreement and a proportionate number of Class B ordinary shares will be deemed surrendered and automatically 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 and Studio City Finance, subsidiaries of the Company, had issued debt securities of HK$29,684,201,000 and HK$12,332,315,000, respectively at the end of the year, as disclosed in note 33, in which the Group has no interest.

1. ORGANIZATION AND BUSINESS (continued)

(b) Recent developments related to COVID-19

In connection with the outbreak of the coronavirus (COVID-19) in the first quarter of 2020, travel restrictions, temporary business closures and other prohibitions have been imposed by the People's Republic of China ("PRC"), Macau, the Philippines, Cyprus and other countries or regions throughout the world. Additionally, health-related precautionary measures have been imposed and remain in place at all of the Group's properties which have significantly disrupted its casino and resort operations.

In Macau, on 5 February 2020, the Group's Macau casino operations were suspended for a 15-day period and resumed operations only on a reduced basis on 20 February 2020 with limited visitations from Hong Kong, Taiwan and certain regions of the PRC among other countries and Altira Macau resumed operation on 24 February 2020. In March 2020, the governments in Macau, Hong Kong and certain provinces in the PRC, including Guangdong, imposed further entry bans, restrictions and quarantine requirements on nearly all visitors traveling to and from Macau.

Commencing from 15 July 2020, certain travelers entering Guangdong from Macau were no longer subject to mandatory quarantine, while from 12 August 2020, those entering the PRC from Macau were generally no longer subject to mandatory quarantines. On 26 August 2020, the Chinese authorities resumed the issuance of Individual Visit Scheme ("IVS") visas for Guangdong residents, while the nationwide resumption of IVS visa issuances commenced on 23 September 2020. On 21 December 2020, the Macau government announced that, generally, individuals who have been to countries and regions other than the PRC and Taiwan in the preceding 21 days are required to undergo a mandatory 21-day quarantine upon entry into Macau from the PRC, Taiwan or Hong Kong. Foreigners continue to be unable to enter Macau, except if they have been in the PRC in the preceding 21 days and are eligible for an exemption application. Despite these developments, the Group's operations continue to be impacted by significant travel bans, restrictions, and quarantine requirements imposed by the governments in Macau, Hong Kong and certain provinces in the PRC on visitors traveling to and from Macau, and such bans, restrictions and requirements have been, and may continue to be, modified by the relevant authorities from time to time as COVID-19 developments unfold.

In the Philippines, City of Dreams Manila was closed due to the Enhanced Community Quarantine for the entire island of Luzon including Metro Manila, which began on 16 March 2020. However, since 19 June 2020, as permitted by the Philippine Amusement and Gaming Corporation ("PAGCOR"), City of Dreams Manila has conducted a dry run of its gaming and hospitality operations with a limited number of participants strictly adhering to the new guidelines on social distancing, hygiene and sanitation procedures imposed by the Philippine government. On 3 August 2020, a Modified Enhanced Community Quarantine was re-imposed in Metro Manila due to the rising number of COVID-19 cases and the dry run was halted for more than two weeks. On 19 August 2020, Metro Manila was placed under a General Community Quarantine and City of Dreams Manila was allowed to resume its dry run previously started in June 2020. On 24 August 2020, the Philippine government allowed PAGCOR-licensed casinos in areas covered by the General Community Quarantine to operate at limited operational capacity. The General Community Quarantine in Metro Manila was originally extended to until 31 March 2021. However, on 27 March 2021, the Philippine government re-imposed the Enhanced Community Quarantine over Metro Manila and adjacent provinces from 29 March 2021 to 4 April 2021 to stem the recent surge of COVID-19 cases. City of Dreams Manila was temporarily closed beginning on 29 March 2021, and will remain closed for the duration of the Enhanced Community Quarantine Period.

1. ORGANIZATION AND BUSINESS (continued)

(b) Recent developments related to COVID-19 (continued)

In Cyprus, as instructed by the government, the casino operations were closed with effect from 16 March 2020 and resumed on 13 June 2020 except for the satellite casino in Larnaca which was expected to be reopened once it moved to a new location. Commencing from 23 October 2020, the cities of Limassol and Paphos were subject to curfews and from 5 November 2020, the curfew was extended throughout the rest of Cyprus. As a result, the operations in Cyprus are required to be closed during those hours while the curfew remains in place. On 12 November 2020, as part of the regional lockdown, the casino operations in Limassol and Paphos were suspended and from 30 November 2020, in an effort to prevent the spread of COVID-19, the Cyprus government announced a measure which included the closure of the casino operations in Cyprus. The operations in Cyprus are currently closed and will remain closed while such measures remain in place.

The COVID-19 outbreak has also impacted on the construction schedules of the remaining development project at Studio City and the City of Dreams Mediterranean project in Cyprus. The Group currently expects additional time will be needed to complete the construction of these projects.

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 for the year ended 31 December 2020. As the disruptions are ongoing, such adverse effects have continued beyond the 2020 year and the Group is unable to reasonably estimate the financial impact to its future results of operations, cash flows and financial condition due to uncertainties surrounding the business recovery from such disruptions, successful development of safe and effective vaccines and treatment of COVID-19, travel restrictions, customer sentiment and other events related to the COVID-19 outbreak.

As at 31 December 2020, the Group had total cash and bank balances (including bank deposits with original maturities over three months) of HK$13,860,797,000 and available borrowing capacity of HK$13,704,092,000, subject to the satisfaction of certain conditions precedent.

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions*

The adoption of these revised HKFRSs had no material impact on the consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides relief to lessees from applying the HKFRS 16 requirements on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There are no substantive changes to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concessions in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020, with early adoption permitted.

The Group early adopted the amendment on 1 January 2020 but did not apply the practical expedient. Accordingly, the adoption of the amendment did not have any impact on the Group's consolidated financial statements.

Amendments to HKFRS 3, Definition of a Business

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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The adoption of the amendments did not have any impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of consolidated financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in HK$ and US$ based on the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets (other than goodwill)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

(b) *Lease liabilities*

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

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

(c) *Short-term leases*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in interest expenses in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Shares held under share award schemes

Own equity instruments which are reacquired and held by the Company or the Group are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 operating expenses, gains and losses, net.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Entertainment and resort facilities revenue

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

(c) Electronic gaming machines participation

The Group earned 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 was 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 37 to the consolidated financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Equity-settled share options/share awards granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case they are measured by reference at the fair value of the equity instrument granted measured at the date the counterparty renders the service. The fair values of the services received are recognized as expenses, with a corresponding increase in equity, when the counterparties render services, unless the services qualify for recognition as assets.

Cash-settled transactions

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

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

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 26.

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 2020 were HK$45,173,939,000 (2019: HK$45,758,622,000) and HK$428,987,000 (2019: HK$222,128,000), respectively.

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

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

Impairment of goodwill and trademarks

Determining whether goodwill and trademarks are impaired requires an estimation of the recoverable amounts of the CGUs or group of CGUs to which goodwill and trademarks have been allocated, which are the higher of the value-in-use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs or group of CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances result in a downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2020, the carrying amounts of goodwill and trademarks were HK$5,299,451,000 (2019: HK$5,406,936,000) and HK$16,992,458,000 (2019: HK$16,992,458,000), respectively. Details of the recoverable amount calculation are disclosed in note 23.

Leases – Estimating the incremental borrowing rate

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

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two operating and reportable segments as follows:

(a) the "Casino and Hospitality" segment, which comprises the operation of casino and the provision of hospitality services and facilities through Melco Resorts; and

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

Management monitors the results of the Group's operating and reportable segments separately for the purpose of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, is the profit/loss for the year before interest, income tax, depreciation and amortization, share-based compensation expenses, pre-opening costs, development costs, property charges and other, payments to the Philippine Parties (as defined in note 42), corporate expenses and other non-operating income and expenses. This is the measure reported to the chief operating decision-maker for the purposes of resource allocations and performance assessments. Not all companies calculate Adjusted EBITDA in the same manner. As a result, Adjusted EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.

Segment assets exclude those deferred tax assets and other corporate unallocated assets which are managed on a group basis.

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

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

4. SEGMENT INFORMATION (continued)

Segment net revenues and results

Year ended 31 December 2020

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment net revenues			
Sales to external customers (note 5)	13,414,853	9,582	13,424,435
Intersegment sales	11,789	–	11,789
	13,426,642	9,582	13,436,224
Elimination of intersegment sales			(11,789)
Total net revenues			13,424,435
Adjusted EBITDA	(1,172,802)	(25,388)	(1,198,190)
Operating costs and expenses			
Depreciation and amortization			(5,706,046)
Share-based compensation expenses			(596,082)
Pre-opening costs			(10,193)
Development costs			(193,987)
Property charges and other			(378,134)
Payments to the Philippine Parties			(100,945)
Corporate expenses			(49,017)
Operating loss			(8,232,594)
Non-operating income/(expenses)			
Interest income			42,422
Interest expenses, net of amounts capitalized			(2,869,289)
Losses on modification or extinguishment of debts, net			(133,419)
Other financing costs			(62,319)
Foreign exchange gains, net			7,724
Other expenses, net			(1,097,595)
Total non-operating expenses, net			(4,112,476)
Loss before tax			(12,345,070)
Income tax expense			(32,858)
LOSS FOR THE YEAR			(12,377,928)

4. SEGMENT INFORMATION (continued)

Segment net revenues and results (continued)

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
Operating costs and expenses			
Depreciation and amortization			(6,065,756)
Share-based compensation expenses			(403,937)
Pre-opening costs			(29,667)
Development costs			(441,607)
Property charges and other			(124,806)
Payments to the Philippine Parties			(449,850)
Corporate expenses			(97,053)
Operating income			4,884,974
Non-operating income/(expenses)			
Interest income			77,032
Interest expenses, net of amounts capitalized			(2,746,954)
Losses on modification or extinguishment of debts, net			(124,357)
Other financing costs			(22,808)
Foreign exchange losses, net			(40,688)
Other expenses, net			(193,148)
Total non-operating expenses, net			(3,050,923)
Profit before tax			1,834,051
Income tax expense			(65,893)
PROFIT FOR THE YEAR			1,768,158

4. SEGMENT INFORMATION (continued)

31 December 2020

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

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

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2020

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

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

Geographical information

The Group's operations are mainly located in Macau, the Philippines, Cyprus, Hong Kong and Japan. Information about the Group's net revenues is presented based on the locations of the operations of the relevant group entities. Information about the Group's non-current segment assets is presented based on the locations of the assets and for investment in an associate, by location of its head office.

Net revenues from external customers

	2020			2019		
	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Macau	11,237,658	–	11,237,658	39,456,905	–	39,456,905
The Philippines	1,748,156	–	1,748,156	4,719,683	564	4,720,247
Cyprus	397,090	–	397,090	742,082	–	742,082
Hong Kong	–	9,582	9,582	–	64,040	64,040
Japan	31,949	–	31,949	4,494	–	4,494
Total	13,414,853	9,582	13,424,435	44,923,164	64,604	44,987,768

4. SEGMENT INFORMATION (continued)

Geographical information (continued)

Non-current segment assets

	2020 HK$'000	2019 HK$'000
Macau	72,785,605	73,014,941
The Philippines	3,316,051	4,896,226
Cyprus	2,062,468	1,346,537
Hong Kong	839,767	787,473
Japan	363,211	472,717
Total	79,367,102	80,517,894

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 2020 and 2019, no individual customer contributed over 10% of the total net revenues of the Group.

5. NET REVENUES

For the year ended 31 December 2020

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

5. NET REVENUES (continued)

For the year ended 31 December 2019

Segments	**Casino and Hospitality** HK$'000	**Others** HK$'000	**Total** HK$'000
Casino revenue	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
Property rental income	–	5,200	5,200
Electronic gaming machines participation	–	564	564
Others	–	937	937
Sales to external customers (note 4)	44,923,164	64,604	44,987,768

For the year ended 31 December 2020, entertainment, retail and other include rental income of HK$291,684,000 (2019: HK$401,483,000).

For the year ended 31 December 2020, the revenue from contracts with customers was HK$13,126,763,000 (2019: HK$44,581,085,000).

Contract and contract-related liabilities

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

The Group primarily has three types of liabilities related to contracts with customers: (1) outstanding gaming chips and tokens, which represent the amounts owed in exchange for gaming chips and tokens held by a customer, (2) loyalty program liabilities, which represent the deferred allocation of revenues relating to incentives earned from Loyalty Programs, and (3) advance customer deposits and ticket sales, which represent casino front money deposits that are funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as advance ticket sales and deposits on rooms and convention space. These liabilities are generally expected to be recognized as revenue within one year of being purchased, earned or deposited and are recorded within other payables, accruals and deposits received in the consolidated statement of financial position. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips 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	
	2020	2019	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	3,686,769	5,002,012	1,993,084	3,080,799	308,375	365,958
Balance at 31 December	1,609,730	3,686,769	2,139,878	1,993,084	226,189	308,375
Increase/(decrease)	(2,077,039)	(1,315,243)	146,794	(1,087,715)	(82,186)	(57,583)

6. GAMING TAX AND LICENSE FEES

According to the gaming subconcession agreement for the gaming business in Macau as disclosed in note 19, the Group is required to pay to the Macau government a 35% gaming tax on gross revenues of the gaming operation in Macau. The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. 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 19, Licensees under the Regular License (as defined in note 42) are required to pay license fees to the PAGCOR ranging from 15% to 25% of its gross gaming revenues of the gaming operation in the Philippines on a monthly basis starting from the date the casino commences operations. Such license fees include the 5% franchise tax on actual gross gaming revenues generated by the casino. The Group is also subject to fees based on 5% of certain non-gaming revenue and 2% of casino revenues generated from non-junket operation tables as further discussed in note 44.

According to the gaming license for development and operation of an integrated casino resort in Limassol, Cyprus and up to four satellite casinos in Cyprus, for a term of 30 years from 26 June 2017 with exclusive right in the first 15 years of the term (the "Cyprus License"), the Group is required to pay casino tax at the rate of 15% of the gross gaming revenues of the gaming operation in Cyprus on a monthly basis and the rate shall not be increased during the period of exclusivity of the Cyprus License. The Group is also subject to the annual license fees for the temporary casino, integrated casino resort and satellite casinos as further discussed in note 44.

7. EMPLOYEE BENEFITS EXPENSES

	2020 HK$'000	2019 HK$'000
Wages, salaries and staff welfare	4,472,822	5,293,315
Discretionary bonus	334,329	1,119,519
Defined contribution plans and social security funds	229,372	258,445
Share-based compensation – equity-settled	588,025	400,508
Share-based compensation – cash-settled	8,056	3,429
Others	288,754	515,206
Total employee benefits expenses including directors' emoluments	5,921,358	7,590,422

8. OTHER OPERATING EXPENSES, GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Allowances for credit losses, net	1,058,708	281,260
Repairs and maintenance	579,158	647,577
Utilities and fuel	420,104	589,344
Costs of inventories	311,228	866,898
Advertising and promotions	281,426	859,639
Other gaming operations expenses	227,250	652,929
Legal and professional fees	217,769	414,100
Transportation expenses	158,917	234,912
Impairment loss on goodwill	107,485	–
Payments to the Philippine Parties	100,945	449,850
Operating supplies	63,599	188,645
Impairment losses on property, plant and equipment	63,189	82,425
Rental and other expenses	57,500	94,829
Loss/(gain) on disposal of property, plant and equipment	7,736	(1,297)
Impairment losses on other assets	–	62,321
Gains on lease modifications	(1,630)	(45,359)
Gains on fair value change of investment properties	(8,000)	(38,000)
Bad debt recovery	(11,117)	(23,804)
Adjustment of lease liabilities	(63,487)	–
Others	602,311	1,147,039
	4,173,091	6,463,308

9. INTEREST EXPENSES, NET OF AMOUNTS CAPITALIZED

	2020 HK$'000	2019 HK$'000
Interest on:		
– interest-bearing borrowings	2,482,669	2,279,335
– lease liabilities	367,695	373,083
Amortization of deferred financing costs	107,798	94,536
	2,958,162	2,746,954
Less: capitalized in construction in progress (note)	(88,873)	–
	2,869,289	2,746,954

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

10. OTHER EXPENSES, NET

	2020 HK$'000	2019 HK$'000
Loss on fair value changes of financial assets at fair value through profit or loss	1,221,988	335,381
Dividend income from financial assets at fair value through profit or loss	(101,980)	(116,604)
Loss on disposal of investment in an associate (note)	–	7,593
Service fees from the provision of consultancy services	–	(5,699)
Others	(22,413)	(27,523)
	1,097,595	193,148

Note:

On 20 May 2019, the Group disposed of all of its equity interest in Oriental Regent Limited ("Oriental Regent"), a former associate, 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.

11. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Depreciation of property, plant and equipment	17	4,089,834	4,394,362
Amortization of gaming license and subconcession	19	1,089,003	1,089,003
Depreciation of right-of-use assets	34	505,226	561,959
Less: capitalized in construction in progress	34	(28,767)	–
Amortization of other intangible assets	22	50,750	20,432
		5,706,046	6,065,756
Gross rental income from investment properties	5	(5,988)	(5,200)
Less: direct operating expenses incurred for investment properties that generated rental income during the year		323	337
		(5,665)	(4,863)
Auditor's remuneration			
– Audit services to the Company		1,402	1,690
– Audit services to the subsidiaries		22,450	16,062
Total auditor's remuneration#		23,852	17,752

Included in "Other operating expenses, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2019: nine) directors were as follows:

2020

	Mr. Ho, Lawrence Yau Lung HK$'000 (note b)	Mr. Evan Andrew Winkler HK$'000 (note b)	Mr. Chung Yuk Man, Clarence HK$'000 (note b)	Mr. Tsui Che Yin, Frank HK$'000 (notes c, d & f)	Mr. Ng Ching Wo HK$'000 (note c)	Mr. Chow Kwong Fai, Edward HK$'000 (notes d & e)	Mr. John William Crawford HK$'000 (note d)	Ms. Karuna Evelyne Shinsho HK$'000 (note d)	Total HK$'000
Fees	–	–	–	320	370	158	2,051	320	3,219
Other emoluments:									
Salaries and other benefits	15,955	68	6,366	–	–	–	68	–	22,457
Pension costs – defined contribution plans	24	–	18	–	–	–	–	–	42
Share-based compensation	216,232	105,026	8,243	319	465	771	2,512	326	333,894
Total emoluments	232,211	105,094	14,627	639	835	929	4,631	646	359,612

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$'000 (notes d & g)	Dr. Tyen Kan Hee, Anthony HK$'000 (notes d & h)	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

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

Notes:

(a) The discretionary bonus was determined based on the Group's financial performance for the years ended 31 December 2020 and 2019.

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

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

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

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

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

Except for one director who waived emoluments of approximately HK$19,320,470 (2019: HK$1,200,000), no other directors waived any emoluments in the years ended 31 December 2020 and 2019.

During both years, all directors were granted share options and awarded shares, in respect of their services to the Group under the long term incentive schemes set out in note 37.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2019: two) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor the Chief Executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	22,668	25,666
Discretionary bonus	–	28,738
Pension costs – defined contribution plans	770	2,163
Share-based compensation	43,709	48,035
	67,147	104,602

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	
	2020	2019
HK$18,500,001 to HK$19,000,000	1	–
HK$20,000,001 to HK$20,500,000	1	–
HK$25,500,001 to HK$30,000,000	1	2
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 37.

14. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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% (2019: 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% (2019: 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% (2019: 12.5%) on the estimated assessable profits arising in Cyprus during the year ended 31 December 2020.

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

14. INCOME TAX EXPENSE (continued)

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

	2020 HK$'000	2019 HK$'000
Current tax:		
Macau Complementary Tax	49,632	8,841
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	18,350
Hong Kong Profits Tax	301	500
Philippine Corporate Income Tax	455	–
Cyprus Corporate Income Tax	–	13,277
Other jurisdictions	18,498	14,648
Sub-total	87,236	55,616
(Over)/under provision in prior years:		
Macau Complementary Tax	(4,214)	298
Hong Kong Profits Tax	21	(23)
Philippine Corporate Income Tax	(41)	–
Cyprus Corporate Income Tax	452	–
Other jurisdictions	3,730	4,635
Sub-total	(52)	4,910
Deferred tax (note 35)	(54,326)	5,367
Total	32,858	65,893

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	(12,345,070)	1,834,051
Tax at the Macau Complementary Tax rate of 12% (2019: 12%)	(1,481,408)	220,086
Effect of different tax rates of the Company and subsidiaries operating in other jurisdictions	(312,715)	(12,473)
Effect of tax losses that cannot be carried forward	252,909	–
Effect of tax exemption granted by the Macau government and the Philippine government	–	(1,300,068)
Effect of income not taxable for income tax purposes	(79,772)	(104,301)
Effect of expenses not deductible for income tax purpose	980,511	635,516
Effect of tax losses not recognized	604,838	447,183
Utilization of tax losses previously not recognized	(2,509)	(2,475)
Effect of temporary differences not recognized	52,706	159,165
Lump sum in lieu of Macau Complementary tax on dividends	18,350	18,350
(Over)/under provision in prior years	(52)	4,910
Income tax expense for the year	32,858	65,893

15. DIVIDENDS

Dividends recognized as distributions during the year:

	2020 HK$'000	2019 HK$'000
2020 Interim – nil (2019: 2019 Interim of HK6.11 cents) per share	–	92,501
2019 Final – HK3.01 cents (2019: 2018 Final of HK2.35 cents) per share	45,591	35,577
	45,591	128,078

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK3.01 cents per share, totalling approximately HK$45,591,000).

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

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

	2020 HK$'000	2019 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	(6,339,887)	689,772
Effect of dilutive potential ordinary shares:		
Parent's proportionate adjustment in relation to participation interest in a subsidiary of the Company	(10,565)	–
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	–	(8,720)
(Loss)/earnings for the purpose of diluted (loss)/earnings per share attributable to owners of the Company	(6,350,452)	681,052

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

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,512,181	1,513,806
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	–	6,643
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	1,512,181	1,520,449

The number of shares adopted in the calculation of the basic and diluted (loss)/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 (loss)/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 (loss)/earnings as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the year ended 31 December 2019, the Group 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	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 January 2019	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
Exchange adjustments	53,020	299	43,318	–	136,081	75,961	–	1,476	70,926	381,081
Additions	14,343	–	81,188	–	935,287	392,403	–	502	1,943,909	3,367,632
Reclassification	(70)	(4,871)	13,064	–	(1,268)	1,463	–	–	(8,318)	–
Disposals and write-off	–	(140)	(31,292)	(13,956)	(76,116)	(161,469)	–	(2,645)	(3,210)	(288,828)
At 31 December 2020	722,884	42,970,458	1,615,552	67,249	7,455,780	5,485,298	–	1,491,132	3,119,648	62,928,001
Accumulated depreciation and impairment:										
At 1 January 2019	–	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
Exchange adjustments	2,451	14	28,257	–	73,622	63,185	–	854	–	168,383
Provided for the year	–	1,864,021	253,683	–	1,039,775	766,265	–	166,090	–	4,089,834
Impairment	–	16,897	211	–	9,439	33,432	–	–	3,210	63,189
Eliminated on disposals and write-off	–	(92)	(30,672)	(13,956)	(75,336)	(151,195)	–	(2,377)	(3,210)	(276,838)
At 31 December 2020	51,469	8,278,273	1,093,397	67,249	3,790,644	3,992,351	–	480,679	–	17,754,062
Carrying values:										
At 31 December 2020	671,415	34,692,185	522,155	–	3,665,136	1,492,947	–	1,010,453	3,119,648	45,173,939
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

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 2020 was HK$40,834,176,000 (2019: HK$41,502,821,000) (note 33).

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

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 was its 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 at the fair value as at the date of valuation. A key assumption was the sale rate, which was adjusted by certain factors including time, use, location 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 operating expenses, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At 1 January	348,000	310,000
Net increase in fair value recognized in profit or loss	8,000	38,000
At 31 December	356,000	348,000
Unrealized gain on fair value change of investment properties included in other operating expenses, gains and losses, net (note 8)	8,000	38,000

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 the Group's interest-bearing borrowings (note 33).

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 2020 and 2019 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 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 2020 HK$'000	Fair value 2019 HK$'000
Car parking spaces	Direct comparison method			356,000	348,000
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking spaces between the comparable and the property, of sales amount ranging from HK$650,000 to HK$1,250,000 (2019: HK$880,000 to HK$1,280,000) 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 23% (2019: 30%) of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

19. GAMING LICENSE AND SUBCONCESSION

	2020 HK$'000	2019 HK$'000
Cost:		
At 1 January and 31 December	6,702,315	6,702,315
Accumulated amortization:		
At 1 January	(3,977,432)	(2,888,429)
Charge for the year	(1,089,003)	(1,089,003)
At 31 December	(5,066,435)	(3,977,432)
Net carrying values	1,635,880	2,724,883

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 42) 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 2020 and 2019, the management of the Group determined that there is no impairment in gaming license and subconcession.

20. GOODWILL

	2020 HK$'000	2019 HK$'000
At 1 January	5,406,936	5,299,451
Acquisition of a subsidiary (note 40)	–	107,485
Impairment	(107,485)	–
At 31 December	5,299,451	5,406,936

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

21. TRADEMARKS

	2020 HK$'000	2019 HK$'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 23.

22. OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Internal-use software HK$'000	Proprietary rights HK$'000	Total HK$'000
Cost:				
At 1 January 2019	5,700	232,103	–	237,803
Additions	–	17,463	–	17,463
Exchange adjustments	–	(16)	–	(16)
At 31 December 2019 and at 1 January 2020	5,700	249,550	–	255,250
Additions	–	165,808	93,133	258,941
Write-off	–	(13,129)	–	(13,129)
At 31 December 2020	5,700	402,229	93,133	501,062
Accumulated amortization:				
At 1 January 2019	–	12,735	–	12,735
Charge for the year	–	20,432	–	20,432
Exchange adjustments	–	(45)	–	(45)
At 31 December 2019 and at 1 January 2020	–	33,122	–	33,122
Charge for the year	–	49,301	1,449	50,750
Impairment	–	1,332	–	1,332
Write-off	–	(13,129)	–	(13,129)
At 31 December 2020	–	70,626	1,449	72,075
Carrying values:				
At 31 December 2020	5,700	331,603	91,684	428,987
At 31 December 2019	5,700	216,428	–	222,128

22. OTHER INTANGIBLE ASSETS (continued)

The club memberships have indefinite useful lives because the memberships have no expiry dates and the internal-use software which have finite useful lives of 3 to 15 years are amortized on a straight-line basis.

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

23. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS

(a) Goodwill

As at 31 December 2020, the carrying amount of goodwill represented the goodwill which arose from the deemed acquisition of Melco Resorts in 2016 of HK$5,299,451,000 (2019: HK$5,299,451,000) which was allocated to a group of CGUs under Melco Resorts and the goodwill, net of impairment, of nil (2019: HK$107,485,000) which arose from the acquisition of the Japan Ski Resort (as defined in note 40) in 2019, an individual CGU under Melco Resorts. Melco Resorts belongs to the "Casino and Hospitality" segment.

For the purpose of impairment testing on goodwill, the recoverable amounts of the group of CGUs under Melco Resorts and the Japan Ski Resort have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The rates used to discount the forecast cash flows from the group of CGUs under Melco Resorts and the Japan Ski Resort are 10.77% (2019: 10.74%) and 11.42%, respectively. The discount rates used are pre-tax and reflect specific risks relating to the group of CGUs under Melco Resorts and the Japan Ski Resort. The cash flow projections beyond the five-year period for the group of CGUs under Melco Resorts and the Japan Ski Resort are extrapolated with implied growth rates ranging from 1% to 18% (2019: 1% to 10%) and 0.5%, respectively.

The estimated recoverable amount of the Japan Ski Resort as at 31 December 2020 is Japanese Yen ("JPY") 231,773,000 (equivalent to HK$17,413,000). The goodwill of the Japan Ski Resort was fully impaired and an impairment loss of HK$107,485,000 was recognized during the year ended 31 December 2020 as a result of significant decline in profits due in large part to the COVID-19 pandemic.

23. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS (continued)

(b) Trademarks

For the purpose of impairment testing, trademarks as set out in note 21 were allocated to four individual CGUs operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2020 and 2019 allocated to these units are as follows:

	2020 HK$'000	**2019** HK$'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% (2019: 1% to 10%). The rates used to discount the forecast cash flows from City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs are 10.76%, 11.50%, 20.24% and 10.76% (2019: 10.89%, 11.04%, 17.21% and 10.89%), respectively. The discount rates used are pre-tax and reflected specific risks relating to the CGUs.

Cash flow projections during the budget period for CGUs or group of CGUs are based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses, capital expenditure and working capital requirements during the budget period. The assumptions and estimations are based on the CGU's past performance, management's expectations of the market development and the success of the cost cutting strategy implemented by the Group. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs or group of CGUs to exceed the recoverable amounts of the CGUs or group of CGUs.

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

24. INVESTMENT IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Cost of investments in associates		
Listed in Canada	339,601	339,601
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	7,616
Share of post-acquisition results, net of dividends received	(80,892)	(80,892)
	–	–
Fair value of a listed investment (note a)	7,081	3,473
Carrying amount of investment in an associate with shares listed	–	–

Details of the associate 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 2020	2019	Principal activities
Mountain China Resorts (Holding) Limited ("MCR") (note)	Canada/the PRC	18.85%	18.85%	Operation of ski resorts

Note:

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 2020 and 2019.

24. INVESTMENT IN AN ASSOCIATE (continued)

Aggregate information of the associate that is not individually material

	2020	**2019**
	HK$'000	HK$'000
The Group's share of profit for the year	–	796
The Group's share of other comprehensive income for the year	–	–
The Group's share of total comprehensive income for the year	–	796
Aggregate carrying amount of the Group's investment in an associate	–	–
Unrecognized share of loss of the associate for the year	(6,665)	(6,181)
Cumulative unrecognized share of loss of the associate	(446,220)	(439,555)

25. INVENTORIES

	2020	**2019**
	HK$'000	HK$'000
Finished goods	191,668	235,257
Food and beverages	97,426	108,510
	289,094	343,767

26. 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 up to 90 days may be offered to casino customers with large gaming losses and established credit history.

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables where it intends to settle on a net basis. As of 31 December 2020, the gross amounts of casino receivables are HK$3,288,335,000 (2019: HK$4,338,915,000) and the aggregate amounts of the commissions payable and front money deposits are HK$750,058,000 (2019: HK$1,567,430,000).

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 (2019: 30 days) would be granted.

26. 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:

	2020 HK$'000	2019 HK$'000
Within 1 month	827,455	1,398,460
More than 1 month but within 3 months	38,499	226,623
More than 3 months but within 6 months	30,331	278,720
More than 6 months	1,661,909	926,054
	2,558,194	2,829,857
Allowances for credit losses	(1,553,121)	(583,613)
	1,005,073	2,246,244
Non-current portion	–	(30,200)
Current portion	1,005,073	2,216,044

Movement in the allowances for credit losses

	2020 HK$'000	2019 HK$'000
At 1 January	583,613	315,415
Allowances for credit losses, net	1,034,672	281,260
Write-off	(65,164)	(13,062)
At 31 December	1,553,121	583,613

For the year ended 31 December 2020, allowances for credit losses, net, of HK$1,034,672,000 (2019: HK$281,260,000) 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.

26. TRADE RECEIVABLES (continued)

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

As at 31 December 2020

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

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Current assets		
Prepayments and other assets	387,395	435,775
Other receivables	269,766	209,640
Deposits	40,721	55,239
	697,882	700,654
Non-current assets		
Long-term prepayments and other assets	1,984,037	1,097,011
Rental, utilities and other deposits	108,639	131,560
Deposits for acquisition of property, plant and equipment	90,605	106,260
Other receivables	10,253	12,637
	2,193,534	1,347,468

Note: For the year ended 31 December 2020, impairment losses on other receivables and other assets of HK$13,598,000 (2019: HK$61,545,000) and HK$10,438,000 (2019: HK$776,000) were recognized in profit or loss and included in the Casino and Hospitality and Others segments, respectively.

28. RESTRICTED CASH

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects those funds will be released or utilized in accordance with the terms of the respective agreements within the next 12 months, while the non-current portion of restricted cash represents those funds that will not be released or utilized within next 12 months.

Restricted cash mainly consists of (i) bank accounts that are restricted for withdrawal and for payment of project costs or debt servicing associated with interest-bearing borrowings and other associated agreements; and (ii) collateral bank accounts associated with borrowings under credit facilities.

29. 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.

30. OTHER FINANCIAL ASSETS

	Notes	2020 HK$'000	2019 HK$'000
Current assets			
Financial assets at fair value through profit or loss	(a)	–	384,539
Non-current assets			
Financial assets at fair value through profit or loss	(b)	130,929	4,498,436

Notes:

(a) As at 31 December 2019, the amount represented investments in mutual funds that mainly invested in bonds and fixed interest securities which were considered as marketable equity securities. During the year ended 31 December 2020, the Group sold all mutual funds units amounting to HK$394,882,000 (2019: certain mutual funds units amounting to HK$389,352,000). For the year ended 31 December 2020, a decrease in fair value of HK$4,354,000 (2019: increase in fair value of HK$52,267,000) was recognized in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

(b) As at 31 December 2020 and 2019, the amount represents the investments in the marketable equity securities, which comprised investments in Crown Resorts Limited ("Crown") of nil (2019: HK$4,431,451,000) and EHang Holdings Limited ("EHang") of HK$130,929,000 (2019: 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 on 6 June 2019.

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.

On 29 April 2020, the Group disposed of an aggregate of 67,675,000 shares of Crown representing approximately 9.99% of the issued share capital of Crown (the "Disposal") as at the date of the Disposal at a sale price of AUD 8.15 (equivalent to approximately HK$41.12) per share of Crown to an independent third party. The aggregate consideration was AUD 551,551,250 (equivalent to approximately HK$2,782,984,000). Upon completion of the Disposal, the Group ceased to be a shareholder of Crown.

For the year ended 31 December 2020, a decrease in fair value of HK$1,281,578,000 (2019: HK$376,353,000) was recognized in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

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 a financial asset at fair value through profit or loss of HK$78,280,000 on 12 December 2019. For the year ended 31 December 2020, an increase in fair value of HK$63,944,000 (2019: decrease in fair value of HK$11,295,000) was recognized in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income. Subsequent to the year ended 31 December 2020, the Company sold all the ADSs of EHang as disclosed in note 49 to the consolidated financial statements.

31. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 1 month	46,363	154,728
More than 1 month but within 3 months	12,992	13,898
More than 3 months but within 6 months	4,911	3,351
More than 6 months	9,309	–
	73,575	171,977

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

32. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Notes	2020 HK$'000	2019 HK$'000
Current liabilities			
Advance customer deposits and ticket sales	5	2,139,878	1,993,084
Outstanding gaming chips and tokens liabilities	5	1,609,730	3,686,769
Accrued employee benefits expenses		770,686	1,330,459
Interest payable		753,633	395,866
Accrued operating expenses and other liabilities		682,603	1,022,433
Gaming tax and license fee payables		676,980	1,696,236
Construction cost payable		443,456	222,630
Payable for acquisition of property, plant and equipment		378,099	538,195
Loyalty program liabilities	5	226,189	308,375
Dividends payable		66,929	1,221
Amounts due to related companies	(a)	440	3,740
		7,748,623	11,199,008
Non-current liabilities			
Other liabilities		187,302	86,353
Accrued employee benefits expenses		38,513	61,804
Deposits received		32,221	25,480
		258,036	173,637

Note a:

As at 31 December 2020 and 2019, amounts due to related companies were unsecured, non-interest-bearing and repayable on demand.

33. INTEREST-BEARING BORROWINGS

	Notes	2020 HK$'000	2019 HK$'000
Unsecured notes	a	42,016,516	27,881,900
Secured bank loans	b	6,680,645	6,826,258
Secured notes	c	–	6,620,659
Unsecured bank loans	d	1,937,500	–
		50,634,661	41,328,817
Non-current portion		(46,356,559)	(40,907,850)
Current portion		4,278,102	420,967
Analyzed into borrowings repayable:			
Within one year or on demand		4,303,099	442,756
In the second year		4,342,556	7,070,603
In the third to fifth years, inclusive		16,280,836	10,651,968
After five years		25,971,808	23,367,033
		50,898,299	41,532,360
Less: deferred financing costs and original issue premiums		(263,638)	(203,543)
		50,634,661	41,328,817

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

	2020 HK$'000	2019 HK$'000
Fixed-rate borrowings	42,016,516	34,502,559
Variable-rate borrowings	8,618,145	6,826,258
	50,634,661	41,328,817

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

	2020 HK$'000	2019 HK$'000
US$	48,695,161	41,304,400
HK$	1,939,500	24,417
	50,634,661	41,328,817

During the year ended 31 December 2020, the Group obtained new interest-bearing borrowings of HK$20,982,599,000 (2019: HK$25,232,502,000) and repaid interest-bearing borrowings of HK$11,399,573,000 (2019: HK$22,400,500,000).

33. INTEREST-BEARING BORROWINGS (continued)

Notes:

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

On 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 "2024 Senior Notes"). The net proceeds were used to redeem the remaining outstanding senior notes due 2020 in an aggregate principal amount of US$425,000,000 (equivalent to HK$3,336,131,000) with accrued interest in 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 under the 2015 Credit Facilities (as described in note b) in aggregate principal amount of HK$3,983,000,000, together with accrued interest and associated costs.

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 under the 2015 Credit Facilities 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, both under the 2015 Credit Facilities together with accrued interest and associated costs.

On 15 July 2020, the Group issued US$500,000,000 (equivalent to HK$3,875,368,000) in aggregate principal amount of 6.00% senior notes due 2025 (the "2025 Senior Notes") and US$500,000,000 (equivalent to HK$3,875,368,000) in aggregate principal amount of 6.50% senior notes due 2028 (the "2028 Senior Notes"). On 14 August 2020, the Group used a portion of the net proceeds to redeem in full the 2021 Senior Notes (as described in note c), together with accrued interest and redemption premium.

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

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

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.

33. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(b) The secured bank loans bear interest at HIBOR or LIBOR plus applicable margins ranging from 1.00% to 4.00% per annum. The secured bank loans are denominated in HK$ or US$ and are repayable in instalments or at maturity within the period from 2021 to 2022. Certain of the secured bank loans consisted of term loan facilities and revolving credit facilities. The secured bank loans are guaranteed by certain subsidiaries of the Group.

In 2019, the Group drew down HK$4,317,501,000 from revolving credit facilities under a senior secured credit facilities agreement (the "2015 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 30(b).

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

Pursuant to a waiver letter dated 29 April 2020 from Bank of China Limited, Macau Branch ("BOC Macau") (in its capacity as the sole lender under the 2015 Credit Facilities) to Melco Resorts Macau as borrower, a subsidiary of the Group, which became effective on 7 May 2020, BOC Macau agreed, among other things, to relax the borrower's obligations under the 2015 Credit Facilities by way of a waiver of (i) to extend the maturity date of the 2015 Credit Facilities to 24 June 2022; (ii) the repayment term of the 2015 term loan facility; (iii) interest rate of the borrowings change to HIBOR plus a margin of 1% per annum; (iv) the requirement to comply with substantially all information undertakings, financial covenants, general undertakings and mandatory prepayment provisions, (v) the requirement to make substantially all of the representations, and (vi) certain current and/or future defaults and events of default that may arise under the terms of the 2015 Credit Facilities, subject to certain conditions and terms.

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

On 28 December 2020, the Group used existing cash on hand to fully repay an outstanding secured bank loan in aggregate principal amount of HK$9,785,000.

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.

33. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(c) As at 31 December 2019, the Group had US$850,000,000 in aggregate principal amount of 7.25% secured senior notes due 2021 (the "2021 Senior Notes"). The 2021 Senior Notes were guaranteed by certain subsidiaries of the Group.

On 14 August 2020, the Group used a portion of the net proceeds from the 2025 Senior Notes and 2028 Senior Notes to redeem in full the 2021 Senior Notes (equivalent to HK$6,588,126,000), together with accrued interest and redemption premium. Accordingly, the Group recorded a loss on extinguishment of debt of HK$106,386,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

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.

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

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

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

Borrowings under the 2020 Credit Facilities bear interest at HIBOR plus a margin ranging from 1.00% to 2.00% per annum as adjusted in accordance with the leverage ratio in respect of MCO Nominee One and certain of its specified subsidiaries. MCO Nominee One may select an interest period for borrowings under the 2020 Credit Facilities ranging from one to six months or any other agreed period. MCO Nominee One is obligated to pay a commitment fee quarterly in arrears from 29 April 2020 on the undrawn amount of the 2020 Credit Facilities and recognized loan commitment fees of HK$46,673,000 during the year ended 31 December 2020.

On 6 May 2020, the Group drew down HK$2,730,000,000 of the revolving credit facility under the 2020 Credit Facilities and, on 7 May 2020, the Group used such proceeds to repay all outstanding loan amounts of HK$1,957,662,000 under the 2015 Credit Facilities, together with accrued interest and associated costs, other than HK$1,000,000 which remained outstanding under the term loan facility for the 2015 Credit Facilities.

33. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(d) (continued)

On 29 July 2020, the Group used a portion of the net proceeds of the Original 2028 Senior Notes to repay the principal amount outstanding for the revolving credit facility under the 2020 Credit Facilities.

On 23 September 2020, the Group drew down HK$1,937,500,000 from the revolving credit facility under the 2020 Credit Facilities.

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

As at 31 December 2020, the outstanding principal amount of the 2020 Credit Facilities was HK$1,937,500,000.

(e) As at 31 December 2020, an unsecured credit facility amounting to PHP2,350,000,000 (equivalent to HK$379,278,000) (2019: PHP2,350,000,000 (equivalent to HK$360,715,600)) was available for future drawdown, subject to satisfaction of certain conditions precedent. The availability period of this facility was extended from 31 May 2020 to 31 January 2021 during the year ended 31 December 2020, and was further extended to 1 May 2021 in January 2021, on substantially similar terms as before.

(f) As at 31 December 2020, the Group had a total available borrowing capacity of HK$13,704,092,000 (2019: HK$10,522,863,000), subject to satisfaction of certain conditions precedent. In January 2021, the Group refinanced certain existing borrowings and raised additional capital through the issuance of new senior notes as disclosed in note 49.

(g) Borrowings amounting to HK$6,680,645,000 (2019: HK$13,446,917,000) as at 31 December 2020 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) (note 34);

(iv) certain bank deposits;

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

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

34. 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 42(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.

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
Additions	29,818	35,053	342	9,706	264	75,183	69,384
Depreciation	(191,105)	(296,793)	(1,231)	(4,684)	(11,413)	(505,226)	–
Modification	(1,479)	(35,476)	–	–	(8,023)	(44,978)	(46,608)
Adjustment of lease liabilities	–	–	–	–	–	–	(63,487)
Interest expense	–	–	–	–	–	–	367,695
Payments	–	–	–	–	–	–	(259,406)
Exchange adjustments	9,933	66,719	278	235	182	77,347	142,725
As at 31 December 2020	5,714,224	1,569,965	3,062	6,236	3,602	7,297,089	3,514,860

	2020 HK$'000	2019 HK$'000
Analysed of lease liabilities into:		
Current portion	831,172	574,737
Non-current portion	2,683,688	2,729,820
	3,514,860	3,304,557

The maturity analysis of lease liabilities is disclosed in note 46(b).

34. LEASES (continued)

Group as a lessee (continued)

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

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets	505,226	561,959
Less: capitalized in construction in progress	(28,767)	–
Interest expense on lease liabilities	367,695	373,083
Expense relating to short-term leases	3,251	11,924
Adjustment of lease liabilities	(63,487)	–
Variable lease payments not included in the measurement of lease liabilities	20,310	75,103
Total amount recognized in profit or loss	804,228	1,022,069

The Group has total cash outflows for leases of HK$282,967,000 during the year ended 31 December 2020 (2019: HK$701,513,000).

As at 31 December 2020, certain right-of-use land with an aggregate carrying amount of HK$5,221,811,000 (2019: HK$5,387,868,000) were pledged to secure against the Group's interest-bearing borrowings (note 33).

Group as a lessor

The Group entered into non-cancellable operating leases mainly for its investment properties and mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through May 2035. Certain of the operating leases include minimum base fees with contingent fee clauses based on percentages of turnover. For the years ended 31 December 2020 and 2019, the Group earned minimum operating lease income of HK$268,815,000 and HK$294,241,000, respectively, and variable lease income of HK$28,857,000 and HK$112,442,000, respectively.

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

	2020 HK$'000	2019 HK$'000
Within one year	395,564	426,500
More than one year but within two years	377,143	342,674
More than two years but within three years	345,547	311,348
More than three years but within four years	347,105	314,572
More than four years but within five years	358,528	324,408
After five years	190,918	508,420
	2,014,805	2,227,922

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

35. 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:

	2020	**2019**
	HK$'000	HK$'000
Deferred tax assets	49,430	27,710
Deferred tax liabilities	(2,404,083)	(2,435,452)
	(2,354,653)	(2,407,742)

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	**Accelerated tax depreciation**	**Right-of-use assets**	**Lease liabilities**	**Tax losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	(2,363,744)	(68,619)	(589,463)	589,463	31,580	–	(2,400,783)
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)
Credit/(charge) to profit or loss for the year (note 14)	12,234	15,716	308,712	(288,797)	32,477	(26,016)	54,326
Exchange adjustments	–	(925)	(12,852)	13,976	710	(2,146)	(1,237)
At 31 December 2020	(2,339,276)	(84,303)	(221,212)	242,251	95,902	(48,015)	(2,354,653)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$13,840,951,000 (2019: HK$10,911,809,000). A deferred tax asset has been recognized in respect of HK$537,998,000 (2019: HK$380,071,000) of tax losses to the extent that it is probable that future taxable temporary differences will be available against which the temporary differences can be utilized. No deferred tax asset has been recognized in respect of the remaining tax losses of HK$13,302,953,000 (2019: HK$10,531,738,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$12,211,476,000 (2019: HK$9,628,489,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 3 to 20 years (2019: 3 to 20 years). Other losses may be carried forward indefinitely.

35. DEFERRED TAX (continued)

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$3,810,515,000 (2019: HK$3,244,700,000) in respect of the decelerated accounting depreciation. No deferred tax asset has been recognized in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

36. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2020	**2019**	**2020** HK$'000	**2019** HK$'000
Issued and fully paid:				
At 1 January	1,514,266,755	1,519,627,055	5,669,692	5,660,190
Repurchase of shares	–	(6,000,000)	–	–
Exercise of share options	1,497,000	639,700	22,388	9,502
At 31 December	1,515,763,755	1,514,266,755	5,692,080	5,669,692

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 shares of the Company for an aggregate consideration of approximately HK$95,559,000 (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.

During the year ended 31 December 2020, the trustee of the Share Purchase Scheme as defined in note 37 under the Company's share award schemes purchased 2,495,000 (2019: 8,605,000) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$30,767,000 (2019: HK$165,319,000) which are for future vesting of unvested shares under the Company's Share Purchase Scheme.

As at 31 December 2020, 1,129,085 (2019: 4,727,085) and 75,000 (2019: 75,000) issued shares of the Company were held by the Company's Share Purchase Scheme and Share Subscription Scheme as defined in note 37 under the Company's share award schemes, respectively.

37. 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 2020, the total number of shares available for issue under the 2012 Share Option Scheme is 56,162,538 shares and a total of 34,949,000 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 3.71% and 2.31% 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.

Certain rules of the 2012 Share Option Scheme were amended by adding the Net Settlement Arrangement on 5 June 2020. Details are disclosed in the section "Share award schemes" of note 37.

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ordinary shares trading on the Hong Kong Stock Exchange. Expected life is based upon the vesting term, and expected life adopted by other publicly traded companies. The risk-free interest rate used for each period presented is based on the Hong Kong Government Bond rate at the time of grant for the period equal to the expected life.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

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

	Grant date of the share options		
	Options granted on 14 April 2020	**Options granted on 10 April 2019**	**Options granted on 6 September 2019**
Share price at date of grant of share options	HK$12.70	HK$19.90	HK$18.96
Exercise price	HK$12.70	HK$19.90	HK$18.96
Expected volatility	44% – 46%	42% – 45%	43% – 44%
Expected life	3.10 – 6.10 years	3.10 – 6.10 years	3.90 – 5.90 years
Risk-free rate	0.55% – 0.63%	1.60%	1.1% – 1.3%
Expected dividend yield	0.47%	0.40%	0.40%
Weighted average fair value of a share option at date of grant	HK$4.35	HK$6.92	HK$7.04

(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 2019	2,751,700	5.79
Exercised	(390,700)	5.23
Lapsed	(120,000)	2.99
Outstanding at 31 December 2019 and 1 January 2020	2,241,000	6.03
Exercised	(706,000)	5.14
Lapsed	(60,000)	3.76
Outstanding at 31 December 2020	1,475,000	6.55
Exercisable at 31 December 2020	1,475,000	6.55
Exercisable at 31 December 2019	2,241,000	6.03

The weighted average share price at the date of exercise was HK$15.56 (2019: HK$20.04) during the year ended 31 December 2020.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(a) 2002 Share Option Scheme (continued)

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

	2020		2019	
Range of exercise prices HK$	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)
3.01 – 4.00	–	–	386,000	0.27
5.01 – 6.00	600,000	0.27	819,000	1.27
7.01 – 8.00	875,000	1.07	1,036,000	2.07
	1,475,000		2,241,000	

(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 2019	16,067,000	17.09
Granted	17,313,000	19.13
Exercised	(249,000)	10.24
Outstanding at 31 December 2019 and 1 January 2020	33,131,000	18.21
Granted	2,931,000	12.70
Exercised	(791,000)	10.30
Lapsed	(174,000)	15.00
Forfeited	(148,000)	15.72
Outstanding at 31 December 2020	34,949,000	18.03
Exercisable at 31 December 2020	22,819,000	17.82
Exercisable at 31 December 2019	10,437,000	13.93

The weighted average share price at the date of exercise was HK$14.66 (2019: HK$20.26) during the year ended 31 December 2020.

37. 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:

	2020		2019	
Range of exercise prices HK$	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)
10.01 – 11.00	6,005,000	5.27	6,786,000	6.27
12.01 – 13.00	2,837,000	9.29	–	–
14.01 – 15.00	616,000	6.27	800,000	7.28
18.01 – 19.00	14,200,000	8.68	14,200,000	9.69
19.01 – 20.00	3,077,000	8.28	3,113,000	9.28
23.01 – 24.00	8,214,000	7.28	8,232,000	8.28
	34,949,000		33,131,000	

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). 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.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

Under the existing arrangements of the 2012 Share Option Scheme, Share Purchase Scheme and Share Subscription Scheme (collectively referred to as the “Schemes”), a grantee shall satisfy any tax or other liabilities to which he or she may become subject to as a result of his or her participation in the Schemes by his or her own cash.

During the year ended 31 December 2020, to enhance administration flexibility of the Board in the implementation of the Schemes, the Company revised the rules of the Schemes so as to give authority to the Company to deduct or withhold a portion of the awards granted to the grantee pursuant to the Schemes (the “Awards”) if the Company is statutorily required to deduct or withhold an amount to satisfy the tax obligation of any grantee arising from the grant of the Awards (the “Grantee Tax Obligation”), or if a grantee otherwise elects to satisfy his/her Grantee Tax Obligation (which is not statutorily required to be deducted or withheld) and/or exercise cost (in case a grantee exercises his/her share options granted under the 2012 Share Option Scheme) by way of deduction or withholding of the relevant portion of his/her Awards (the “Net Settlement Arrangement”). The Net Settlement Arrangement was approved by the Board on 31 March 2020 and further approved by the shareholders of the Company for amendments to the 2012 Share Option Scheme on 5 June 2020.

On 30 June 2020 (the “Modification Date”), a Director of the Company elected the Net Settlement Arrangement on certain awards under the Share Purchase Scheme and 2,643,031 awarded shares were modified from equity-settled to cash-settled with all other terms unchanged (the “Modified Awards”). The Group recognized a liability associated with the Modified Awards of approximately HK$22,912,000 with a corresponding reduction in the share award reserve on the Modification Date. The Modified Awards were modified so as to become cash-settled, but other terms were otherwise unchanged. Accordingly, the fair values of the Modified Awards and the original awards, which were determined by the share price of the ordinary shares of the Company on the Modification Date were the same and no incremental share-based compensation expenses resulted.

As at 31 December 2020, the accrued liability associated with the cash-settled awarded shares was HK$16,246,000 (2019: nil). Remeasurement loss of the liability associated with the cash-settled awarded shares of HK$87,000 was recognized for the year ended 31 December 2020.

37. LONG TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme

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

	Number of awarded shares	Weighted average grant date fair value HK$
Equity-settled		
Unvested at 1 January 2019	2,640,750	22.18
Granted	9,867,000	19.44
Vested	(4,801,750)	21.13
Unvested at 31 December 2019 and 1 January 2020	7,706,000	19.32
Granted	7,646,000	12.70
Vested	(6,952,384)	15.94
Modified to cash-settled	(2,643,031)	18.99
Unvested at 31 December 2020	5,756,585	14.76
Cash-settled		
Unvested at 31 December 2019 and 1 January 2020	–	–
Modified from equity-settled	2,643,031	18.99
Vested	(856,616)	18.96
Unvested at 31 December 2020	1,786,415	19.00
Total unvested awarded shares at 31 December 2020	7,543,000	15.77

(b) Share Subscription Scheme

No award was granted or outstanding under the Share Subscription Scheme during the years ended 31 December 2020 and 2019.

37. LONG TERM INCENTIVE SCHEMES (continued)

(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.

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 the Company (if required). As at 31 December 2020, the total number of shares available for issue under the Melco Resorts 2011 Share Incentive Plan is 37,823,024 Melco Resorts’ ordinary shares (representing approximately 2.60% 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.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

The fair values of share options granted under the Melco Resorts 2011 Share Incentive Plan were estimated on the dates of grant using the following assumptions:

	Grant date of the share options	
	31 March 2020	**1 April 2019**
Share price at date of grant of share options	US$4.13	US$8.14
Exercise price	US$4.13	US$8.14
Expected volatility	43.5%	42%
Expected life	5.6 years	5.6 years
Risk-free rate	0.43%	2.34%
Expected dividend yield	3.1%	2.8%
Weighted average fair value of share options at the date of grant	US$1.21	US$2.59

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 2020 and 2019 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 1 January 2019	2,289,468	1.64
Exercised	(138,036)	0.32
Outstanding at 31 December 2019 and 1 January 2020	2,151,432	1.72
Exercised	(267,141)	1.49
Outstanding at 31 December 2020	1,884,291	1.75
Exercisable at 31 December 2020	1,884,291	1.75
Exercisable at 31 December 2019	2,151,432	1.72

The weighted average share price at the date of exercise was US$4.28 (2019: US$6.98) during the year ended 31 December 2020.

37. 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:

	2020		2019	
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
1.01 – 2.00	1,884,291	0.22	2,095,572	1.23
	1,884,291		2,151,432	

(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 2020 and 2019 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 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 and 1 January 2020	19,790,160	7.01
Granted	12,159,207	4.13
Exercised	(122,040)	5.44
Forfeited or expired	(2,981,100)	5.82
Outstanding at 31 December 2020	28,846,227	5.93
Exercisable at 31 December 2020	13,002,909	6.21
Exercisable at 31 December 2019	6,577,455	5.15

The weighted average share price at the date of exercise was US$6.50 (2019: US$7.57) during the year ended 31 December 2020.

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Share options (continued)

(b) Melco Resorts 2011 Share Incentive Plan (continued)

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

	2020		**2019**	
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	1.24	777,801	2.24
4.01 – 5.00	10,587,759	9.19	191,328	6.98
5.01 – 6.00	5,903,289	4.64	6,027,702	5.64
6.01 – 7.00	3,954,381	6.25	4,056,528	7.25
7.01 – 8.00	34,518	6.69	123,153	7.49
8.01 – 9.00	3,338,166	8.25	4,060,254	9.26
9.01 – 10.00	4,250,313	7.25	4,553,394	8.25
	28,846,227		19,790,160	

37. LONG TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Restricted shares

Movements of the restricted shares granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2020 and 2019 are set out below:

	Number of restricted shares	Weighted average grant date fair value US$
Unvested at 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 and 1 January 2020	7,105,176	7.94
Granted	9,497,823	4.17
Vested	(2,822,235)	7.20
Forfeited	(424,134)	6.62
Unvested at 31 December 2020	13,356,630	5.46

In January 2021, Melco Resorts approved the grant of restricted shares under the Melco Resorts 2011 Share Incentive Plan to the eligible management personnel of the Group in lieu of the 2020 bonus for their services performed during 2020. The grant vested immediately on the grant date on 31 March 2021 and the grant date fair value was determined with reference to the closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the date of grant. Share-based compensation expenses of HK$107,007,000, of which HK$7,142,000 were capitalized, were recognized for such grant during the year ended 31 December 2020 based on the estimated bonus amount.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP

MRP share incentive plan

MRP adopted a share incentive plan (the "MRP Share Incentive Plan"), effective on 24 June 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase MRP common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of MRP and its subsidiaries, and the Company and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the MRP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MRP from time to time over 10 years. On 24 April 2019 and 24 June 2019, the board of directors and the stockholders of MRP approved an amendment to the Amended Articles of Incorporation of MRP, respectively, whereby, without changing the total amount of the authorized capital stock, the par value per MRP common share was increased from PHP1 (equivalent to HK$0.2) per share to PHP500,000 (equivalent to HK$81,000) per share, thereby decreasing the total number of MRP common shares on a pro-rata basis ("Reverse Stock Split"). The Reverse Stock Split was approved by the Philippine Securities and Exchange Commission (the "Philippine SEC") on 12 May 2020. As of 31 December 2020, there were 305 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan. All share and per share data of MRP common shares relating to the transactions carried out before 12 May 2020 as disclosed in the accompanying consolidated financial statements, including the movements of outstanding options and restricted shares during the year ended 31 December 2020, represent the number of shares or value per share of MRP common shares before the Reverse Stock Split.

On 22 May 2019, MRP offered to all eligible participants of the MRP Share Incentive Plan the option to retire all outstanding equity awards, including the unvested share options, vested but unexercised share options and unvested restricted shares (collectively, the "Outstanding Awards") by the payment of cash to the eligible participants (the "SIP Retirement Arrangements") in light of the delisting of MRP and the acquiescence of the Philippine SEC on 17 May 2019. As a result of all eligible participants electing to participate in the SIP Retirement Arrangements, all the Outstanding Awards, including a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the MRP Share Incentive Plan, were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019 (the "SIP Modification").

Under the SIP Retirement Arrangements, MRP will pay the eligible participants a fixed amount in cash ("Settlement Amount") according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions. The Settlement Amount of the outstanding restricted shares is PHP7.25 per share, based on the offer price of the tender offer in 2018 and the Settlement Amount of the outstanding share options which was determined using the Black-Scholes valuation model. The weighted average fair value of the outstanding share options at the modification date was PHP4.23 per option.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

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 year.

As at 31 December 2020 and 2019, the accrued liability associated with the Outstanding Awards under the SIP Modification was HK$3,084,000 and HK$11,672,000, respectively. No fair value gain or loss on remeasurement of the liability associated with the Outstanding Awards under the SIP Modification was recognized for the years ended 31 December 2020 and 2019.

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 Philippine Stock Exchange, Inc ("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. 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.

37. LONG TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

The fair values of share options modified were estimated on the dates of modification using the following assumptions:

	Modification date of the share options
	Previously granted options modified on 31 May 2019
Share price at date of modification	PHP7.25
Exercise price	PHP6.15
Expected volatility	45%
Expected life	5.7 years
Risk-free rate	5.81%
Expected dividend yield	–
Weighted average fair value of share options at the date of modification	PHP4.23

Share options

Movements of share options granted under the MRP Share Incentive Plan during the years ended 31 December 2020 and 2019 are set out below:

	Number of share options	**Weighted average exercise price** PHP
Equity-settled		
Outstanding at 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 and 2020	–	–
Exercisable at 31 December 2019 and 2020	–	–

	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
Vested	(6,357,751)
Outstanding at 31 December 2020	1,025,657

37. 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 2020 and 2019 are set out below:

	Number of restricted shares	Weighted average grant date fair value PHP
Equity-settled		
Unvested at 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 and 2020	–	–

	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
Vested	(5,922,184)	8.35
Unvested at 31 December 2020	2,313,502	7.37

38. EMPLOYEE BENEFIT PLANS

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

The Group operates defined contribution fund schemes in different jurisdictions, which allow eligible employees to participate in defined contribution plans (the “Defined Contribution Fund Schemes”). The Group either contributes a fixed percentage of the eligible employees’ relevant income, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of relevant income to the Defined Contribution Fund Schemes. The Group’s contributions to the Defined Contribution Fund Schemes are vested with employees in accordance to vesting schedules, achieving full vesting ranging from 4 to 10 years from the date of employment. The Defined Contribution Fund Schemes were established under trusts with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in different jurisdictions are members of government-managed social security fund schemes (the “Social Security Fund Schemes”), which are operated by the respective governments, if applicable. The Group is required to pay monthly fixed contributions or certain percentages of employee relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

Forfeited contributions totaling HK$24,815,000 (2019: HK$22,547,000) were utilized during the year ended 31 December 2020. As of 31 December 2020, HK$6,055,000 (2019: HK$14,909,000) was available to reduce future contributions.

During the year ended 31 December 2020, the Group’s contributions into the defined contribution retirement benefits schemes and social security funds were HK$229,372,000 (2019: HK$258,445,000).

39. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES

Melco Resorts and ICR Group

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 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 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.

For the year ended 31 December 2020, Melco Resorts repurchased 3,148,824 ADSs (equivalent to 9,446,472 ordinary shares) from the open market for an aggregate consideration of approximately US$44,977,000 (equivalent to approximately HK$350,610,000) which increased the Group's ownership interest in Melco Resorts. On the other hand, certain share options and restricted shares under the Melco Resorts share incentive plans were exercised and vested, which decreased the Group's ownership interest in Melco Resorts.

As a net result of the above transactions, the Group's ownership interest in Melco Resorts increased from 56.54% on 1 January 2020 to 56.80% on 31 December 2020. The Group recognized an increase of HK$38,542,000 in the Group's special reserve and a decrease of HK$389,473,000 in non-controlling interests.

SCIHL

During July and August 2020, SCIHL announced and completed a series of private offers of its 72,185,488 Class A ordinary shares and 14,087,299 ADSs, representing 56,349,196 Class A ordinary shares, to certain existing shareholders and holders of its ADSs, including the Group, with gross proceeds amounting to US$500,000,000 (equivalent to HK$3,875,368,000), out of which approximately US$219,198,000 (equivalent to approximately HK$1,698,946,000) was from shareholders outside the Group.

As a result of the above transactions and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in SCIHL increased from 30.84% on 1 January 2020 to 31.24% on 31 December 2020. The Group recognized an increase of HK$3,514,000 in the Group's special reserve and an increase of HK$1,687,176,000 in non-controlling interests.

The Philippine subsidiaries

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.

40. ACQUISITION OF A SUBSIDIARY

On 28 November 2019, the Group completed its acquisition of a 100% equity interest in Kabushiki Kaisha Okushiga Kogen Resort (the "Japan Ski Resort"), a company which currently operates a ski resort in Nagano, Japan, for a cash consideration of JPY1,685,000,000 (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 goodwill of HK$107,485,000 which was primarily attributable to the benefit of the future market development of the Group and was not deductible for tax purposes. Acquisition-related costs were expensed as incurred and were not significant.

The Group accounted for the acquisition as a business combination in accordance with the applicable accounting standards and recorded the assets acquired and liabilities assumed at their respective provisional 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. The allocation of the purchase price was finalized in 2020 with no adjustments to the provisional fair values of the assets acquired and liabilities assumed as of the date of acquisition.

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2020, property, plant and equipment amounting to HK$746,161,000 (2019: HK$565,106,000) were purchased from external parties and remained unsettled as at 31 December 2020.

(b) Changes in liabilities arising from financing activities during the years ended 31 December 2020 and 2019

	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2019	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)
Exchange adjustments	(221,560)	82,079
Other (note)	(83,545)	9,501
At 31 December 2019	41,328,817	3,304,557
New leases	–	69,384
Net changes of cash flows from financing activities	9,431,814	(259,406)
Exchange adjustments	(189,066)	142,725
Other (note)	63,096	257,600
At 31 December 2020	50,634,661	3,514,860

Note:

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

42. 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 44.

(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 44.

(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.

43. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	5,977,481	6,373,583

44. OTHER COMMITMENTS

Gaming Subconcession – Macau

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

(i) A fixed annual premium of MOP30,000,000 (equivalent to 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; and

(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% per annum of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

44. OTHER COMMITMENTS (continued)

Regular License – Philippines

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

(i) to secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to HK$16,140,000) to ensure prompt and punctual remittances/payments of all license fees;

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

(iii) the Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR;

(iv) PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires; and

(v) grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of 31 December 2020 and 2019, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under the definition as agreed with PAGCOR.

Cooperation Agreement – Philippines

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any losses suffered or incurred by that 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.

44. OTHER COMMITMENTS (continued)

Gaming License – Cyprus

Pursuant to the Cyprus License, the Group has committed to pay the Cyprus government the following:

(i) annual license fee for the temporary casino and integrated casino resort of EUR2,500,000 (equivalent to HK$23,834,000) per year for the first four years, and EUR5,000,000 (equivalent to HK$47,669,000) 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$47,669,000) per year and any increase in the annual license fee may not exceed 20% of the annual license fee paid annually during the previous four-year period;

(ii) aggregate annual license fee for three operating satellite casinos of EUR2,000,000 (equivalent to HK$19,067,000);

(iii) a casino tax of an amount equal to 15% of the gross gaming revenue on a monthly basis and the rate shall not be increased during the period of exclusivity for the Cyprus License; and

(iv) if the Group fails to open the integrated casino resort by the opening date, as defined in the Cyprus License as 30 April 2021 which was further extended to 30 September 2022 based on the approval of the Steering Committee and the Council of Ministers in Cyprus made in February 2021 (the "Opening Date"), the Group shall pay to the Cyprus government the amount of EUR10,000 (equivalent to HK$95,000) for each day the integrated casino resort remains unopened past the Opening Date, up to a maximum of EUR1,000,000 (equivalent to HK$9,534,000). If the integrated casino resort does not open for 100 business days past the Opening Date, the Cyprus government may terminate the Cyprus License.

Studio City Land Concession – Macau

In accordance with the Studio City land concession and the extension granted by the Macau government in November 2019, the land on which Studio City is located must be fully developed by 31 May 2022.

44. OTHER COMMITMENTS (continued)

Guarantees

Except as disclosed in note 33 and the bank guarantee under "Gaming Subconcession" section of this note, the Group had made the following significant guarantees as of 31 December 2020:

(i) 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;

(ii) Melco Resorts has entered into two deeds of guarantee with third parties amounting to US$35,000,000 (equivalent to HK$271,347,000) to guarantee certain payment obligations of the City of Dreams' operations;

(iii) in October 2013, one of the Group's subsidiaries entered into a trade credit facility agreement for HK$200,000,000 ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on 31 August 2019 was further extended to 31 August 2021, and is guaranteed by Studio City Company. As of 31 December 2020, approximately HK$5,000,000 of the Trade Credit Facility had been utilized; and

(iv) Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to HK$16,140,000) to a bank in respect of a surety bond issued to PAGCOR as disclosed above under the Regular License.

Litigation

As of 31 December 2020, 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.

45. RELATED PARTY TRANSACTIONS

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

	2020	**2019**
	HK$'000	HK$'000
A joint venture and a subsidiary of MECOM Power and Construction Limited ("MECOM") (Note)		
Construction cost	–	63,999
Consultancy fee expense	–	78,614
Purchase of property and equipment	–	15,602

Note: Mr. Ho had a shareholding interest of approximately 20% in MECOM during the period from 1 January 2019 to 10 December 2019, the date on which Mr. Ho disposed of his entire shareholding interest in MECOM. The amounts in 2019 represented the transactions with a joint venture and a subsidiary of MECOM during the period from 1 January 2019 to 10 December 2019.

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.

45. RELATED PARTY TRANSACTIONS (continued)

(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:

	2020 HK$'000	2019 HK$'000
Short-term benefits	38,629	87,457
Post-employment benefits	350	887
Share-based compensation	353,817	270,442
	392,796	358,786

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.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

2020

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortized cost HK$'000
Trade receivables	–	1,005,073
Financial assets included in prepayments, deposits and other receivables	–	429,379
Cash and bank balances	–	13,821,297
Other financial assets	130,929	–
Bank deposits with original maturities over three months	–	39,500
Restricted cash	–	124,098
	130,929	15,419,347

46. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

Financial assets (continued)

2019

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

Financial liabilities

	Financial liabilities at amortized cost	
	2020	2019
	HK$'000	HK$'000
Trade payables	73,575	171,977
Financial liabilities included in other payables, accruals and deposits received	4,538,899	4,703,264
Interest-bearing borrowings	50,634,661	41,328,817
Lease liabilities	3,514,860	3,304,557
	58,761,995	49,508,615

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, restricted cash, other financial assets, bank deposits with original maturities over three months, cash and bank balances, trade and other payables, interest-bearing borrowings and lease liabilities. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, liquidity risk and equity price risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Details of the sensitivity analysis for currency risk, interest rate risk and other price risk are set out below.

Market risk

(i) Currency risk

The Group operates in various countries in Asia and Europe and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities denominated in a currency that is not the functional currency of the relevant group entities. The Group has certain cash and bank balances, trade and other receivables, restricted cash, other financial assets, trade and other payables and interest-bearing borrowings denominated in currencies other than the functional currencies of the relevant group entities.

The Group has not engaged in the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the years ended 31 December 2020 and 2019. Instead, the Group maintains a certain amount of the operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

The Group's foreign currency transactions are mainly denominated in US$.

The carrying amounts of the US$-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020	**2019**	**2020**	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000
US$	24,552,658	14,354,359	(21,707,624)	(21,334,613)

46. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to transactions denominated in US$ against HK$, which is the functional currency of the relevant group entities.

The following table details the Group's sensitivity to a 1% increase or decrease in HK$ against US$. 1% is the sensitivity rate used for US$, when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US$-denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rate.

A negative number below indicates an increase in loss (2019: a positive number indicated 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 loss (2019: profit).

	US$ Impact (note)
	HK$'000
2020: Loss for the year	(28,450)
2019: Profit for the year	69,803

Note: This is mainly attributable to the exposure on outstanding US$-denominated cash and bank balances, receivables, payables, restricted cash and other financial assets at the end of the reporting period.

(ii) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to borrowings which carried interest at floating rate (see note 33 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.

46. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

A negative number below indicates an increase in loss (2019: a decrease in 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 loss (2019: profit).

	Borrowings
	HK$'000
2020: Loss for the year	(43,228)
2019: Profit for the year	(34,356)

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 2020, the Group has concentration of credit risk as 65% (2019: 31%) of the Group's trade receivables are due from the Group's five largest customers within the Casino and Hospitality segment. Given the close business relationship between the Group and these customers and their good repayment history, the Group considers that the credit risk associated with these balances is low.

Maximum exposure and year-end staging

Credit risk from the financial assets of the Group was mainly comprised cash and cash equivalents, bank deposits with original maturities over three months, restricted cash, trade receivables, other financial assets, deposits and other receivables. The carrying amounts of these financial assets represented the maximum exposure to credit risk.

The credit risk on cash and cash equivalents, bank deposits with original maturities over three months, restricted cash and other financial assets 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 and other receivables 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 2020 and 2019, the credit risks for the financial assets that are subject to impairment under the general approach have not increased significantly since initial recognition and for which the loss allowances are measured at an amount equal to 12-month ECLs. The Group applies the simplified approach for impairment of trade receivables (note 26).

46. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

For management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity, details of which are set out in note 33. As at 31 December 2020, the Group had available unused banking facilities of HK$13,704,092,000 (2019: HK$10,522,863,000).

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 at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than one year	In the second year	In the third to fifth years	Over five years	Total undiscounted cash flows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2020					
Trade and other payables	4,393,235	114,139	95,500	9,600	4,612,474
Borrowings	6,932,812	6,823,340	22,679,426	29,393,570	65,829,148
Lease liabilities	863,018	511,697	1,412,297	3,880,323	6,667,335
	12,189,065	7,449,176	24,187,223	33,283,493	77,108,957
2019					
Trade and other payables	4,765,567	60,579	41,200	7,895	4,875,241
Borrowings	2,761,797	9,330,536	15,066,929	26,324,407	53,483,669
Lease liabilities	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

46. FINANCIAL INSTRUMENTS (continued)

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

Other price risk

The Group is exposed to equity price risk through its investments in marketable equity securities included as financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments.

For the year ended 31 December 2019, the sensitivity analysis below had been determined based on the exposure to equity price risk. For sensitivity analysis purpose, the sensitivity rate was 20% for 2019 which the management considered was a reasonable price fluctuation range.

If the prices of the respective equity security had been 20% higher/lower, profit for the year ended 31 December 2019 would increase/decrease by HK$976,595,000 as a result of changes in fair value of the financial assets at fair value through profit or loss.

Subsequent to the year ended 31 December 2020, the Company sold all equity securities and recognized a fair value gain of HK$427,177,000. Thus, no sensitivity analysis has been performed for 2020.

(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	**2020**	**2019**
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
Equity securities	130,929	4,882,975

The fair values of the investments as at 31 December 2020 and 2019 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.

47. 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 33, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

	2020 HK$'000	2019 HK$'000
Debt – interest-bearing borrowings (note 33)	50,634,661	41,328,817
Equity attributable to owners of the Company	10,764,187	16,950,323

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.

48. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of non-wholly-owned subsidiaries that have material non-controlling interests

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Melco Resorts Group	Cayman Islands/Macau/ the Philippines/Cyprus	43.20%	43.46%	(6,037,487)	1,077,544	19,963,563	24,667,269
Individually immaterial subsidiaries with non-controlling interests				(554)	842	49,546	50,100
				(6,038,041)	1,078,386	20,013,109	24,717,369

The summarized financial information of Melco Resorts Group below represents amounts before intragroup eliminations.

48. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Melco Resorts Group

	2020 HK$'000	**2019** HK$'000
Current assets	15,588,100	14,755,897
Non-current assets	83,809,404	89,376,377
Current liabilities	10,653,663	11,888,565
Non-current liabilities	47,322,669	39,818,735

	2020 HK$'000	**2019** HK$'000
Revenue	13,426,323	44,944,138
Expenses	25,458,764	42,637,827
(Loss)/profit for the year	(12,032,441)	2,306,311
Other comprehensive income for the year	52,886	176,211
Total comprehensive (loss)/income for the year	(11,979,555)	2,482,522
Dividend to non-controlling shareholders	330,994	1,043,876

	2020 HK$'000	**2019** HK$'000
Net cash (outflow)/inflow from operating activities	(6,678,025)	6,550,729
Net cash outflow from investing activities	(413,511)	(8,083,796)
Net cash inflow from financing activities	9,801,115	760,818
Effect of foreign exchange rate changes	(255,261)	21,489
Net cash inflow/(outflow)	2,454,318	(750,760)

49. SUBSEQUENT EVENTS

(a) On 4 January 2021, Studio City Finance initiated a conditional tender offer (the “Conditional Tender Offer”) to purchase for cash any and all of the outstanding 2024 Senior Notes with accrued interest. The Conditional Tender Offer was conditional upon, among other things, Studio City Finance raising sufficient funding from the completion of one or more financing transactions, together with cash on hand, to fund the purchase of validly tendered notes. The Conditional Tender Offer expired on 11 January 2021 with US$347,056,000 (equivalent to HK$2,690,899,000) aggregate principal amount of the 2024 Senior Notes tendered.

(b) On 14 January 2021, Studio City Finance issued US$750,000,000 (equivalent to HK$5,815,126,000) in aggregate principal amount of 5.00% senior notes due 2029 at an issue price of 100% of the principal amount (the “Studio City 2029 Senior Notes”). The net proceeds from the offering of the Studio City 2029 Senior Notes were used to fund the Conditional Tender Offer and, on 17 February 2021, redeem the 2024 Senior Notes in aggregate principal amount of US$252,944,000 (equivalent to HK$1,961,202,000) which remained outstanding following the completion of the Conditional Tender Offer, together with accrued interest. The remaining proceeds will be used to partially fund the capital expenditures of the remaining development project of Studio City and for general corporate purposes. All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries as defined in the Studio City 2029 Senior Notes are guarantors to guarantee the indebtedness under the Studio City 2029 Senior Notes.

(c) On 21 January 2021, Melco Resorts Finance issued an additional US$250,000,000 (equivalent to HK$1,938,375,000) in aggregate principal amount of the 2029 Senior Notes at an issue price of 103.25% of the principal amount (the “Additional 2029 Senior Notes”). The net proceeds from the offering of the Additional 2029 Senior Notes were used to repay the outstanding principal amount drawn under the 2020 Credit Facilities of HK$1,937,500,000, together with accrued interest and associated costs. The Additional 2029 Senior Notes are consolidated and form a single series with the 2029 Senior Notes.

(d) On 15 March 2021, Studio City Company amended the terms of a senior secured credit facilities agreement, including the extension of the maturity date for a term loan facility of HK$1,000,000 and a revolving credit facility of HK$233,000,000 from 30 November 2021 to 15 January 2028 (the “Extended Maturity Date”). The term loan facility shall be repaid at the Extended Maturity Date with no interim amortization payments. The revolving credit facility is available up to the date that is one month prior to the Extended Maturity Date. Changes have also been made to the covenants in order to align them with those of certain other financings at Studio City Finance, including amending the threshold sizes and measurement dates of the covenants.

(e) As a result of the disruptions caused by the COVID-19 pandemic, on 22 March 2021, Melco Resorts Leisure and Belle entered into a supplemental agreement to the MRP Lease Agreement to make certain adjustments to the rental payments paid and payable by Melco Resorts Leisure for 2020 and 2021. Accordingly, Melco Resorts Leisure is entitled to rent concession of approximately PHP2,060,000,000 (equivalent to HK$332,587,000) for 2020 and a maximum rent concession of approximately PHP1,670,000,000 (equivalent to HK$269,037,000) for 2021 which will be recognized in 2021 and over the remaining terms of the lease until July 2033 in accordance with the applicable accounting standards. Additionally, on the same date, Melco Resorts Leisure and PLAI entered into a supplemental agreement to the Operating Agreement where the monthly payments paid or payable by Melco Resorts Leisure from 2019 to 2022 have been adjusted.

49. SUBSEQUENT EVENTS (continued)

(f) In February 2021, a subsidiary of ICR Cyprus entered into a land sale agreement and an electricity transmission substation construction work agreement (collectively the "EAC Agreements") with Electricity Authority Cyprus ("EAC"). Pursuant to the EAC Agreements, the subsidiary will sell and EAC will purchase a parcel of freehold land (the "Land") for a consideration of EUR850,000 (equivalent to HK$8,104,000) and the subsidiary is engaged by EAC to be a project manager in the design and construction of a transmission substation building situated on the Land for a consideration of EUR2,576,000 (equivalent to HK$24,559,000).

(g) Pursuant to a board resolution passed on 27 January 2021, the Company sold all the ADSs of EHang on the open market with aggregate consideration of US$71,983,000 (equivalent to HK$558,106,000) after the year ended 31 December 2020. A fair value gain of approximately HK$427,177,000 was recognized.

(h) On 26 March 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was signed by President Duterte of the Philippines as Republic Act (RA) No. 11534 which was published in the Official Gazette of the Philippines on 27 March 2021 and is set to take effect 15 days after such publication in the Official Gazette. As of 31 March 2021, the implementing rules and regulations have not been finalized. Management determined that this is a non-adjusting event for 2020 financial reporting purposes. Management identified that the main change of CREATE is the reduction of minimum corporate income tax in the Philippines from 2% to 1% starting 1 July 2020 until 30 June 2023 and the corporate income tax rate in the Philippines from 30% to 25% starting 1 July 2020. Management believes that these changes in the tax rates will not have a significant impact to the consolidated financial statements of the Group as at 31 December 2020 as Melco Resorts Leisure which operates City of Dreams Manila is in a net loss and taxable loss position as at 31 December 2020.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the Group considers the new presentation is more relevant and appropriate to the Group's consolidated financial statements.

51. 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:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	5,871,579	5,601,299
Other intangible assets	5,700	5,700
Other financial assets	130,929	66,985
Amounts due from subsidiaries	6,618,957	6,636,832
Total non-current assets	12,627,165	12,310,816
CURRENT ASSETS		
Prepayments, deposits and other receivables	11,442	11,066
Amounts due from subsidiaries	1,809,875	1,768,498
Cash and bank balances	89,225	229,280
Total current assets	1,910,542	2,008,844
CURRENT LIABILITIES		
Other payables, accruals and deposits received	19,809	8,316
Amounts due to subsidiaries	871,756	879,058
Loan from a subsidiary	2,147,520	4,980
Dividends payable	1,242	1,221
Total current liabilities	3,040,327	893,575
NET CURRENT (LIABILITIES)/ASSETS	(1,129,785)	1,115,269
TOTAL ASSETS LESS CURRENT LIABILITIES	11,497,380	13,426,085
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	28,903	28,903
Loans from subsidiaries	–	2,166,631
Other payables, accruals and deposits received	29,632	23,367
Total non-current liabilities	58,535	2,218,901
Net assets	11,438,845	11,207,184
EQUITY		
Share capital	5,692,080	5,669,692
Reserves (note)	5,746,765	5,537,492
Total equity	11,438,845	11,207,184

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Ho, Lawrence Yau Lung
Director

Evan Andrew Winkler
Director

51. 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 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 36)	–	–	(165,319)	–	–	(165,319)
Repurchase of shares (note 36)	–	–	–	–	(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
Profit for the year	–	–	–	–	116,076	116,076
Exercise of share options	–	(10,612)	–	–	–	(10,612)
Recognition of share-based payments	–	64,365	–	138,714	–	203,079
Transfer of share option reserve upon expiry of share options	–	(1,055)	–	–	1,055	–
Shares vested under the share award schemes	–	–	123,374	(114,227)	(9,147)	–
Purchase of shares for unvested shares under the share award schemes (note 36)	–	–	(30,767)	–	–	(30,767)
Reclassification of long term incentive schemes from equity-settled to cash-settled (note 37(l))	–	–	–	(22,912)	–	(22,912)
Dividends declared (note 15)	–	–	–	–	(45,591)	(45,591)
At 31 December 2020	7,053	240,062	(3,021)	61,165	5,441,506	5,746,765

FIVE-YEAR FINANCIAL SUMMARY

31 December 2020

RESULTS

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000
Net revenues	23,852,811	41,180,086	40,724,673	44,987,768	13,424,435
Profit/(loss) for the year	9,890,779	1,062,534	1,600,168	1,768,158	(12,377,928)
Attributable to:					
Owners of the Company	10,365,940	474,136	522,571	689,772	(6,339,887)
Non-controlling interests	(475,161)	588,398	1,077,597	1,078,386	(6,038,041)
	9,890,779	1,062,534	1,600,168	1,768,158	(12,377,928)

ASSETS AND LIABILITIES

	At 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000
Total assets	103,650,932	98,270,226	98,026,241	100,361,573	95,534,733
Total liabilities	(46,607,439)	(52,418,180)	(57,323,215)	(58,693,881)	(64,757,437)
	57,043,493	45,852,046	40,703,026	41,667,692	30,777,296
Equity attributable to owners of the Company	22,347,746	18,988,887	16,232,230	16,950,323	10,764,187
Non-controlling interests	34,695,747	26,863,159	24,470,796	24,717,369	20,013,109
	57,043,493	45,852,046	40,703,026	41,667,692	30,777,296

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. John William Crawford
Mr. Tsui Che Yin, Frank
Ms. Karuna Evelyne Shinsho

EXECUTIVE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Geoffrey Stuart Davis*
Mr. Leung Hoi Wai, Vincent*

AUDIT COMMITTEE

Mr. John William Crawford *(Chairman)*
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

REMUNERATION COMMITTEE

Mr. Tsui Che Yin, Frank *(Chairman)*
Mr. Ng Ching Wo
Ms. Karuna Evelyne Shinsho

NOMINATION COMMITTEE

Mr. John William Crawford *(Chairman)*
Mr. Ng Ching Wo
Ms. Karuna Evelyne Shinsho

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Ching Wo *(Chairman)*
Mr. John William Crawford
Ms. Karuna Evelyne Shinsho
Mr. Leung Hoi Wai, Vincent*

REGULATORY COMPLIANCE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Leung Hoi Wai, Vincent*

FINANCE COMMITTEE

Mr. Ho, Lawrence Yau Lung *(Chairman)*
Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Geoffrey Stuart Davis*

COMPANY SECRETARY

Mr. Leung Hoi Wai, Vincent

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60 Wyndham Street
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* non-voting co-opted member

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

Gibson, Dunn & Crutcher LLP
King & Wood Mallesons

SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

200 (Listed on the Hong Kong Stock Exchange)

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This Annual Report is printed in English and Chinese, and is available in the "Investor Relations" section of the Company's website at www.melco-group.com.

Shareholders are encouraged to access the Company's corporate communications (including but not limited to annual reports, interim reports, notices of meeting, listing documents, circulars and proxy forms) electronically via the Company's website to help protect the environment. Shareholders may at any time change their choice of language or means of receiving the Company's corporate communications free of charge by giving not less than 7 days' notice in writing to the Company's share registrar, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to melco200-ecom@hk.tricorglobal.com.

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