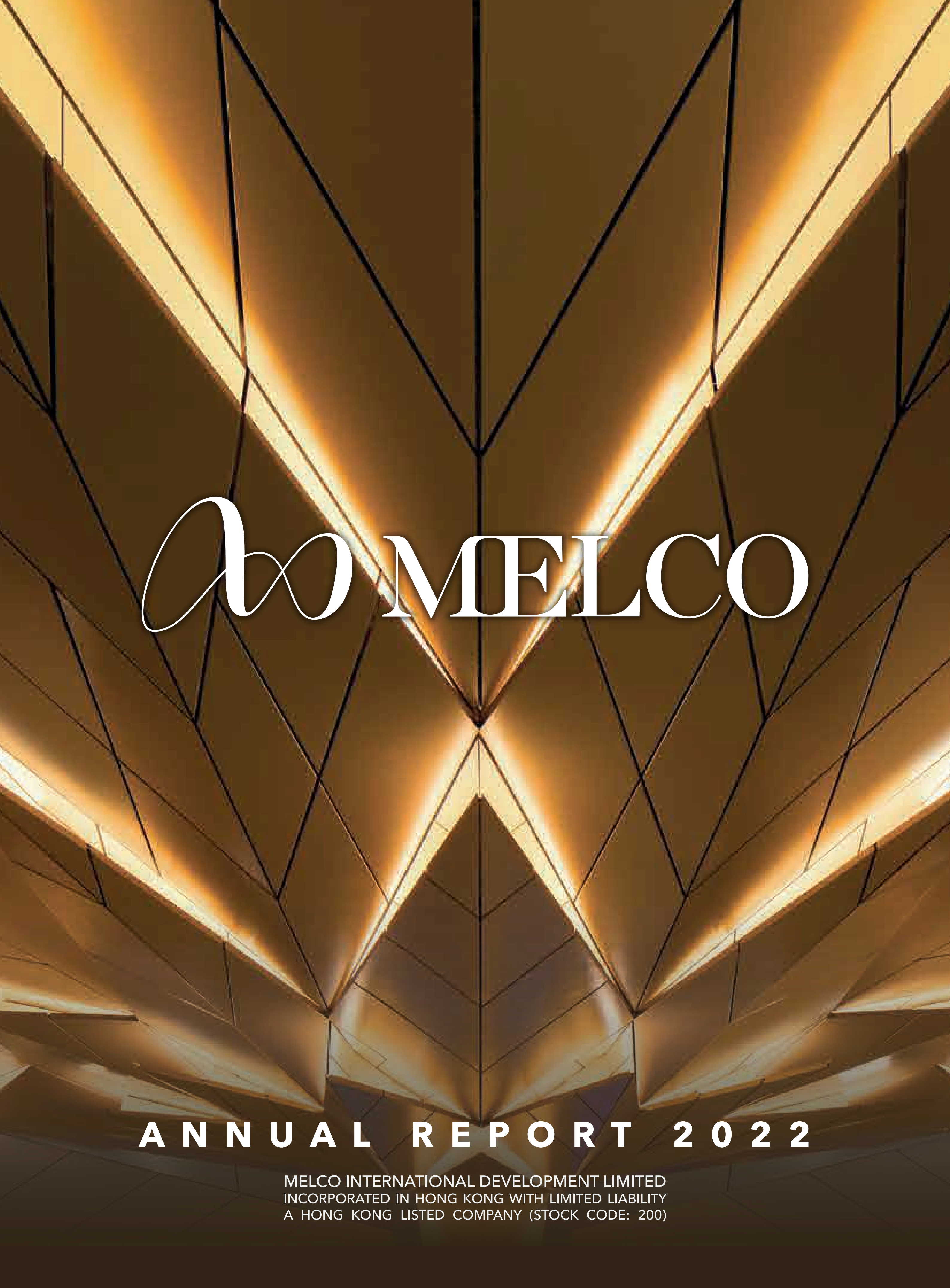


MELCO

ANNUAL REPORT 2022

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

Index

A NEW CHAPTER

With its newly granted 10-year gaming concession in Macau, the Group pledges its commitment to supporting the healthy and sustainable growth of the local tourism and leisure industry, promoting the city's economic diversification and contributing to its advancement as a preeminent, global tourism destination.

STUDIO CITY STRIKES AGAIN

Studio City Phase 2 features thrilling new attractions including two new hotel towers, Epic Tower and W Macau, and Macau's all-new, all-weather indoor water park. The project reaffirms the Group's ongoing commitment to the city and contributes to reinforcing Macau's non-gaming proposition in Asia and internationally.

GAME-CHANGER FOR CYPRUS' TOURISM

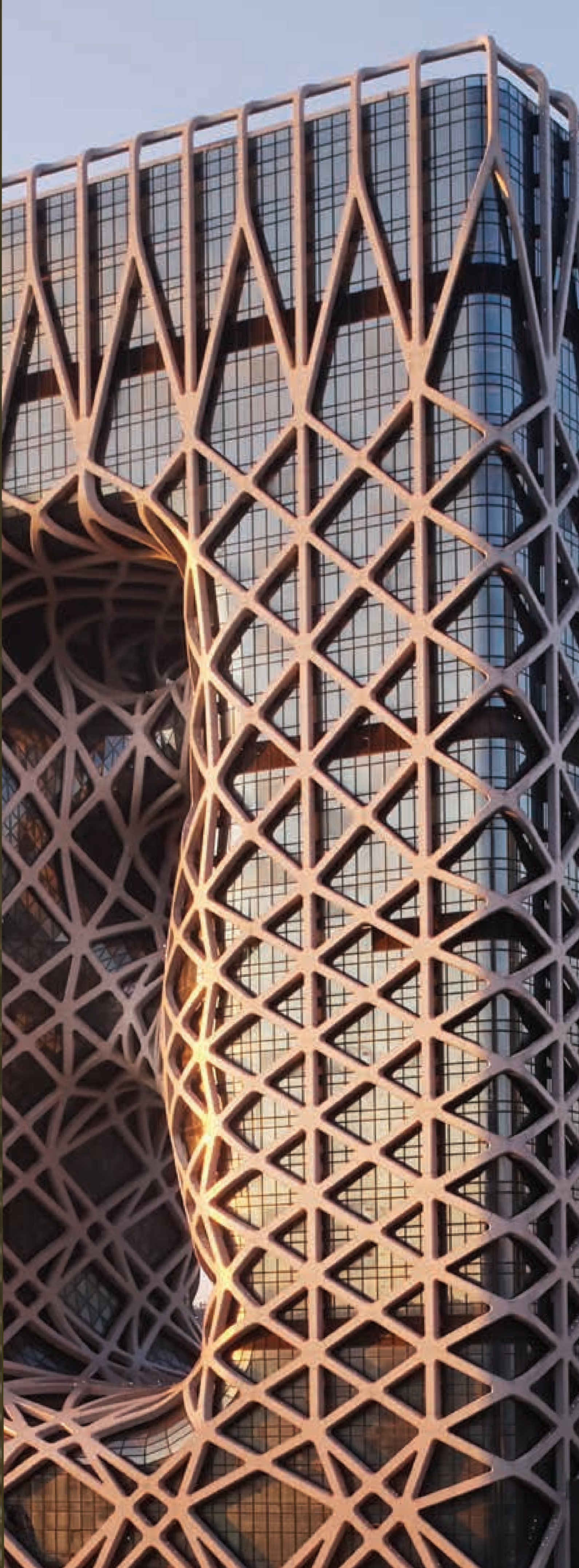
City of Dreams Mediterranean, Europe's first integrated resort, is advancing towards completion and is expected to open its doors for guests during the summer. With a unique combination of luxury accommodation, exceptional entertainment, conference and sports facilities, high-end retail stores, premium-dining restaurants and bars, a family adventure park and a 200-seat outdoor amphitheatre, City of Dreams Mediterranean aspires to be a gamechanger for Cyprus' tourism.

SPREADING LOVE AND CARE TO THE COMMUNITY

Almost three years on, the award-winning 'Simple Acts of Kindness' initiative continues to provide various types of support to the local Macau community. In recognition of its proactive contributions and innovative corporate social responsibility initiatives to give back to the community it serves, the Group has been honoured by Global Gaming Awards Asia 2022 the 'Corporate Social Responsibility Award of the Year'.


MELCO
UNTEER TEAM
新濠義工隊
Like

RISE TO GO ABOVE & BEYOND



Dedicated to growing its business sustainably, the Group has enhanced its sustainability strategy with a commitment to RISE to go 'Above & Beyond' - to Restore, Inspire, Sustain and Empower the planet, people, supply chain and communities. The Group garnered the Sustainability Award at the International Gaming Awards 2022 for its efforts on embedding its sustainability values into the business.

LEADERSHIP IN RESPONSIBLE GAMING

The Group remains committed to safeguarding its guests' wellbeing and maintaining a culture of Responsible Gaming (RG) in every jurisdiction of operation. The Group is the world's first integrated resort operator to receive RG Check, the esteemed third-party accreditation for RG, from the Responsible Gambling Council across its entire global portfolio. In 2022, it received the government-endorsed accreditation Responsible Gambling Model Unit in Macau in recognition of the efficacy of the Group's RG initiatives.

RG
負責任博彩
Responsible Gambling
博彩執行模範單位
濠天地娛樂場

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$10.57 billion** Representing a decrease of HK$5.07 billion or 32.4%, compared to HK$15.64 billion for the year ended 31 December 2021	**NEGATIVE ADJUSTED EBITDA** **HK$362.0 million** Compared to Adjusted EBITDA of HK$1.54 billion for the year ended 31 December 2021
LOSS AFTER TAX **HK$9.99 billion** Compared to loss after tax of HK$7.94 billion for the year ended 31 December 2021	**BASIC LOSS PER SHARE** **HK$3.40** Compared to basic loss per share attributable to owners of the Company of HK$2.52 for the year ended 31 December 2021

The results of Melco International Development Limited ("Melco International" or the "Company", together with its subsidiaries collectively referred to as the "Group") for the year 2022 continued to be impacted by COVID-19 related travel restrictions.

For the year ended 31 December 2022, net revenues decreased by 32.4% to HK$10.57 billion, while loss after tax was HK$9.99 billion, compared to HK$7.94 billion in 2021. The Group generated negative Adjusted EBITDA of HK$362.0 million for the year ended 31 December 2022, compared to Adjusted EBITDA of HK$1.54 billion in 2021. The decrease was primarily attributable to travel restrictions in Macau and mainland China related to COVID-19 during the year as well as the government mandated temporary closure of the Group's casinos in Macau in July 2022 which led to softer performance in its casino and hospitality operations in the year ended 31 December 2022.

In contrast to the challenges the Group has been facing in Macau, businesses in the Philippines and Cyprus have been improving. Gaming volumes in the Philippines have reached close to pre-pandemic levels, and volumes in Cyprus have exceeded those we had seen pre-pandemic in the fourth quarter of 2022.

With the opening of Studio City Phase 2 in Macau and City of Dreams Mediterranean in Cyprus in 2023, the Group is confident to satisfy the pent-up demand as travel normalizes.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Group remains steadfast on giving back to the community it serves and reaching its 2030 goals in environmental sustainability under its "Above & Beyond" sustainability strategy.

In 2022, the Group has been widely acknowledged for its proactive contribution and innovative corporate social responsibility and sustainability initiatives, receiving prestigious awards including "Corporate Social Responsibility Award of the Year" at the Global Gaming Awards Asia 2022 and the "Sustainability Award" at the International Gaming Awards 2022.

Details of the Group's various non-financial key performance indicators, including stakeholder engagement, environmental impact and other community development efforts, are disclosed in its 2022 Environmental, Social and Governance ("ESG") Report.

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$63,879,000 million in charitable and in-kind donations or contributions in 2022
- Over 22,000 colleague participants participated in its global CSR activities during 2022

ENVIRONMENTAL PROTECTION

As an environmentally responsible company, the Group is committed to creating a more sustainable future for 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

	2020	2021	2022
Total GHG Emissions ($MtCO_2e$)	17,145	15,387	17,688
Emissions Intensity by Gross Floor Area (sqm)	0.01	0.01	0.01

Energy Consumption

	2020	2021	2022
Total Energy Consumption (MWh)*	380,403	383,628	390,278
Energy Intensity by Gross Floor Area (sqm)	0.27	0.27	0.28

* Renewable sources included

Waste Footprint

	2020	2021	2022
Waste Disposal (tons)	8,275	9,699	7,680
Waste Intensity by Gross Floor Area (sqm)	0.01	0.01	0.01

CORPORATE PROFILE

A long history and a bright future

Melco International was founded in 1910 and listed on the Hong Kong Stock Exchange in 1927. Under the leadership of Chairman and Chief Executive Officer Mr. Ho, Lawrence Yau Lung, Melco International has found new energy and direction as a dynamic company that leads the field in the leisure and entertainment sector. Its 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 its 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 "Icon on Corporate Governance" at the Asian ESG Awards (formerly known as the Corporate Governance Asia Annual Recognition Awards) for the 15th year in 2021, and the "Best Investor Relations Company in Hong Kong" at the Asian Excellence Awards for 11 years by Corporate Governance Asia magazine in 2022.

Group Chairman and Chief Executive Officer, Mr. Ho, Lawrence Yau Lung was granted the "Leadership Gold Award" in the Business Awards of Macau in 2015 and the "Outstanding Individual Award" at the Industry Community Award in 2020. He was also awarded "Asia's Best CEO" at the Asia Excellence Awards for the 11th year in 2022 and won the "Asian Corporate Director Recognition Award" by Corporate Governance Asia magazine for nine consecutive years in 2021.

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

CORPORATE STRUCTURE

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

CASINO AND HOSPITALITY BUSINESS

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

MACAU

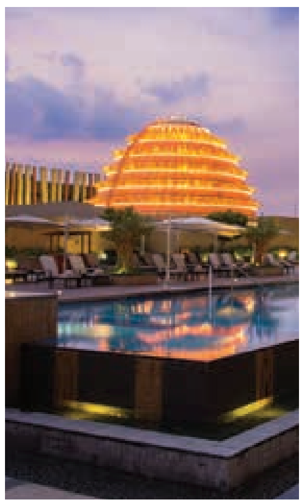
City of Dreams, Cotai
Premium Market

Studio City, Cotai
Mass Market

Altira Macau, Taipa
Premium Mass Market

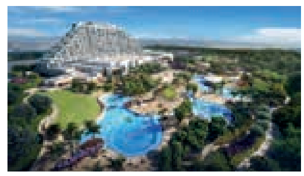
Mocha Clubs, all over Macau
Leisure Market

THE PHILIPPINES



City of Dreams Manila,
Entertainment City, Manila
Mass Market

CYPRUS



City of Dreams
Mediterranean
(under development)

Cyprus Casinos
Limassol, Nicosia, Ayia Napa,
Paphos, and Larnaca (currently
closed for relocation)

CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

The shadow of COVID-19 is finally receding after three long years. Anti-epidemic measures are being lifted in our core market, bringing normality to society.

Though our business continued to be impacted by the pandemic in 2022, in Macau, the relaxation of social-distancing measures since 8 January 2023 has resulted in an upsurge in visitors, creating optimism for the city's immediate future. With regard to the Group, we have witnessed a healthy rise in foot traffic at our properties during the Chinese New Year holiday in 2023, and the post-Chinese New Year period has been encouraging as well, with both volume and revenue remaining at respectable levels. This strong performance supports our assertion that Macau is satisfying the pent-up demand, which in turn will further drive its development as a premier international destination for entertainment and leisure. Even though it is still premature to conclude that the worst is behind us, we are nonetheless optimistic about the prospects for our properties based on their performance thus far.

As we move forward, I would like to extend my appreciation to the Macau government for awarding a gaming concession to the Group, and thus allowing us to operate in Macau in the coming decade. We regard the concession as a vote of confidence in our investment propositions, which will add to the Group's existing strengths in entertainment and non-gaming attractions, and ultimately, reinforce the Group's market position in the years ahead.

Given the exhilarating array of projects in the pipeline, our excitement for the future is well founded. We will be directly addressing the pent-up demand through superior entertainment offerings and quality properties. With respect to the former, our first residency concert series featuring an incredible line up of superstars will kick off in April this year. As for the latter, the construction of Studio City Phase 2 is complete, with the first stage of opening projected to be in the second quarter of this year*. Visitors will be able to both marvel and unwind at our newest hotel tower as well as take a splash in Macau's all new, all-weather, all-year-round water park. The second stage of opening will subsequently be unveiled in the third quarter of this year. We trust that the new non-gaming facilities and attractions will entice visitors to extend their stay in Macau, perfectly aligning with the government's objective of developing the city into the preeminent tourism destination of the world.

Outside Macau, our Cyprus operation has achieved greater profitability on a quarter-to-quarter basis, following the easing of COVID-19 related restrictions. We will continue to work closely with our vendors, especially as we approach the opening of City of Dreams Mediterranean in the second quarter of 2023. Upon its debut, we will look forward to welcoming the world to Europe's first integrated resort.

Looking ahead, we are bullish about Macau's prospects now that an open border and the lifting of COVID-19 related restrictions have become a reality. We believe that as the premium mass market segment continues its resurgence, this will provide added impetus to the area's recovery. The Group will be taking a leading role by leveraging its clear competitive advantages in this segment, underpinned by an exceptional array of attractions, both existing and set for launch in the near future. We trust that these properties will enthral and captivate visitors while at the same time setting new industry benchmarks in leisure and entertainment. Besides achieving progress in the business area, the Group will also continue to make strides on the sustainability front through our "Above & Beyond" sustainability strategy, contributing to the environment and the communities we serve.

Before we enter a new financial year, I would like to take this opportunity to extend my sincere gratitude to the Board, shareholders, business partners, customers and all of our colleagues for their unwavering support. Going forward, I have confidence in the Group's ability to overcome obstacles that may arise, and continue to forge ahead as befits a preeminent developer, owner and operator of integrated resort facilities.

With best wishes,

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2023

* The first stage of the opening of Studio City Phase 2 took place in April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

The year 2022 marks an important milestone for the Group. In December 2022, it was granted a ten-year concession by the Macau government to continue to operate games of fortune and chance in casinos in Macau. The Group is thankful to the Macau government for its consideration given to the proposal and investment propositions that the Group believes will continue to build on its existing strengths in entertainment and non-gaming attractions. The Group pledges its full support to the sustainable and diversified development of the tourism and leisure industry in Macau, furthering the city's development as a leading global tourism destination.

Yet, it has been another challenging year for both the global economy and the travel industry as sporadic COVID-19 outbreaks and resultant restrictions created profound disruptions. While the unfavourable macro environment had a material impact on the operations and financial position of the Group in Macau during the period, the Group was nonetheless encouraged by the rise in visitations to Macau since the resumption of the granting of e-visas and group visas which commenced in November 2022 and subsequently the relaxation of travel restrictions between mainland China and the city in early January 2023.

In the Philippines, the Group's casinos have been operating at 100% capacity since 1 March 2022 when the COVID-19 alert level was reduced to alert level 1. As travel restrictions around Asia continued to be lifted and travel returned to more normal levels, the gaming volume of City of Dreams Manila continued to track towards pre-pandemic levels. Conversely, gaming volume of the Group's property in Cyprus exceeded pre-pandemic levels and profitability has increased driven by the further easing of COVID-19 related restrictions in the third quarter of 2022.

In respect to the Group's development projects, construction of Studio City Phase 2 is complete and is expected to open in the second quarter of 2023*. In Cyprus, the Council of Ministers of the Cyprus government provided the Group an extension on the deadline for opening City of Dreams Mediterranean to 30 June 2023, under the terms of its gaming license.

* The first stage of the opening of Studio City Phase 2 took place in April 2023.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary, Melco Resorts, a developer, owner and operator of integrated resort facilities in Asia and Europe. As at 31 December 2022, Melco International, through its subsidiary, held approximately 53.12% of the total issued shares of Melco Resorts.

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

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

The Group's net revenues totalled HK$10.57 billion for the year ended 31 December 2022, a decrease of 32.4% compared with HK$15.64 billion recorded in the corresponding period of 2021. The decline was mainly attributable to the travel restrictions in Macau and mainland China related to COVID-19 during the year as well as the government mandated temporary closure of the Group's casinos in Macau in July 2022, which led to softer performance in the Group's casino and hospitality operations in 2022. Loss for the year was HK$9.99 billion, compared with a loss for the year of HK$7.94 billion in 2021.

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 in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, the property operated an average of approximately 447 gaming tables and 677 gaming machines in 2022.

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. The Countdown is currently under redevelopment as part of its rebranding, while the property's signature spectacle, The House of Dancing Water, remains temporarily closed and anticipates a re-imagined return to bring an unprecedented and enhanced entertainment experience to the market.

To further expand the boundary of its kaleidoscope collection of experiences, City of Dreams collaborated with Forward Fashion (International) Holdings Company Limited to present the pioneering multi-dimensional premium art space Artelli in the newfound sensational art space, The Showroom, in October 2022. Spanning over 17,000 square feet of art and retail space on two levels, The Showroom introduces a brand new experience composed of sensational multi-dimensional art and retail elements to the city.

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 in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, the property operated an average of approximately 277 gaming tables and 700 gaming machines in 2022.

With commitment to diversification in Macau through world-class entertainment, the Group launched Super Fun Zone at Studio City in June 2022, introducing a four-level indoor entertainment experience that features 29,600 square feet of family-friendly adventurous fun. The property will also soon be home to Asia's first series of residency shows featuring an incredible line up of superstars, including Aaron Kwok, Joey Yung and Leon Lai who will be performing a collective 90 shows between 2023 and 2025.

Meanwhile, Studio City Phase 2 is expected to open in the second quarter of 2023*. The first stage of opening will include one of the hotel towers along with the indoor water park. The remainder of Phase 2 is currently expected to open in the third quarter of this year.

This Phase 2 complex has been designed by leading international architecture firm, Zaha Hadid Architects, and is in harmony with the style of the integrated resort's existing Phase 1. The project will complement the Group's current offering of next-generation world-class entertainment and further enhance the distinctive Studio City experience.

* The first stage of the opening of Studio City Phase 2 took place in April 2023.

Leveraging its diverse portfolio of world-class, multi-dimensional and innovative entertainment options, the Group strives to provide guests with exceptional leisure and entertainment experiences that extend beyond gaming.

Altira Macau

Altira Macau is an integrated resort designed to provide a casino and hotel experience that caters to the premium mass market segment. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By delivering services customised for each guest, both Altira Macau and Altira Spa attained a Five-Star rating from Forbes Travel Guide ("FTG") for the 14th consecutive year in 2023.

Excluding gaming tables and gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, Altira Macau operated an average of approximately 93 gaming tables and 146 gaming machines operated under the brand Mocha Club at Altira Macau in 2022.

Mocha Clubs and Other

Mocha Clubs comprises the largest non-casino-based operator of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has invested in a series of innovative and top-quality electronic gaming machines from around the world to offer a contemporary entertainment mix to a broader range of visitors.

Excluding gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, Mocha Clubs operated an average of approximately 935 gaming machines (excluding approximately 146 gaming machines at Altira Macau) in 2022.

In addition to the Mocha Clubs, the Group also operates the Grand Dragon Casino, which focuses on mass market table games, under a right-to-use agreement. Excluding gaming tables that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, Grand Dragon Casino had an average of approximately 25 gaming tables in 2022.

City of Dreams Manila

Beyond Macau, City of Dreams Manila, which is strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asian market and continues to set the benchmark for the Group's robust capacity to execute its international vision. This dynamic property boasts the ultimate in entertainment, hotel, retail, dining, and lifestyle experiences and features an extensive gaming space, including VIP and mass-market gaming facilities. Excluding gaming tables and gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, the property operated an average of approximately 274 gaming tables and 2,266 gaming machines in 2022.

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

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

In collaboration with Pioneering Multi-dimensional Premium Art Space - Artelli, The Showroom at City of Dreams provides a newfound experience comprising a mix of sensational art and retail elements.

Macau's all-new, all-weather indoor water park at Studio City highlights the Group's commitment to diversification in Macau through world-class entertainment offerings.

The Council of Ministers in Cyprus provided an extension of the deadline to open City of Dreams Mediterranean to 30 June 2023. Once completed, City of Dreams Mediterranean will be the largest integrated resort in Europe, boasting approximately 500 luxury hotel rooms, around 100,000 square feet of cutting-edge MICE space, a family adventure park, an outdoor amphitheatre, and a variety of fine dining and luxury retail outlets.

Ahead of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol was opened. 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. Upon the opening of City of Dreams Mediterranean, we will continue to operate the satellite casinos while operation of the temporary casino will cease.

Excluding gaming tables and gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, C2 operated an average of approximately 35 gaming tables and 454 gaming machines in 2022.

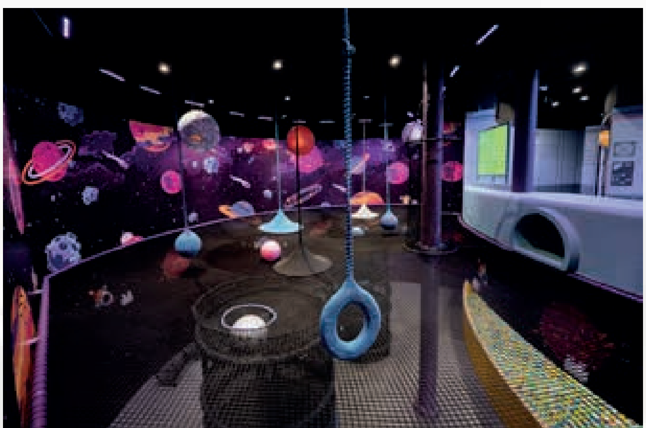
OUTLOOK

In spite of the difficult operating environment as a result of the anti-pandemic measures throughout most of 2022, the worldwide travel and tourism industry shows signs of a strong rebound as travel restrictions in most parts of the world have been relaxed.

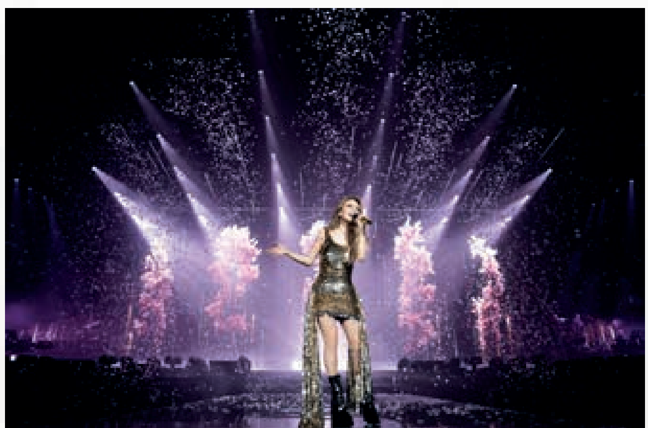
Quarantine-free travel is now a reality in Greater China, and since 8 January 2023, visitors hailing from mainland China, Hong Kong and Taiwan are no longer required to present any proof of COVID-19 testing prior to entering Macau. As a consequence, visitor arrivals to the city skyrocketed by approximately 300% during the Chinese New Year Golden Week in 2023 over the same period in 2022. The relaxation of travel restrictions also contributed to a 55.3% year-over-year increase in Macau's accumulated gross gaming revenue in January and February 2023, according to data from the Gaming Inspection and Coordination Bureau. Though still well below pre-COVID-19 levels, this is nonetheless an auspicious start to the year 2023. The Group is optimistic about Macau's prospects in the medium to long term. Despite the difficulty in predicting the pace of economic recovery, the Group anticipates an upswing driven by pent-up demand, and firmly believes that Macau will continue to develop as a leading international destination for entertainment and leisure.

With its new ten-year gaming concession from the Macau government, the Group is committed to providing full support for the sustainable and diversified development of the tourism and leisure industry in Macau. The Group is excited to execute on its investment commitments to continue to bring best-in-class unique attractions and facilities to the Macau market. One of its most anticipated offerings, Studio City Phase 2, is set to open in the second quarter of 2023*. This new addition to its portfolio will further enhance the Group's competitive edge in the non-gaming area, while demonstrating its unwavering commitment to driving long-term growth and contributing to the development of Macau as a key global tourism destination.

* The first stage of the opening of Studio City Phase 2 took place in April 2023.



The new, family-friendly entertainment experience, Super Fun Zone, is expected to further complement the hospitality offerings of Studio City and contribute to the economic diversification in Macau.



The "Melco Residency Concert Series", Asia's first ever and Melco-exclusive residency performance run, features an incredible line up of superstars with a collective of 90 shows at Studio City.

In regard to the Philippines, City of Dreams Manila has been operating at full capacity and its gaming volumes have reached close to pre-pandemic levels. Its prospects should remain favourable as the local tourism industry continues its rebound. With the Department of Tourism setting a baseline of 4.8 million international visitors for 2023, and having already breached the 2.6 million mark in 2022, City of Dreams Manila is in an ideal position to capitalise on the upturn in foreign arrivals in the coming year.

With respect to the Group's business in Cyprus, there has not only been an uptick in gaming volume but an appreciable resurgence, with volume exceeding pre-pandemic levels as anti-pandemic measures further eased last year. Despite the uncertainty arising from the Russia-Ukraine war, according to data compiled by Statistical Service of the Republic of Cyprus, the country welcomed over 3.2 million tourists in 2022, a year-over-year increase of over 65%. The Group anticipates an overall recovery in global tourism in 2023, which in turn will be advantageous for its Cyprus operation, and in particular, City of Dreams Mediterranean when it is unveiled in the second quarter of 2023.

2023 will be a year in which the Group leverages its distinguished portfolio of properties, including projects in the pipeline, to introduce innovative leisure and entertainment experiences that captivate audiences and set new standards for the industry as travel rebounds. We will continue to place the utmost importance on the safety and security of guests and colleagues around the world and remain alert and agile in navigating the uncertain and challenging operating environment.

ACHIEVEMENTS AND AWARDS

Melco International has strived to employ the highest corporate governance and corporate social responsibility standards over the years, and to be a leading global leisure and entertainment integrated resort operator is its ultimate goal. In 2022, its persistent efforts in this regard were widely acknowledged.

Corporate Governance

For its good corporate governance practices, the Group received prestigious leadership awards from the business and investment communities. In 2022, Melco International was selected as a recipient of the "Best Investor Relations Company" at the Asian Excellence Awards by Corporate Governance Asia magazine for the 11th year, while Group Chairman and Chief Executive Officer, Mr. Ho, Lawrence Yau Lung, was hailed as "Asia's Best CEO" also for the 11th year. These awards serve as emblems of the Group's determination to adopt the best corporate governance practices in its business operations, as well as its unwavering commitment to ensuring accountability, fairness and transparency in its relationship with all stakeholders.

People

Upholding people-centric principles and with strong emphasis on the well-being of colleagues and guests, the Group actively promotes Occupational Safety and Health ("OSH"). In Macau, Melco Resorts achieved a 99.5% completion rate in the government-organized Hotel and Catering Safety Card Training Program in 2022, making significant progress in enhancing colleagues' knowledge and awareness of OSH.

The anticipated recovery in global tourism will be advantageous for the Group's Cyprus operation, in particular, City of Dreams Mediterranean, when it is unveiled in the second quarter of 2023.

Ahead of the opening of Europe's first integrated resort later in 2023, former president of the Republic of Cyprus, Mr. Nicos Anastasiades, was given to a preview tour of City of Dreams Mediterranean.

The Group's training program "Morpheus Moments – Whatever It Takes, Whenever, However" received the 2022 Excellence in Practice Award in the "Customer Service Training" category from the Association for Talent Development, recognizing its exceptional practices in workplace learning and development. In addition, the Group was honoured with four hotelier awards, namely "Corporate Social Responsibility Hotelier of the Year", "Chef Hotelier of the Year", "Green Hotelier of the Year" and "Sommelier Hotelier of the Year" at Stelliers Greater China 2022, putting the Group again in the lead in Macau with the most accolades earned. These awards affirm the Group's dedication to service excellence, providing guests with the most memorable hospitality experiences.

Moreover, with its dedicated efforts in culture-building, employee recognition, inventive recruitment campaigns, meaningful compensation and work-life balance programs, City of Dreams Manila won the "Work Here, Work Happy" accolade in the 2022 Best of the Year Awards of FTG.

Honouring its continuous efforts in human resources management, Melco Resorts was presented three accolades at the Cyprus HR Awards 2021, including the Silver Award in two categories, namely "Most Effective Recruitment Strategy" for its "Resourcing & Diversity" strategy, and "Best CSR Initiative with Employees' Involvement", and a Bronze Award for "HR Corporate Event of the Year" for its "C2Vision Talent Show" program.

These awards stand for acknowledgement of the Group's people strategy, which is designed to foster positive colleague development and enable colleagues to realize their full potential.

Corporate Social Responsibility

As a responsible partner to colleagues and the society, the Group strives to fulfill its responsibility to contribute and give back to the community.

The Group aspires to be the industry leader in carrying out corporate social responsibility and promoting responsible gaming. During the year, the Group continued to bring warmth and care to the Macau community through its Simple Acts of Kindness volunteering initiative. Over 20,000 participants participated in more than 2,200 volunteer activities in Macau in 2022.

To assist local small and medium enterprises ("SMEs") amid the pandemic, the Group continued the Heart of House roadshows series to allow SMEs to promote their brands and businesses to colleagues working at its properties including City of Dreams, Studio City and Altira Macau. In 2022, the Group's efforts benefited around 180 SMEs and social organizations, generating revenue of over MOP8 million.

It is the fourth consecutive year for Jade Dragon and Yí to have achieved Black Pearl Restaurant Guide's Three Diamond and One Diamond accolades, respectively, highlighting the Group's dedication to Macau's role in the global culinary scene as a UNESCO-designated Creative City of Gastronomy.

The Group's continued contribution towards the community once again earned it the "15 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service. In honour of its proactive contribution and innovative corporate social responsibility initiatives in giving back to the community it serves, Melco Resorts received the "Outstanding Contribution in Corporate Social Responsibility" award at the Asia Gaming Awards 2023, the "Corporate Social Responsibility Award of the Year" honour at the Global Gaming Awards Asia 2022 and the "Asia's Best CSR" award from Corporate Governance Asia magazine. It was also once again named the "Outstanding Corporate for Volunteerism" by the Association of Volunteers Social Service Macao in 2022.

In the aspect of responsible gaming promotion, City of Dreams, Studio City and Mocha Golden Dragon were recognized by the Macau government as Responsible Gambling Model Units under the Responsible Gambling Indicators project. Melco Resorts was honoured by Asia Gaming Awards 2023 for achievement in "Best Responsible Gaming Program". The accolades recognize the efficacy of the Group's responsible gaming initiatives and commitment to developing and maintaining a culture of responsible gaming in every jurisdiction of operation.

Business Operations

The Group endeavours to transform the hospitality industry through groundbreaking yet practical ideas, strengthen its leadership among global integrated resort operators, whilst offering guests the most memorable and superior culinary, hospitality and entertainment experiences.

Melco Resorts was once again honoured by FTG in 2023 with a collective total of 97 Stars, including 17 Five-Star awards. The Group's entire integrated resort portfolio, including City of Dreams, Studio City, Altira Macau and City of Dreams Manila, has prided prestigious recognition. Notably, Altira Macau, for the 14th consecutive year, received an FTG Five-Star in both the Hotel and Spa categories. These much-coveted wins speak volumes to the Group's ceaseless effort to offer nothing but the best of services to guests.

The Group's exquisite culinary delights were also recognized by Michelin Guide Hong Kong Macau 2022, with seven Michelin stars awarded to four signature restaurants in City of Dreams, Studio City and Altira Macau. That put the Group among Macau integrated resort operators with the most Michelin stars. Cantonese fine dining restaurant Jade Dragon, for the fourth consecutive year, commanded three Michelin stars, while Alain Ducasse at Morpheus, which offers gastronomic experiences that pay homage to the great traditions and savoir-faire of French cuisine, was given two Michelin stars also for the fourth consecutive year. Cantonese restaurants Pearl Dragon at Studio City and Ying at Altira Macau have each been awarded one Michelin stars. Other than Michelin Guide, Pearl Dragon also garnered the "Best Chinese Cuisine in Asia - Excellence Award" at the 2022 Haute Grandeur Global Restaurant Award.

In addition to recognitions from western society, Jade Dragon and Yí earned collectively four diamond accolades from Black Pearl Restaurant Guide 2023. It is the fourth consecutive year Jade Dragon received Three Diamonds and contemporary Chinese restaurant Yí achieved One Diamond from the Black Pearl Restaurant Guide. Furthermore, for the second consecutive year, Jade Dragon continued to be Macau's one and only Black Diamond restaurant on the Trip.com Gourmet 2022 Global Elite Restaurant List, making it the only restaurant in Macau to have achieved the highest honours on all three aforementioned prestigious culinary ranking platforms.

Environmental Sustainability

As an industry leader who pledges to restore, inspire, sustain and empower the planet, people and communities, the Group has continued to go above and beyond the industry standard and accelerate its sustainability efforts to achieve the ambitious goals of realizing carbon neutrality and zero waste across its resorts by 2030. It will continue to set out specific actions for enhancing mitigation and adaptation measures, as well as seeking innovative technology-based solutions to the aim of achieving decarbonization.

To tackle one of the industry's biggest challenges – food waste, the Group has installed Winnow AI technology in employee kitchens and dining areas to monitor food waste and accordingly adjust menus. Food waste at the employee dining room of City of Dreams Manila had reduced by 50%, thanks to the continuous internal engagement initiatives. Food waste composted on site in both Macau and Manila increased by 30% overall in 2022 compared with 2021 and, as a result of ongoing adjustments the landscaping teams made, usage of the compost at the green areas in the Group's properties has continued to improve.

A testament to its strong commitment to creating a sustainable future and forward-thinking sustainability strategies, Melco Resorts received the "Sustainability Award" at the International Gaming Awards 2022. Nüwa and Morpheus each earned a Gold Award at the 2021 Macao Green Hotel Award organized by the Environmental Protection Bureau in collaboration with the Macau Government Tourism Office, applauding the proactive environmental measures of the Group in its daily operations and its close cooperation with the Macau government on aiding implementation of environmental protection policies.

For its outstanding level of commitment to sustainable practices at the luxury level, City of Dreams Manila emerged as one of the three finalists among hundreds of global entries for the inaugural FTG Responsible Hospitality Award.

FINANCIAL REVIEW

Results	2022	2021	YoY%
HK$' million			
Net revenues	10,565.7	15,638.8	–32.4%
Adjusted EBITDA	(362.0)	1,544.5	–123.4%
Loss attributable to owners of the Company	(5,113.1)	(3,809.0)	–34.2%
Basic loss per share attributable to owners of the Company (HK$)	(3.40)	(2.52)	–34.8%

Financial Position	2022	2021	YoY%
HK$' million			
Total assets	97,091.6	94,193.3	3.1%
Total liabilities	83,705.6	71,725.3	16.7%
Equity attributable to owners of the Company	1,791.3	6,862.7	–73.9%
Net assets value per share attributable to owners of the Company (HK$)	1.2	4.5	–73.9%
Gearing ratio (%)	74.4%	61.4%	N/A

Net Revenues

Net revenues of the Group decreased by 32.4% from HK$15.64 billion for the year ended 31 December 2021 to HK$10.57 billion for the year ended 31 December 2022. The decrease in net revenues was primarily attributable to travel restrictions in Macau and mainland China related to COVID-19 during the year as well as the government mandated temporary closure of our casinos in Macau in July 2022 which led to softer performance in our casino and hospitality operations in the year ended 31 December 2022.

	2022	2021	YoY%
HK$' million			
Casino revenue	8,426.0	13,030.4	–35.3%
Entertainment and resort facilities:			
Rooms	912.7	1,224.6	–25.5%
Food and beverage	669.7	759.3	–11.8%
Entertainment, retail and other	557.3	618.8	–9.9%
Property rental income	–	5.7	–100.0%
	10,565.7	15,638.8	–32.4%

Adjusted EBITDA [1]

The Company generated negative Adjusted EBITDA of HK$362.0 million for the year ended 31 December 2022, compared to Adjusted EBITDA of HK$1.54 billion for the year ended 31 December 2021. The change in Adjusted EBITDA was mainly attributable to softer performance in our casino and hospitality operations as a result of travel restrictions in Macau and mainland China related to COVID-19 during the year ended 31 December 2022 as well as the government mandated temporary closure of our casinos in Macau in July 2022.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$5.11 billion for the year ended 31 December 2022, compared to loss attributable to owners of the Company of HK$3.81 billion for the year ended 31 December 2021. The change was mainly attributable to softer performance in our casino and hospitality operations as a result of travel restrictions in Macau and mainland China related to COVID-19 during the year ended 31 December 2022 as well as the government mandated temporary closure of our casinos in Macau in July 2022.

Basic Loss Per Share Attributable to Owners of the Company

Basic loss per share attributable to owners of the Company was HK$3.40 per share for the year ended 31 December 2022, compared to basic loss per share attributable to owners of the Company of HK$2.52 per share for the year ended 31 December 2021.

Financial and Operational Performance

Melco Resorts, a majority-owned subsidiary of the Group, contributed the vast majority of the financial results of the Group during the years ended 31 December 2022 and 2021.

The performance of Melco Resorts during the years ended 31 December 2022 and 2021 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$1.35 billion for the year ended 31 December 2022 versus US$2.01 billion for the year ended 31 December 2021. The decrease in total operating revenues was primarily attributable to travel restrictions in Macau and mainland China related to COVID-19 during the year ended 31 December 2022 as well as the government mandated temporary closure of our casinos in Macau in July 2022 which led to softer performance in the rolling chip and mass market table games segments as well as lower non-gaming revenues.

The operating loss for 2022 was US$743.1 million, compared with operating loss of US$577.5 million for 2021.

Melco Resorts generated Adjusted Property EBITDA[2] of US$0.6 million for the year ended 31 December 2022, compared with Adjusted Property EBITDA of US$235.1 million in 2021.

Net loss attributable to the financial performance of Melco Resorts for 2022 was US$930.5 million, compared with net loss attributable to the financial performance of Melco Resorts of US$811.8 million for 2021.

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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, share of losses of a joint venture, share of losses of associates 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 2022, total operating revenues at City of Dreams were US$559.7 million, compared with US$1,146.9 million in 2021. City of Dreams generated negative Adjusted Property EBITDA of US$32.2 million for the year ended 31 December 2022, compared with Adjusted Property EBITDA of US$202.0 million in 2021.

Gaming Performance

US$'million	2022	2021	YoY%
VIP Gaming			
Rolling chip volume	4,379.8	14,596.8	–70.0%
Win rate	3.85%	2.54%	N/A
Mass Market			
Table drop	1,187.4	2,846.3	–58.3%
Hold percentage	30.5%	30.8%	N/A
Gaming Machine			
Handle	929.2	1,803.6	–48.5%
Win rate	3.6%	3.3%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams in 2022 was US$112.0 million, compared with US$180.4 million in 2021.

Altira Macau

Starting in the third quarter of 2021, Altira Macau has strategically repositioned to cater to the premium mass segment and has shut down VIP operations. For the year ended 31 December 2022, total operating revenues at Altira Macau were US$32.6 million, compared with US$56.2 million in 2021. Altira Macau generated negative Adjusted Property EBITDA of US$43.0 million in 2022, compared with negative Adjusted Property EBITDA of US$54.0 million in 2021.

Gaming Performance

US$'million	2022	2021	YoY%
VIP Gaming			
Rolling chip volume	–	1,962.3	–100.0%
Win rate	N/A	1.61%	N/A
Mass Market			
Table drop	124.0	159.2	–22.1%
Hold percentage	19.6%	24.5%	N/A
Gaming Machine			
Handle	166.0	235.3	–29.4%
Win rate	3.6%	3.8%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau in 2022 was US$7.8 million, compared with US$10.4 million in 2021.

Mocha and Other

Effective from 27 June 2022, the Grand Dragon Casino, which focuses on mass market table games and was previously reported under the Corporate and Other segment, has been included in the Mocha and Other segment as a result of the change of terms of the right-to-use agreement for the Grand Dragon Casino.

Total operating revenues from Mocha and Other were US$76.4 million in 2022, compared to US$85.0 million in 2021. Mocha and Other generated Adjusted Property EBITDA of US$10.3 million in 2022, compared with Adjusted Property EBITDA of US$17.1 million in 2021.

Gaming Performance US$'million	**2022**	**2021**	**YoY%**
Mass Market			
Table drop	39.2	–	N/A
Hold percentage	20.1%	N/A	N/A
Gaming Machine			
Handle	1,585.2	1,932.9	–18.0%
Win rate	4.4%	4.4%	N/A

Studio City

For the year ended 31 December 2022, total operating revenues at Studio City were US$176.0 million, compared to US$372.3 million in 2021. Studio City generated negative Adjusted Property EBITDA of US$105.2 million in 2022, compared with negative Adjusted Property EBITDA of US$20.5 million in 2021.

Gaming Performance US$'million	**2022**	**2021**	**YoY%**
VIP Gaming			
Rolling chip volume	836.9	1,837.9	–54.5%
Win rate	2.56%	2.00%	N/A
Mass Market			
Table drop	460.4	1,132.9	–59.4%
Hold percentage	28.5%	27.7%	N/A
Gaming Machine			
Handle	657.4	1,111.6	–40.9%
Win rate	2.8%	2.7%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City in 2022 was US$40.2 million, compared with US$78.6 million in 2021.

City of Dreams Manila

For the year ended 31 December 2022, total operating revenues at City of Dreams Manila were US$396.4 million, compared with US$268.6 million in 2021. City of Dreams Manila generated Adjusted Property EBITDA of US$146.9 million in 2022, compared with Adjusted Property EBITDA of US$89.0 million in 2021.

Gaming Performance US$'million	**2022**	**2021**	**YoY%**
VIP Gaming			
Rolling chip volume	2,873.1	775.7	270.4%
Win rate	2.17%	4.83%	N/A
Mass Market			
Table drop	607.1	364.6	66.5%
Hold percentage	30.9%	32.4%	N/A
Gaming Machine			
Handle	3,653.6	2,312.8	58.0%
Win rate	5.2%	5.5%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila in 2022 was US$102.5 million, compared with US$57.3 million in 2021.

Cyprus Operations

Melco Resorts is licensed to operate a temporary casino, which is the first casino in the Republic of Cyprus, and four satellite casinos ("Cyprus Casinos"). 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 2022, total operating revenues at Cyprus Casinos were US$91.3 million, compared with US$52.6 million in 2021. Cyprus Casinos generated Adjusted Property EBITDA of US$23.7 million in 2022, compared with Adjusted Property EBITDA of US$1.6 million in 2021.

Gaming Performance US$'million	**2022**	**2021**	**YoY%**
VIP Gaming			
Rolling chip volume	5.2	5.6	–6.1%
Win rate	7.09%	9.09%	N/A
Mass Market			
Table drop	135.3	76.2	77.5%
Hold percentage	20.5%	18.0%	N/A
Gaming Machine			
Handle	1,301.7	782.7	66.3%
Win rate	5.0%	5.0%	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 2022, the Group's bank balances and cash amounted to HK$14,317.5 million (2021: HK$13,452.4 million) and restricted cash (mainly being cash collateral for concession-related guarantees to the Macau government and security under credit facilities) amounted to HK$4,006.6 million (2021: HK$53.9 million). In January 2023, restricted cash of US$222.8 million (equivalent to approximately HK$1.74 billion) as security under credit facilities and MOP410.0 million (equivalent to approximately HK$398.1 million) as cash collateral against a bank guarantee issued in favour of the Macau government were released.

As at 31 December 2022, the Group had available and unutilized borrowing capacity of HK$0.56 billion (2021: HK$13.38 billion), subject to satisfaction of certain conditions precedent.

Major changes in our indebtedness during the year ended and subsequent to 31 December 2022 are summarized below.

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

During the year ended 31 December 2022, the Group drew down US$820 million (equivalent to approximately HK$6.40 billion) and HK$5.31 billion under a HK$14.85 billion revolving credit facility ("2020 Credit Facilities").

In May 2022, the maturity date of a secured credit facility of HK$2.0 million was extended from 24 June 2022 to 31 December 2022 and was further extended to 24 June 2024 in December 2022.

On 16 August 2022, the Group received confirmation that the majority of lenders of the 2020 Credit Facilities have consented and agreed to a waiver extension of certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities. The existing waiver remains valid in respect of the relevant periods ended on the 31 December 2022 test date, and the waiver extension granted extends the waiver for all relevant periods to and including the 31 March 2024 test date. Such consent became effective on 17 August 2022.

On 16 August 2022, the Group obtained confirmation from the facility agent that certain provisions contained in a US$1.0 billion 5-year secured credit facility agreement (the "2021 Credit Facilities") were waived and amended, subject to certain conditions. The net proceeds from the 2022 Share Repurchase (as defined in note 40 to the consolidated financial statements contained herein) was deposited into a designated bank account on 30 August 2022 for the future repayment of principal and payment of interest under the 2021 Credit Facilities.

The Group launched the "Reach!" program to promote physical and mental wellness for colleagues through providing training support and resources such as the supply of facilities, venues and sports medicine.

The Group celebrated the graduation of the Culinary Foundation Acceleration Program, a dedicated talent diversification initiative to nurture non-gaming talent and contribute to industry diversification.

In January 2023, the Group repaid the outstanding loan principal amount of HK$5.31 billion and US$170.0 million (equivalent to approximately HK$1.33 billion) under the 2020 Credit Facilities, together with accrued interest.

On 10 January 2023, the Group drew down US$300.0 million (equivalent to approximately HK$2.34 billion) under the 2020 Credit Facilities.

The availability period of an unsecured credit facility amounting to Philippine Peso2.35 billion (equivalent to approximately HK$327.0 million) was extended from 31 January 2021 to 31 January 2022 during the year ended 31 December 2021, and was then extended to 1 May 2022 in January 2022. In April 2022, the credit facility availability period was further extended to 31 January 2023, with terms and conditions substantially similar as before, except (1) the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 360 days from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period; and (2) the available drawdown currencies are Philippine Peso and US$. In February 2023, the availability period was further extended to 1 May 2023.

For further details of our indebtedness, please refer to note 34 to the consolidated financial statements contained herein, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the change on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances.

Gearing Ratio

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was 74.4% as at 31 December 2022 (2021: 61.4%).

Pledges of assets

As at 31 December 2022, borrowings in aggregate principal amount of HK$9,275.6 million (2021: HK$6,747.7 million) were secured by the following assets of the Group:

(i) certain property, plant and equipment;

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

(iii) certain bank deposits;

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

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2022.

Initiatives for women remain an important pillar of the Group's Corporate Social Responsibility. Its "Best I Can Be" philosophy encourages women to embrace life's choices, and to feel empowered upon making choices to bring out the best in oneself.

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.

Over 20,000 colleague participants have taken part in volunteering in Macau in 2022 to support the local community during work hours through the 'Simple Acts of Kindness' initiative.

Various Christmas-themed volunteering activities, including a gingerbread man pastry-making workshop, were organized to bring warmth and joy to the local community during the festive season.

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 16,911 as of 31 December 2022 (31 December 2021: 17,897). Among these employees, 190 are located in Hong Kong and the remaining 16,721 are mainly located in Macau, the Philippines, Cyprus, the PRC and Singapore. The related staff costs for the year ended 31 December 2022, including directors' emoluments and share-based compensation expenses amounted to HK$5,187.0 million (year ended 31 December 2021: HK$5,562.7 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, the Company believes that building a stable workforce and cultivating a harmonious workplace start with embracing diversity. Equal opportunities are ensured in every area, including compensation, benefits, recruitment, promotion, transfer, training opportunities and development. The Group believes, through growing our business, we will be able to create opportunities and deliver value to our people. Thus, the Group encourages its employees to do their best at work and grow with the Group. The Company builds employees' loyalty through recognition, involvement and participation. The Company's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to our success.

Recruitment

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

Performance and Rewards

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

Training and Development

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 46)

Executive Director (Chairman and Chief Executive Officer)

Mr. Ho has been the Chairman and Chief Executive Officer of the Company since March 2006. Prior to that, Mr. Ho was the Company's group managing director after the completion of a general offer for shares of the Company in 2001. Mr. Ho is also chairman of the Company's Executive Committee, Finance Committee and Regulatory Compliance Committee 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 develops, owns and operates integrated 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 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 serves on the board or participates as a committee member in various organizations in Hong Kong, Macau and mainland China. He is a vice chairman of the All-China Federation of Industry and Commerce; a member of the Macau Basic Law Promotion 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; permanent honorary committee member 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 a director executive of the Macao Chinese General Chamber of Commerce.

In 2017, Mr. Ho was awarded the Medal of Merit-Tourism by the Macau government for his significant contributions to tourism in the territory.

In recognition of Mr. Ho's directorship and entrepreneurial spirit, he was granted the Business Awards of Macau's "Leadership Gold Award" in 2015 and honoured with "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 years since 2012, and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the 11th year in 2022.

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 48)

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 60)

Executive Director

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

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

Mr. NG Ching Wo (aged 72)

Non-executive Director

Mr. Ng has been a Non-executive Director of the Company since September 2004. He is also a member of the Audit Committee, Remuneration Committee, and Nomination and Corporate Governance 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 80)

Independent Non-executive Director

Mr. Crawford has been an Independent Non-executive Director of the Company since September 2019. He is the chairman of both the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company, he is also 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. He previously served as an independent non-executive director and the chairman of the audit and risk committee of Melco Resorts and Entertainment (Philippines) Corporation (a subsidiary of the Company). Mr. Crawford is also 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, and has been an independent non-executive director of 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 and honorary president of the Macau Society of Certified Public Accountants and 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 65)

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 both the Remuneration Committee and Nomination and Corporate Governance 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. Mr. Tsui has more than 30 years of experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui was formerly the president of China Assets Investment Management Limited. Mr. Tsui graduated with a bachelor's and a master's degree in business administration from The Chinese University of Hong Kong and with a law degree from The University of London. He also holds a doctoral degree in Business Administration from The University of Newcastle, Australia.

Ms. Karuna Evelyne SHINSHO (aged 55)

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 and Nomination 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 54)

Chief Financial Officer

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

Mr. LEUNG Hoi Wai, Vincent (aged 49)

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 and assumed the role of Company Secretary of the Company in December 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 specialising 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 organisation.

This report describes the corporate governance practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions as set out 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")..

CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices of the Company

The Company's governance framework is designed with reference to the applicable legislations and Listing Rules, and is supported by a collection of guidelines, policies and procedures formulated by the board of directors of the Company (the "Board"). The Board and/or the relevant Board committees conducted regular review of the aforesaid guidelines, policies and procedures which are subject to amendments from time to time due to changes in applicable legislations and Listing Rules and/or market practices.

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 CG Code. The Company Code not only formalises 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.

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, in confidence and anonymity, 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.

Anti-corruption

In the Code of Conduct, gift policy, compliance of anti-bribery laws and laws against money laundering are provided.

Melco Resorts has also in place anti-corruption related policies such as gift policy, anti-corruption guidelines and corporate anti-money laundering and counter-terrorist financing policy.

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.

Compliance of the Company Code and CG Code

During the year ended 31 December 2022, the Company has complied with (i) the Company Code and (ii) the code provisions of the CG Code, apart from the deviation mentioned below.

Under Paragraph C.2.1 of Part 2 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 in-depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector, his extensive business network and connections in that sector, and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

THE BOARD OF DIRECTORS

Role of the Board

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

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

Composition of the Board

The Board comprises a total of seven directors of the Company (the "Director(s)"), with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; one Non-executive Director, Mr. Ng Ching Wo; and three Independent Non-executive Directors ("INEDs"), namely, Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho. The number of INEDs represents more than one-third of the Board and complies with Rule 3.10A of the Listing Rules.

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

The Company has received annual confirmation from all INEDs regarding their independence as required under Rule 3.13 of the Listing Rules. For Mr. John William Crawford and Mr. Tsui Che Yin, Frank:

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

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

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

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

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

Under the Company's articles of association (the "Articles of Association"), at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence and Ms. Karuna Evelyne Shinsho will retire from office by rotation at the forthcoming annual general meeting (the "2022 AGM"). All the retiring Directors, being eligible, have confirmed they will offer themselves for re-election at the 2022 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.

At every annual general meeting of the Company, re-election of each Director has been assigned as a separate resolution for shareholders' voting. If any substantial shareholder or Director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant Directors shall abstain from voting and a Board meeting attended by INEDs who have no material interest in the matter shall be held to discuss and vote on the resolution.

There are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members and none of the Board members holds seven (or more) directorships in listed companies (including the Company) as at 31 December 2022.

Corporate Culture, Strategy and Governance

The Board is responsible for nurturing the Company's culture, which aligns with the purpose, values and strategy of the Company. It believes that when the Company's culture is properly aligned with its strategy and leadership, it can unleash tremendous amounts of energy towards a shared purpose and boost an organisation's capacity to thrive and to achieve long-term sustainability.

The Company is committed to be a dynamic company to lead the leisure and entertainment field by continually exploring new opportunities for growth and development that create value for all stakeholders. In addition to pursuing business development and excellence, we are dedicated to growing our business sustainably. Clear sustainability goals have been established in our "Above & Beyond" sustainability strategy which has become an integral part of daily operations for the entire workforce, at all echelons, and has inspired others to follow suit. Furthermore, the Group has continued to engage in various community programmes to contribute to the growth and future of the communities where it operates.

Throughout 2022, the Company continued to strengthen its cultural framework by focusing on improving operational efficiency, enhancing entertainment offerings, adopting a people-centric strategy and pursuing environmental sustainability, through various initiatives set out in the "Chairman & CEO's Statement" and "Management Discussion and Analysis" sections and the "Report of the Directors" of this annual report, as well as the 2022 Environmental, Social and Governance Report ("2022 ESG Report"). More information about the Company's vision, mission and values is available on the Company's website.

In order to help new employees better understand the Company's culture and values, orientation training and staff handbooks are provided to them, and appropriate training is provided from time to time to managers and leaders across the Group so they can continue to reference the Company's culture and value and reinforce them when interacting with employees.

The Company has a strong commitment to ethics and integrity. As part of the Company's corporate culture, which is reflected in its core values, all of the Directors, management and employees are expected to act lawfully, ethically and responsibly. Our Code of Conduct has set out the ethical standards of conduct expected of all employees. Each of them has an obligation to comply with all the laws, rules and regulations applicable to the Company's business, including the laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information and misuse of corporate assets. To promote and maintain this, the required standards and norms required of all new employees are explicitly outlined in the training materials and embedded in various policies of the Group.

The Company has been monitoring the effectiveness of the promotion of culture as well as adherence to core values on a continuous basis, the findings of which, including human resources data, health and safety, environmental performance, regulatory compliance, etc., could be found in our 2022 ESG Report.

Mechanisms for Making Available Independent Views and Input to the Board

Recognising that board independence is critical to good corporate governance, mechanisms are implemented to ensure independent views and input are available to the Board.

Communication channels

The Company has established channels through formal and informal means whereby INEDs can express their views in an open and candid manner, and in a confidential manner, should circumstances require. These include dedicated meeting sessions with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom.

Board and Board committees' structure

The Company has been ensuring a strong independent element on the Board. Currently, the INED representation on the Board is 42%. Out of the seven Directors on the Board, three Directors are INEDs, who are independent of and not related to each other and any members of the senior management. In addition, majority of members of the Audit Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee are INEDs.

Appointment of INEDs

In assessing the suitability of candidates, apart from assessing if they are independent with reference to the relevant guidelines set out in the Listing Rules, profiles of the candidates, including their qualifications and time commitment, the Board's composition, the Directors' skill matrix, the Nomination Policy and the Board Diversity Policy are also considered.

Annual review of INEDs' independence

The Board, through the Nomination and Corporate Governance Committee, assess INEDs' independence at the time of appointment, annually, and at any other time when circumstances warrant reconsideration.

Seeking professional advice

To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary or the in-house legal team as well as from external independent professional advisers at the Company's expense.

The Nomination and Corporate Governance Committee has reviewed the above mechanisms and considered that they are effective in ensuring that independent views and input are provided to the Board.

Induction and Continuous Professional Development to Directors

The Company Secretary is responsible for keeping Directors informed of changes in laws and regulations and organising continuing development programmes relevant to the roles, functions and duties of a listed company director. 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 C.1.4 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 "Practical Regulatory Update - ESG and beyond", which included a particular focus on directors' duties, environmental, social and governance ("ESG") trends and regulatory enforcement updates. The Company Secretary has also provided the Directors with information on external training courses and regular periodic 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 2022 is set out as follows:

	Type of continuous professional development	
	Attending seminars/ workshops/ conferences relevant to the business of the Company or directors' duties	**Reading regulatory updates or corporate governance-related materials**
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 Meetings

The Directors met six times during the year of 2022. In addition, the Chairman met the INEDs once without the presence of other Directors. Such meeting provides an effective forum for the Chairman to listen to the views of the INEDs on issues including corporate governance, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

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

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 2022 are as follows:

	No. of meetings attended/held					
Name of Director	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting***	**Nomination Committee meeting***	**Corporate Governance Committee meeting***	**Annual general meeting**
Executive Directors						
Mr. Ho, Lawrence Yau Lung	6/6	–	–	–	–	1/1
Mr. Evan Andrew Winkler	6/6	–	–	–	–	1/1
Mr. Chung Yuk Man, Clarence	6/6	–	–	–	–	1/1
Non-executive Director						
Mr. Ng Ching Wo	6/6	3/3	2/2	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. John William Crawford	5/6	3/3	–	1/1	1/1	1/1
Mr. Tsui Che Yin, Frank	6/6	3/3	2/2	–	–	1/1
Ms. Karuna Evelyne Shinsho	6/6	–	2/2	1/1	1/1	1/1
Average Attendance Rate	**97.62%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

* The Nomination Committee and the Corporate Governance Committee were combined to form the Nomination and Corporate Governance Committee with effect from 13 December 2022. No meetings of the aforesaid combined committee were held during the year.

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 2022.

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 2022, no claims under the insurance policy were made.

DIVERSITY

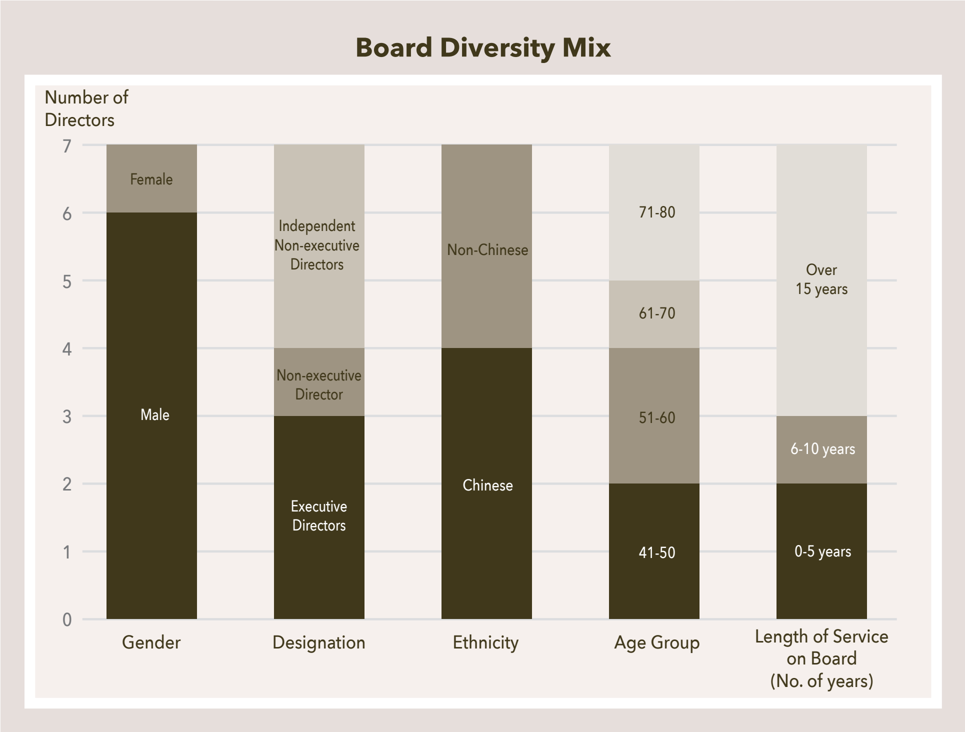
Board Diversity

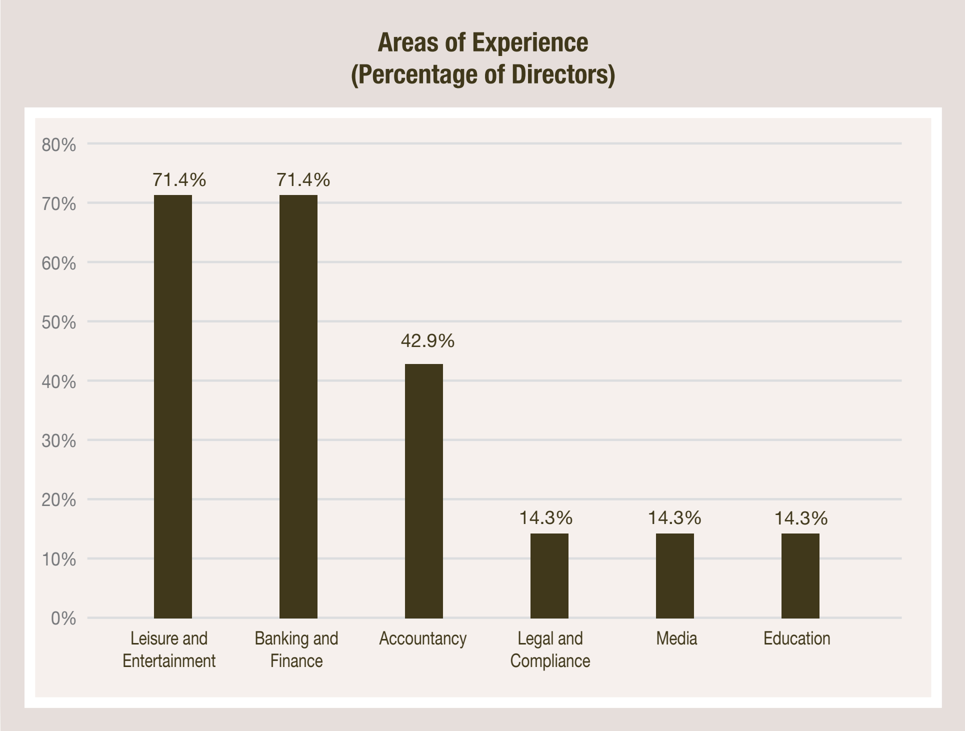
We recognise and embrace the benefits of having a diverse Board to enhance the quality of its performance, and that board diversity is an essential element in attaining our strategic objectives and achieving sustainable and balanced development for the Group.

The Board adopted a Board Diversity Policy in 2013, which has been further refined in March 2023. The policy provides that selection of candidates to the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Board will also take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments.

The Board, through the Nomination and Corporate Governance Committee, reviews the structure, size, composition (including skills, expertise and experiences) and diversity of the Board and the Board Diversity Policy on an annual basis to ensure the Board composition contributes to the Board's efficiency and effectiveness as well as complies with the Listing Rules with an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business needs. Following the review this year, it considered that it is not necessary to make any changes to the Board for the time being and that the implementation of the Board Diversity Policy is effective.

We currently have a diverse Board in terms of age, gender, ethnicity, professional experience and industry experience. The diversity mix of the Board at the date of this report is summarised in the following charts:





Gender Diversity at Board Level

The Company has one female Director out of seven Directors, which accounted for about 14% of the Board. In considering the Board's succession, the Nomination and Corporate Governance Committee may engage independent professional search firm(s) to help identify potential candidates for Non-executive Directors, as and when appropriate. While the Board aims to maintain at least the current level of female representation, it will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates for Board appointments are identified.

The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, and in accordance with the Listing Rules, with the ultimate goal of bringing the Board to gender parity.

Gender Diversity at Workforce Level

We recognise the importance of diversity not just at the Board level but throughout the organisation. Over the years, we have focused our efforts to increase gender equality at all levels of the Company. The diversity of our senior management team sets an example from the top for our commitment to being an equal opportunity employer.

Women in leadership within the Group:

- 24% of directors across our boards
- 19% of our corporate executive committees
- 33% of our senior management
- 41% of our general management

Our overall workforce has a relatively even gender split between men and women. The male to female gender ratio in our workforce (including senior management) as at 31 December 2022 was approximately 52% to 48%.

To maintain a balance of gender composition of human resources at all levels, a gender diversity target has been set across the workforce. Based on the existing composition of workforce and the nature of the integrated resort industry, we target to maintain female workforce across the Group at the current level. The Group will take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for employment to ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation. Our Human Resources Department will review the employee turnover and recruitment data for women and men across the workforce annually and revisit and monitor the gender diversity target periodically.

Further details on the gender ratio of the Group among management positions and the wider workforce, together with the relevant data, can be found in the 2022 ESG Report, which is published on the websites of the Company and the Hong Kong Stock Exchange.

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.

Six Board committees have been established and each of them has its defined terms of reference and has power to decide on matters within its terms of reference. The terms of reference of all the Board committees have been posted on the Company's website under the section headed "Corporate Governance", while the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee are also available on the Hong Kong Stock Exchange's website.

Regular Board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out in the section headed "Board and Board Committee Attendance" of this report.

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 fourteen 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 monitor the financial reporting process of the Company, review the Group's financial statements and published reports and ensure they comply with relevant accounting standards, oversee the financial reporting system, risk management and internal control systems of the Group and to govern the engagement of external auditor and its performance and independence.

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 Audit Committee met three times during the year and the following is a summary of the work performed by the Audit Committee in 2022:

(a) reviewed the annual financial results of 2021 and interim financial results of 2022;

(b) reviewed and approved the 2021 annual report and 2022 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 risk management and internal control systems;

(f) approved the internal audit plan for 2022 and reviewed the internal audit reports;

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

(h) reviewed the risk management report; and

(i) approved the external auditor's remuneration and terms of engagement for 2022.

(3) 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 Remuneration Committee is delegated with the authority by the Board to formulates a 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).

The Remuneration Committee met two times during the year and the following is a summary of the work performed by the Remuneration Committee in 2022:

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

(b) reviewed and recommended to the Board the deferred vesting of the unvested awarded shares held by the Chairman and Chief Executive Officer of the Company;

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

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

(e) considered and approved the replacement share award for the senior management and recommended such replacement award to the Executive Director, the Non-executive Director and Independent Non-executive Directors for the Board's consideration.

The Company has in place remuneration policies for Directors, senior management and other staff. When considering remuneration packages of Directors and senior management, the committee considers a number of factors, including benchmark of the relevant and similar roles in the industry, competitive market conditions, performance ratings of senior management by their leaders, and other relevant matters. Any revision to such remuneration packages will be subject to the Board or the Remuneration Committee's approval (as the case may be), in accordance with the terms of reference of the Remuneration Committee. Senior management's compensation will be recommended by the Chairman and Chief Executive Officer and approved by the Remuneration Committee, subject to the procedures set out in the terms of reference of the Remuneration Committee. Executive Directors and senior management is entitled to discretionary bonus and/or equity grants, taking into consideration factors such as market benchmarks for the respective roles, performance of the Company and individuals, and the competitive market conditions. Details of emoluments of the Directors, Chief Executive and senior management are set out in notes 12 and 45(a) to the consolidated financial statements.

The emoluments paid or payable to the senior management for the year ended 31 December 2022 fell within the following bands:

Emolument bands (HK$)	Number of individuals
Below HK$15,000,000	1
HK$15,000,001 – HK$30,000,000	-
HK$30,000,001 – HK$45,000,000	1

(4) Nomination and Corporate Governance Committee *(by combining the Nomination Committee and the Corporate Governance Committee)*

In order to streamline the Board committee structure and to enhance efficiency, the Board has combined the Nomination Committee and the Corporate Governance Committee to form the Nomination and Corporate Governance Committee with effect from 13 December 2022.

Before the combination of the two committees, the Nomination Committee comprised two INEDs, Mr. John William Crawford (chairman of the committee) and Ms. Karuna Evelyne Shinsho and a Non-executive Director, Mr. Ng Ching Wo, while the Corporate Governance Committee comprised a Non-executive Director, Mr. Ng Ching Wo (chairman of the committee), two INEDs, Mr. John William Crawford and Ms. Karuna Evelyne Shinsho, with the Group General Counsel, Mr. Leung Hoi Wai, Vincent, co-opted as a non-voting capacity member.

Currently, the Nomination and Corporate Governance Committee is made up of three INEDs, Mr. Tsui Che Yin Frank (chairman of the committee), Mr. John William Crawford and Ms. Karuna Evelyne Shinsho and a Non-executive Director, Mr. Ng Ching Wo. The Group General Counsel, Mr. Leung Hoi Wai, Vincent, is co-opted as a non-voting member of the committee.

The Nomination and Corporate Governance Committee is delegated with the authority by the Board to review the Board's size, composition and diversity, to advise the Board on re-election of Directors, to make recommendations to the Board on the appointment of Directors and to assess INED's independence. It is also responsible for developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Code of Conduct and compliance manual applicable to employees and Directors and the Company's compliance with the code provisions and disclosure in the Corporate Governance Report and oversight of matters relating to corporate governance and ESG.

Prior to the formation of the Nomination and Corporate Governance Committee by combining the Nomination Committee and the Corporate Governance Committee, each of these committees held one meeting during the year.

The following is a summary of the work performed by the Nomination Committee in 2022:

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

(b) assessed the independence of INEDs;

(c) reviewed the Nomination Policy; and

(d) nominated Board candidates to stand for re-election by shareholders at the Company's 2022 annual general meeting ("2022 AGM").

For re-election of retiring Directors, the Nomination Committee reviewed the profile, meeting attendance, participation in the affairs of the Company and performance of the retiring Directors and determined whether they were suitable to stand for re-election as Directors at the 2022 AGM.

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 and Corporate Governance Committee considers appropriate in assessing the candidate. Nominations of new Directors will be made by the Nomination and Corporate Governance 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.

The following is a summary of the work performed by the Corporate Governance Committee in 2022:

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

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

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

(d) endorsed the amended ESG governance policy and recommended the same to the Board for approval;

(e) endorsed the 2021 ESG Report and recommended the same to the Board for approval;

(f) endorsed the terms of reference of the Nomination and Corporate Governance Committee and recommended the same to the Board for approval;

(g) reviewed the training and continuous professional development of Directors and senior management;

(h) reviewed the shareholders' communication policy; and

(i) reviewed the mechanisms for making available independent views and input to the Board.

(5) Finance Committee

The Finance Committee is made up of three Executive Directors, Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence. The Chief Financial Officer, Mr. Geoffrey Stuart Davis, is co-opted as a non-voting member of the committee. 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.

(6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of two Executive Directors, Mr. Ho, Lawrence Yau Lung and Mr. Evan Andrew Winkler. The Group General Counsel, Mr. Leung Hoi Wai, Vincent, is co-opted as a non-voting member of the committee. 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.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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 unauthorised disposition and to manage operational risks (including ESG 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 (including ESG risks).

To fulfill this responsibility, the Chairman and Chief Executive Officer is assigned to oversee the implementation of the Group's Risk Management Policy and the ESG Governance 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. The Audit Committee reviews the adequacy and effectiveness of the Group's risk management and internal control systems on a semi-annual basis.

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 (including ESG risks). Results of the work covering areas such as finance, governance, operations, compliance, strategic and planning risks are submitted to the Chairman and Chief Executive Officer and the Audit Committee for review and discussion. The risks identified are considered to be in line with the Company's overall risk appetite and objectives.

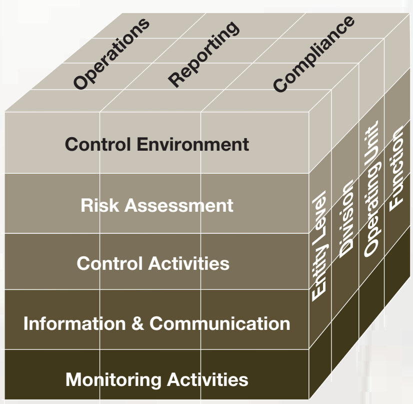
Our principal subsidiary, Melco Resorts, which is separately listed on Nasdaq Global Select Market in the United States, has its own risk management system. The risk and compliance department is tasked with overseeing and assessing the risk management framework. The risk management policy, adopted by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

Internal Control Systems

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

The Internal Audit Department also reviews and assesses the effectiveness of the Group's internal control systems by adopting a risk-based audit approach based on the Internal Control – 2013 Integrated Framework issued by the Committee of Sponsoring Organisations 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:



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.

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.

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.

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.

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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules to disclose 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.

ESG Governance

An ESG taskforce has been set up and is directly under the Chairman and Chief Executive Officer to assist the Board and the Nomination and 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 pursuant to the requirements of Appendix 27 to the Listing Rules are included in the 2022 ESG Report, which is published on the websites of the Company and the Hong Kong Stock Exchange.

Audit Committee Supervision

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

Annual Review

The Board, through the Audit Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems for 2022 covering all material financial, operational and compliance controls and risk management functions, and considered 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, financial reporting functions and those relating to the Company's ESG performance and reporting, and considered that they are adequate.

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 101 to 106 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the fees paid or payable by the Company to its external auditors for providing audit and non-audit services amounted to approximately HK$3.7 million and HK$0.8 million (2021: HK$1.6 million and HK$1.4 million), respectively. The non-audit services comprise primarily interim review, taxation and advisory services.

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

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 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.

For the first time, our 2022 AGM was held in a hybrid (physical and virtual via live webcast) format. Shareholders may submit questions and vote at the meeting, physically or online. By providing an alternative access for our shareholders, the hybrid 2022 AGM facilitated shareholders' participation to protect their right to attend general meetings while reducing public health concerns during the COVID-19 pandemic.

The Board Chairman, Board committees' chairmen and the Company's auditor attended the 2022 AGM and were on hand to answer questions.

INVESTOR RELATIONS

Constitutional Documents

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

Shareholders Communication Policy

The Company has in place a Shareholders Communication Policy since 2012, which is available on the Company's website.

Under the policy, the Company commits to maintain an on-going dialogue with shareholders and the investment community, and to regularly review the policy to ensure its effectiveness.

The policy provides that:

(1) Information shall be communicated to shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures and corporate communications on the websites of the Company and the Hong Kong Stock Exchange.

(2) Shareholders should direct their questions about their shareholdings to the Company's Share Registrar, Tricor Standard Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(3) Further, shareholders may at any time send their enquiries to the Company by email at info@melco-group.com or by mail to the Company Secretary at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

During the year, the Nomination and Corporate Governance Committee has conducted a review of the Shareholders Communication Policy. In consideration of the following measures, the committee is satisfied that the Shareholders Communication Policy was implemented properly and remains effective.

(1) Annual and interim reports, announcements and circulars are published on a timely basis in accordance with the Listing Rules.

(2) The 2022 AGM was held in hybrid format to encourage shareholder participation. Electronic voting at the general meeting facilitated vote counting.

(3) On-going engagement is maintained with institutional investors, analysts and investment managers through various communications with them despite the COVID-19 pandemic.

(4) Press releases timely posted on the Company's website facilitate shareholders and other stakeholders' understanding and appraisal of the Group's latest developments.

(5) Shareholders holding not less than 5% of the total voting rights of all shareholders of the Company can request the directors to call a general meeting, details of which are explained in the section headed "Shareholders' Rights" of this report.

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 2022.

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 2022, 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 38, 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 234 of this annual report.

Our ESG Commitment

Our Above & Beyond Strategy

Our "Above & Beyond" Strategy with a commitment to RISE — to Restore, Inspire, Sustain and Empower — is the beacon of our Environmental, Social and Governance ("ESG") framework. It serves to inspire our people, guests, suppliers, stakeholders and communities to realise that a sustainable future is a better future. Our strategy sets the tone to ensure we continue leading the industry in addressing common challenges, while engaging with our stakeholders to create shared value for all involved.

To focus on what is most important, our 2022 materiality assessment process* saw the Group engage an independent consultant to undertake robust interviews with a diverse range of internal and external stakeholders. Discussion focused on the identification and assessment of the Group's impacts, risks and opportunities along the value chain. Distilled interview insights then helped inform a leadership workshop to confirm material topics that represent the Group's most significant impacts on the economy, environment and the communities in which it operates. Based on our discussions and analysis of material topics in 2022, we reconfirmed them to be Energy & Climate Resilience, Material Use & Waste, Engaging our People, Safety, Health & Wellbeing, RG, Community Engagement & Investment, Ethical & Sustainable Supply Chain, Ethics & Integrity and Privacy & Cybersecurity. These topics inform our reporting and strategy implementation going forward.

* For details of the stakeholder engagement and materiality assessment process conducted in 2022, please refer to the Group's 2022 ESG Report at https://www.melco-group.com/doc/MI-2022ESG-en.pdf.

Board Oversight

Our corporate governance structure is led by our board of Directors (the "Board") that oversees the strategy, management and reporting of the Group's ESG issues. The Board reviews and approves our ESG Policy, risk management systems and internal control environment, ensuring the appropriateness and effectiveness of our ESG management systems. An ESG framework provides consistency in management so that the Group remains compliant with regulatory requirements and continues to operate sustainably. Management of ESG is under the ambit of the Nomination and Corporate Governance Committee and is overseen directly by our Chairman and CEO.

The Board is assisted by the ESG Taskforce in monitoring the performance of the Group through close engagement with the ESG and corporate social responsibility ("CSR") committees (the "Committees") of our major subsidiaries. Regular communication enables the Company to ensure appropriate resources are provided to meet ESG responsibilities and achieve progress against goals.

In 2022, the Committees provided the Board with semi-annual updates on ESG-related topics. Presentations covered global ESG trends and regulatory requirements in the markets where we operate, as well as the status of the Group's goals for achieving carbon neutral resorts, zero waste by 2030 and targets for responsible procurement. The Board received updates on progress in areas including climate-related risk management and enhancing verification of greenhouse gas ("GHG") emissions throughout the value chain, as well as energy and water efficiency measures. Key projects to manage food and plastic waste, along with sustainable sourcing and small- and medium-sized enterprise ("SME") engagement programmes, were also shared.

The Board's review of CSR initiatives included progress made in 2022 to promote mental and physical health meaningfully and effectively with the expansion of the "Feel Better Mental Wellness Programmes" and the addition of the "REACH! Programme" that encouraged our people to participate in fitness events in the community. Updates were also provided on ongoing initiatives such as our global, professional development and capacity-building programmes, "Splendors of China" initiative that furthers appreciation of local culture and heritage in Macau, and adherence to the stringent standards required of the Responsible Gambling Council's "RG Check" accreditation across our properties.

The Board regularly evaluates these ongoing initiatives to assess priorities and recommend areas for enhancement. In addition, the Board also conducted its review of the Group's annual ESG report.

As per our regular practice, external consultants were engaged to provide training on regulatory trends and developments, including ESG-related topics like the Task Force on Climate-related Financial Disclosure ("TCFD")'s recommendations and the International Sustainability Standard Board's proposals, to the Board.

Our ESG Performance and Goals

Our Above & Beyond sustainability strategy, RISE, drives us to be an adaptable and forward-thinking business, contributing to a climate-fit and equitable future. Our unwavering commitment to the highest standards of ethical conduct and integrity is the cornerstone of our business. We consistently emphasise transparency and accountability in all aspects of our business, updating our policies in line with changing regulations and standards globally on a timely basis and setting goals to further our performance.

As we navigated the ongoing repercussions of the global pandemic, we continued to demonstrate care for people through professional development opportunities, safety and wellbeing initiatives and our responsible gaming and community outreach programmes. Efforts also continued to build capacity among our suppliers, to further local sourcing and procure items with sustainability attributes, and to enhance the efficiency of our procurement process.

We made progress against our goals for achieving carbon neutrality and to have zero-waste resorts, operating in line with circular economy principles by 2030. Our Roadmap and Action Plan to reduce and decarbonize our energy consumption and address GHG emissions along our value chain includes a range of initiatives for sustainable buildings, clean energy, waste reduction, water management and sustainable sourcing, aiming to reduce our environmental footprint and build climate resilience.

Our commitment to enhancing sustainability practices that benefit our guests, colleagues, suppliers, communities and the business continues to be the driving force behind our actions. Highlights of 2022 are provided below with detail in our full 2022 ESG Report.

Our Guests

Our dedication to providing world-class service to and exceptional experiences for our guests is at the heart of all we do. This was again affirmed with our receipt of 97 Stars in Forbes Travel Guide Star Awards, including 17 five-star and three four-star awards, and seven Michelin Stars across our restaurants.

To safeguard our guests and meet the challenges of the COVID-19 pandemic, we further enhanced our already meticulous standards for safety, security, health and wellbeing. As we strive to bring our guests and stakeholders along with us on our sustainability journey, we again increased our offering of sustainably sourced seafood and plant-based offerings across all our restaurants.

It is our responsibility to equip our guests with all required information and support to make informed decisions when engaged in gaming activities at our properties. Having been recognised as the first and only integrated resort operator to achieve RG Check in 2021, a highly sought after, third-party accreditation, we have continued our efforts to ensure our processes are in compliance with its stringent requirements across all our operations. Furthermore, the achievement of a perfect score of 100% against the Responsible Gambling Indicators, which is endorsed by the Gaming Inspection and Coordination Bureau of Macau, at City of Dreams Macau, Studio City, and Mocha Golden Dragon is a reflection of our utmost commitment to be viewed as an integrated resort that is synonymous with all aspects of responsible gaming.

Our Colleagues

Our colleagues are integral to achieving our goals; they embody our commitment to service excellence, and embed our values in carrying out their roles and responsibilities. We understand how the COVID-19 pandemic has had adverse impacts on the physical and mental health of our colleagues. As such we maintain our provision of competitive compensation, benefits and professional and career development opportunities. We have developed a strong Culture of Excellence, at the core of which is a robust learning and development academy, committed to supporting the "Whole Person Development" of our colleagues. In addition, we continue to offer well-attended health and wellness seminars and pastoral care services, which are greatly appreciated by our colleagues.

We strive to uphold our reputation of being an employer of choice, creating a workforce culture where our colleagues feel comfortable bringing their "whole selves" to work and where their individuality and passions are recognised and valued. We are committed to maintaining a culture where our people choose to work and flourish. As an equal opportunity employer, we have zero tolerance for any form of discrimination or harassment based on gender, age, race, religion, gender identity, sexual orientation, varying ability, parental/marital status, or other non-meritocratic factors. Being an integrated resort operator that attracts guests from different parts of the world and diverse backgrounds, it is critical that an environment free from bias is reflected in all experiences and interactions at our properties. In 2022, women comprised 24% of directors across the boards of our Group, 19% of our corporate executive committees, 33% of our senior management and 41% of our general management.

Our Suppliers

Expanding local sourcing, embedding sustainability practices in our procurement and enhancing efficiency along our supply chain are priorities and, collectively, a substantive way the Group can have positive impact.

While the COVID-19 pandemic disrupted supply chains globally, it provided us with opportunities to explore and source comparable, high-quality products from local suppliers, including SMEs. Having seen the resulting benefits of reducing our carbon footprint and building stronger relationships with our local communities, we expanded local sourcing in 2022.

To improve standards along our supply chain, we regularly review and update our Supplier Code, which outlines our standards for ethical and fair business practices, human rights, safety and health, data privacy and environmental protection, among other topics. We also provide related training sessions and workshops for our suppliers and partners.

Given the exposure of our industry and supply chain to potential infringements on human rights, we deliver regular training to our colleagues on such risks and have extended our collaboration with The Mekong Club to make its training module accessible to our suppliers.

Our Communities

As a Group, we recognise that to go far, we must go hand in hand with all our stakeholders including our communities. Over the years, we have designed, developed and implemented numerous programmes and volunteer activities and provided charitable donations and sponsorships. These efforts support the unique needs and challenges of the communities where we operate and provide critical opportunities for our colleagues to make a difference. This was exemplified by "Simple Acts of Kindness 2.0", an evolution of the version initiated the previous year, where our colleagues served the most vulnerable members of our communities, working in collaboration with local organisations and charities for impact.

We continued our Splendors of China programme in Macau, fostering a sense of national pride among our people and stakeholders. Supporting SMEs and other members of our community also remained a priority through SME Heart-of-House Roadshows, Business Matching programmes and our "Start Young" initiative that cultivates young talent to address sustainability challenges in cooperation with local universities.

Compliance with Laws and Regulations

We adhere to stringent standards of corporate governance and have comprehensive policies, procedures and internal controls in place to ensure strict compliance to all applicable laws and regulations. Our Code of Business Conduct and Ethics (Code) underpins all aspects of business interactions with our stakeholders. It provides our people and our guests with the confidence that all interactions with the Group are fair and in compliance with relevant requirements.

During the financial year ending 31 December 2022, we complied with all 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) (the "SFO") and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Our "Corporate Governance Report" on pages 42 to 59 of this annual report provides details of the Group's compliance with the code provisions set out in the Corporate Governance Code contained in the Listing Rules. We are in compliance with all anti-money laundering ("AML"), counter-terrorist financing and anti-corruption regulations that 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 that are applicable to all entities within the Group. Further, our Code stipulates strict standards that reflect our zero tolerance of any matters concerning corruption, bribery and gift giving. Our colleagues are required to confirm understanding and adherence to the Code, and they are encouraged to use our whistle-blowing channels to report any actions or suspicions of misconduct.

We understand the importance of being entrusted with our guests' personal and corporate data, and we take great care in safeguarding the interests and confidentiality of all our stakeholders and guests. We are in compliance with the Macau Personal Data Protection Act and other data privacy regulations in all areas of operations, including China's Personal Information Protection Law requirements that came into effect in 2021. Our policies also cover the Employment Ordinance, the Minimum Wage Ordinance and other employment laws and regulations relating to varying abilities, gender identification, sexual orientation, family status, race, ethnicity 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", published separately in compliance with the requirements of the Listing Rules, including Appendix 27 – Environmental, Social and Governance Guide, and with reference to the Global Reporting Initiative's standards and the TCFD's recommendations.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 107 and 108 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 of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 23 June 2023. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 19 June 2023 to Friday, 23 June 2023 (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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 June 2023.

NON-CURRENT ASSETS

Details of movements of non-current assets (including property, plant and equipment, 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 and 35, respectively, to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year ended 31 December 2022 are set out in note 37 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and reclassified as appropriate, is set out on page 234 of this annual report. This summary does not form part of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution consisted of the capital reserve and retained profits of approximately HK$7,053,000 and HK$5,890,663,000, respectively (2021: HK$7,053,000 and HK$5,801,953,000, 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 2022, the five largest customers accounted for less than 30% of the Group's total turnover and the five largest suppliers accounted for less than 30% of the Group's total purchases.

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

DIRECTORS

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

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

Non-executive Director
Mr. Ng Ching Wo

Independent Non-executive Directors
Mr. John William Crawford
Mr. Tsui Che Yin, Frank
Ms. Karuna Evelyne Shinsho

In accordance with Article 98(A) of the articles of association of the Company (the "Articles and Association"), Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence 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 all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules.

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

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

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

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

Biographical details of the Directors are set out on pages 39 to 41 of this annual report.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share schemes as disclosed in the "Share Schemes" section 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 2022, 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 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	–	4,212,102	570,114,107[6]	312,666,187[7]	886,992,396	58.48%
Mr. Evan Andrew Winkler	4,195,969	–	–	–	4,195,969	0.28%
Mr. Chung Yuk Man, Clarence	3,628,440	–	–	–	3,628,440	0.24%
Mr. Ng Ching Wo	708,000	–	–	–	708,000	0.05%
Mr. John William Crawford	23,000	–	–	–	23,000	0.00%
Mr. Tsui Che Yin, Frank	7,188,660	–	–	–	7,188,660	0.47%
Ms. Karuna Evelyne Shinsho	24,934	–	–	–	24,934	0.00%

(b) Awarded shares granted by the Company

Name of Director	Number of awarded shares held[2 & 8]	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	24,778,000	1.63%
Mr. Evan Andrew Winkler	6,573,000	0.43%
Mr. Chung Yuk Man, Clarence	1,911,000	0.13%
Mr. Ng Ching Wo	316,000	0.02%
Mr. John William Crawford	117,000	0.01%
Mr. Tsui Che Yin, Frank	520,000	0.03%
Ms. Karuna Evelyne Shinsho	107,000	0.01%

Notes:

1. As at 31 December 2022, the total number of issued shares of the Company was 1,516,683,755.

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

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

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

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

6. The 570,114,107 shares relate to the 301,368,606 shares, 122,243,024 shares, 53,491,345 shares, 91,445,132 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, Black Spade Capital Limited and Maple Peak Investments Inc., respectively, representing approximately 19.87%, 8.06%, 3.53%, 6.03% and 0.10% of the total issued shares of the Company. All of such companies are owned or controlled by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies.

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

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

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

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

(a) Ordinary shares of Melco Resorts

Name of Director	Number of ordinary shares held: Personal interests[2]	Corporate interests[3]	Total	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	312,012	735,096,054[4]	735,408,066	53.68%
Mr. Chung Yuk Man, Clarence	297,820	–	297,820	0.02%
Mr. John William Crawford	125,259	–	125,259	0.01%

(b) Restricted shares granted by Melco Resorts

Name of Director	Number of restricted shares held[2 & 5]	Approximate % of total issued shares[1]
Mr. Ho, Lawrence Yau Lung	9,133,770	0.67%
Mr. Evan Andrew Winkler	2,137,098	0.16%
Mr. Chung Yuk Man, Clarence	331,437	0.02%
Mr. John William Crawford	98,304	0.01%

Notes:

1. As at 31 December 2022, the total number of issued shares of Melco Resorts was 1,370,052,143.

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

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

4. In respect of the 735,096,054 shares of Melco Resorts, by virtue of the SFO, Mr. Ho, Lawrence Yau Lung was taken to be interested in (1) 727,733,982 shares 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 58.48% of the total issued shares of the Company; and (2) 7,362,072 shares held by Black Spade Capital Limited, which in turn is held by companies and a trust associated with Mr. Ho, Lawrence Yau Lung.

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

(B) Studio City International Holdings Limited ("SCIHL") *(a listed subsidiary of the Company)*

Ordinary shares of SCIHL

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

Notes:

1. As at 31 December 2022, the total number of issued shares of SCIHL was 842,864,460 (including 770,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares).

2. This represents interest held by Mr. Chung Yuk Man, Clarence as beneficial owner.

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

Debentures issued by Studio City Finance

		Amount of debentures held		
Name of Director	**Debentures**	**Personal interest[1]**	**Corporate interest[2]**	**Approximate % to the total amount of debentures in issue**
Mr. Ho, Lawrence Yau Lung	2025 US$ Senior Notes[3]	US$30,000,000	–	6.00%
	2029 US$ Senior Notes[4]	–	US$30,000,000[2]	2.73%

Notes:

1. This represents the interest held by Mr. Ho, Lawrence Yau Lung as beneficial owner.

2. This represents the interests held by Mr. Ho, Lawrence Yau Lung through his controlled corporations. These debentures were held by Black Spade Capital Limited, which in turn is held by companies and a trust associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the debentures held by these companies.

3. These debentures (US$500 million 6.00% senior notes due 2025) issued by Studio City Finance (the "2025 US$ Senior Notes") are freely transferable but not convertible into shares of Studio City Finance.

4. These debentures (US$1.1 billion 5.00% senior notes due 2029) issued by Studio City Finance (the "2029 US$ Senior Notes") are freely transferable but not convertible into shares of Studio City Finance.

Save as disclosed above, as at 31 December 2022, none of the Directors or the Chief Executive of the Company and their respective associates had or deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE SCHEMES

(I) Share schemes involving issue of new shares

Share Option Schemes

The Company adopted a share option scheme on 8 March 2002 (the "2002 Share Option Scheme"), which expired on 7 March 2012, and another share option scheme on 30 May 2012, with certain rules of such scheme amended on 5 June 2020 (the "2012 Share Option Scheme"), which expired on 29 May 2022. After the expiration of the 2002 Share Option Scheme and the 2012 Share Option Scheme, no further share options could be granted under these schemes but the share options granted during the life of these schemes shall remain valid and exercisable in accordance with their terms of issue and in all other respects the provisions of these schemes shall remain in full force and effect.

Following the expiration of the 2012 Share Option Scheme, on 7 June 2022, the Company adopted a new share option scheme (the "2022 Share Option Scheme") under which the Directors may, at their discretion, grant to any eligible participants share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein.

Since the 2002 Share Option Scheme has expired and there were no outstanding share options under the scheme as at 31 December 2022, this report does not contain a summary of its principal terms.

The following is a summary of the principal terms of the 2012 Share Option Scheme and 2022 Share Option Scheme:

(i) Purpose of the schemes

To provide participants with an opportunity to acquire proprietary interests in the Company and to incentivise participants to work towards enhancing the 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 and advisers to the Company or any of its subsidiaries or associated companies.

(iii) Total number of shares available for issue under the schemes and percentage of issued shares as at the date of this annual report

The total number of shares which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme and 2022 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.

Under the 2012 Share Option Scheme, the total number of shares available for grant as at 1 January 2022 was 55,443,538, representing 3.66% of the then total number of shares of the Company in issue. Following the expiry of the 2012 Share Option Scheme on 29 May 2022, no further share options could be granted thereunder.

As at the date of this report, a total of 3,409,000 shares may be issued upon exercise of all share options which had been granted and yet to be exercised under the 2012 Share Option Scheme, representing 0.22% of the total number of shares of the Company in issue.

Under the 2022 Share Option Scheme, the total number of shares available for grant as at 7 June 2022 (being the adoption date of the scheme) and 31 December 2022 was 151,668,375, representing 10.00% of the total number of shares of the Company in issue. No share options were granted under the 2022 Share Option Scheme since its adoption up to the date of this report.

(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.

(v) The period within which the option may be exercised

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 of the option.

(vi) The vesting period of options granted

Any period as determined by the Board upon the grant of an option.

(vii) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

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 to the Company by way of consideration on acceptance of the grant of an option.

(viii) The basis of determining the exercise price of options granted

The exercise price is determined by the Board which must be no less than the higher of (i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(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 2012 Share Option Scheme has expired on 29 May 2022. The 2022 Share Option Scheme, which was adopted on 7 June 2022, will expire on 6 June 2032.

On 6 April 2022, the Board announced an option exchange program, to provide the eligible participants (including the Directors, employees and other participants of the Group) an opportunity to exchange certain outstanding underwater share options for new share options and new awarded shares to be granted, subject to the eligible participants' consent (the "Melco Option Exchange Program"). The share options eligible for exchange under the Melco Option Exchange Program were those that were granted during the years from 2016 to 2021 under the 2012 Share Option Scheme, including those unvested, or vested but not exercised. The Melco Option Exchange Program became effective on 6 April 2022 (the "Melco Modification Date"), with a total of 33,590,000 eligible share options were accepted and surrendered by the eligible participants (the "Melco Cancelled Share Options") and the Company granted an aggregate of 453,000 new share options under the 2012 Share Option Scheme (the "Melco Replacement Share Options") and 11,032,000 new awarded shares under the Share Purchase Scheme adopted by the Company on 18 October 2007 (the "Melco Replacement Share Awards"). The Melco Replacement Share Options and the Melco Replacement Share Awards have vesting periods of one to two years. Details regarding the Melco Option Exchange Program are set out in the announcement of the Company dated 6 April 2022.

Movements of share options granted under the 2002 Share Option Scheme and 2012 Share Option Scheme during the year ended 31 December 2022 were as follows:

Under the 2002 Share Option Scheme

	Number of share options								
Category of participants	As at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of grant	Exercise price *HK$*	Exercise period *(Note)*
Directors									
Mr. Chung Yuk Man, Clarence	330,000	-	(330,000)	-	-	-	27.01.2012	7.10	3
Mr. Ng Ching Wo	210,000	-	-	(210,000)	-	-	27.01.2012	7.10	3
Employees	11,000	-	(11,000)	-	-	-	27.01.2012	7.10	3
Others[19]	287,000	-	(137,000)	(150,000)	-	-	27.01.2012	7.10	3
Total	**838,000**	**-**	**(478,000)**	**(360,000)**	**-**	**-**			

Under the 2012 Share Option Scheme

Category of participants	Number of share options								Date of grant	Exercise price HK$	Exercise period (Note)
	As at 1 January 2022	Granted during the year[17]	Granted under Melco Option Exchange Program during the year	Exercised during the year	Lapsed during the year	Cancelled during the year[18]	Cancelled under Melco Option Exchange Program during the year	As at 31 December 2022			
Directors											
Mr. Ho, Lawrence Yau Lung	1,500,000	-	-	-	-	-	(1,500,000)	-	10.04.2018	23.15	6
	1,500,000	-	-	-	-	-	(1,500,000)	-	10.04.2019	19.90	9
	1,500,000	-	-	-	-	-	(1,500,000)	-	14.04.2020	12.70	12
Mr. Evan Andrew Winkler	5,946,000	-	-	-	-	-	(5,946,000)	-	10.04.2018	23.15	8
	775,000	-	-	-	-	-	(775,000)	-	10.04.2019	19.90	10
	14,200,000	-	-	-	-	-	(14,200,000)	-	06.09.2019	18.96	11
Mr. Chung Yuk Man, Clarence	2,219,000	-	-	-	-	-	(2,219,000)	-	08.04.2016	10.24	4
	237,000	-	-	-	-	-	(237,000)	-	10.04.2017	15.00	5
	144,000	-	-	-	-	-	(144,000)	-	10.04.2018	23.15	7
	153,000	-	-	-	-	-	(153,000)	-	10.04.2019	19.90	10
	264,000	-	-	-	-	-	(264,000)	-	14.04.2020	12.70	13
	204,000	-	-	-	-	-	(204,000)	-	07.04.2021	16.38	14
Mr. Ng Ching Wo	395,000	-	-	-	-	-	(395,000)	-	08.04.2016	10.24	4
	48,000	-	-	-	-	-	(48,000)	-	10.04.2017	15.00	5
	36,000	-	-	-	-	-	(36,000)	-	10.04.2018	23.15	7
	36,000	-	-	-	-	-	(36,000)	-	10.04.2019	19.90	10
	48,000	-	-	-	-	-	(48,000)	-	14.04.2020	12.70	13
	48,000	-	-	-	-	-	(48,000)	-	07.04.2021	16.38	14
Mr. John William Crawford	57,000	-	-	-	-	-	(57,000)	-	14.04.2020	12.70	13
	42,000	-	-	-	-	-	(42,000)	-	07.04.2021	16.38	14
Mr. Tsui Che Yin, Frank	1,040,000	-	-	-	-	-	(1,040,000)	-	08.04.2016	10.24	4
	18,000	-	-	-	-	-	(18,000)	-	10.04.2018	23.15	7
	16,000	-	-	-	-	-	(16,000)	-	10.04.2019	19.90	10
	45,000	-	-	-	-	-	(45,000)	-	14.04.2020	12.70	13
	39,000	-	-	-	-	-	(39,000)	-	07.04.2021	16.38	14
Ms. Karuna Evelyne Shinsho	22,000	-	-	-	-	-	(22,000)	-	10.04.2019	19.90	10
	48,000	-	-	-	-	-	(48,000)	-	14.04.2020	12.70	13
	36,000	-	-	-	-	-	(36,000)	-	07.04.2021	16.38	14
Sub-total	30,616,000	-	-	-	-	-	(30,616,000)	-			
Employees	458,000	-	-	-	-	-	(458,000)	-	08.04.2016	10.24	4
	129,000	-	-	-	-	-	(129,000)	-	10.04.2017	15.00	5
	321,000	-	-	-	-	-	(321,000)	-	10.04.2018	23.15	7
	352,000	-	-	-	-	-	(352,000)	-	10.04.2019	19.90	10
	594,000	-	-	-	-	-	(594,000)	-	14.04.2020	12.70	13
	483,000	-	-	-	-	-	(483,000)	-	07.04.2021	16.38	14
	-	933,000	-	-	-	-	-	933,000	06.04.2022	7.278	15
	-	-	453,000	-	-	-	-	453,000	06.04.2022	7.278	16
Sub-total	2,337,000	933,000	453,000	-	-	-	(2,337,000)	1,386,000			
Service provider	354,000	-	-	-	-	-	(354,000)	-	08.04.2016	10.24	4
	54,000	-	-	-	-	-	(54,000)	-	10.04.2018	23.15	7
	58,000	-	-	-	-	-	(58,000)	-	10.04.2019	19.90	10
	96,000	-	-	-	-	-	(96,000)	-	14.04.2020	12.70	13
	75,000	-	-	-	-	-	(75,000)	-	07.04.2021	16.38	14
Sub-total	637,000	-	-	-	-	-	(637,000)	-			
Others[19]	1,499,000	-	-	-	-	-	-	1,499,000	08.04.2016	10.24	4
	202,000	-	-	-	-	-	-	202,000	10.04.2017	15.00	5
	141,000	-	-	-	-	-	-	141,000	10.04.2018	23.15	7
	107,000	-	-	-	-	-	-	107,000	10.04.2019	19.90	10
	74,000	-	-	-	-	-	-	74,000	14.04.2020	12.70	13
Sub-total	2,023,000	-	-	-	-	-	-	2,023,000			
Total	**35,613,000**	**933,000**	**453,000**	**-**	**-**	**-**	**(33,590,000)**	**3,409,000**			

Notes:

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

2. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$9.42.

3. 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.

4. 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.

5 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.

6 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.

7. 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.

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

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

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

15. The share options granted on 6 April 2022 are divided into 3 tranches exercisable from 6 April 2023, 6 April 2024 and 6 April 2025, respectively, to 5 April 2032.

16. The share options granted on 6 April 2022 are divided into 2 tranches exercisable from 6 April 2023 and 6 April 2024, respectively, to 5 April 2032.

17. The number of share options granted during the year excludes the number of share options granted under the Melco Option Exchange Program during the year.

18. The number of share options cancelled during the year excludes the number of share options cancelled under the Melco Option Exchange Program during the year.

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

On 6 April 2022, the Company, under the 2012 Share Option Scheme,

(1) granted 453,000 Melco Replacement Share Options to eligible participants under the Melco Option Exchange Program; and

(2) apart from those granted under the Melco Option Exchange Program, granted 933,000 new share options (the "Melco New Share Options") to certain employees of the Group.

The grant of 453,000 Melco Replacement Share Options and 933,000 Melco New Share Options, representing 0.09% of the total number of issued shares of the Company on the date of grant, will involve issuance of new shares of the Company upon the exercise of share options by the participants. The validity period of these share options is ten years, from 6 April 2022 to 5 April 2032. Such share options entitle the participants to subscribe for a total of 1,386,000 ordinary shares of the Company at an exercise price of HK$7.278 per share. The closing price of the shares of the Company immediately before the date on which these share options were granted was HK$7.46. The aggregate estimated fair value of these share options granted at the date of grant was HK$4,181,290, in which the fair value of Melco Replacement Share Options was measured on the Melco Modification Date in accordance with Hong Kong Financial Reporting Standard 2 Share-based Payment ("HKFRS 2"). The weighted average fair value per share option granted was HK$3.02.

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

Grant/modification date of the share options	**6 April 2022**
Valuation model	Black-Scholes
Exercise price	HK$7.278
Expected volatility	46% - 48%
Expected life	4.1 - 6.1 years
Risk-free rate	2.24% - 2.41%
Expected dividend yield	0%
Suboptimal exercise factor	N/A

The significant assumptions used in the model include the following: 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.

No share options were granted, exercised, cancelled or lapsed under the 2022 Share Option Scheme during the year ended 31 December 2022, and there were no outstanding share options under the 2022 Share Option Scheme as at 31 December 2022.

Share Subscription Scheme

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

The shares of the Company to be awarded pursuant to the Share Subscription Scheme may be awarded in such manner as the Board (or such committee delegated with the power and authority by the Board to administer the scheme) (the "Board or its delegated committee") may determine from time to time. The shares awarded to the participants under the Share Subscription Scheme will be settled by allotment of new shares of the Company.

The following is a summary of the principal terms of the Share Subscription Scheme:

(i) Purpose of the scheme

To recognise 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.

(ii) Participants of the scheme

Those eligible persons (i.e. directors and employees of any members of the Group and consultants and/or advisers engaged or appointed by any members of the Group) selected by the Board or its delegated committee for participation in the scheme, and those eligible persons selected by the trustee of the scheme after taking into consideration the Board's recommendations.

(iii) Operation of the scheme

The Board or its delegated committee 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 scheme. The scheme limit of this scheme is 2% of the total number of issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible persons on vesting and providing that the Board or its delegated committee may resolve to increase such limit at its sole discretion).

The Board or its delegated committee 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 scheme. Where a notional cash amount has been determined by the Board or its delegated committee, the Board or its delegated committee 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 or its delegated committee of either (i) the Relevant Number of Shares (where the Board or its delegated committee has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board or its delegated committee 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 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 or its delegated committee 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 or its delegated committee at its discretion.

The Board or its delegated committee may by resolution terminate the operation of the scheme.

(iv) Total number of shares available for issue under the scheme and percentage of issued shares as at the date of this annual report

The maximum number of shares administered under the scheme shall not exceed 2% of the issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible persons on vesting and providing that the Board or its delegated committee may resolve to increase such limit at its sole discretion).

Under the scheme, the total number of shares of the Company available for award to selected participants as at 1 January 2022 and 31 December 2022 was 30,333,675, representing 2.00% of the total number of shares of the Company in issue. No share awards were granted under the scheme since 2009.

(v) Maximum entitlement of each participant under the scheme

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.

(vi) The period within which the awarded shares must be taken up under an award

No such provision in the scheme.

(vii) The vesting period of the awarded shares

As determined by the Board or its delegated committee at its discretion.

(viii) The amount payable on acceptance of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid

No such provision in the scheme.

(ix) The basis of determining the subscription price of shares awarded

As determined by the Board or its delegated committee at its discretion.

(x) The remaining life of the scheme

The scheme has a term of 20 years from the date of its adoption until 17 October 2027. Share awards were not granted under the scheme since 2009 and no awards will be granted thereunder until the scheme has been amended in accordance with the Chapter 17 of the Listing Rules.

No share awards were granted, vested, cancelled or lapsed during the year ended 31 December 2022 and there were no outstanding awarded shares as at 31 December 2022 under the Share Subscription Scheme.

None of the participants has been granted share options and/or share awards (involving issue of new shares) by the Company that exceed 1% of the total number of issued shares of the Company and none of the related entity participants (in case of the Company, directors and employees of associated companies of the Company) (the "Related Entity Participants") or service providers/consultants has been granted share options and/or share awards (involving issue of new shares) by the Company that exceed 0.1% of the total number of issued shares of the Company in any 12-month period.

The number of shares of the Company that may be issued in respect of the share options and share awards granted under all share schemes of the Company involving issue of new shares during the year ended 31 December 2022 divided by the weighted average number of shares of the Company in issue for the year ended 31 December 2022 was 0.09%.

(II) Share scheme funded by existing shares

Share Purchase Scheme

On 18 October 2007, the Company adopted a share incentive award scheme, namely The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme"), with certain rules of such scheme amended on 12 June 2015, 31 March 2020 and 6 April 2022.

The shares of the Company to be awarded pursuant to the Share Purchase Scheme may be awarded in such manner as the Board (or such committee delegated with the power and authority by the Board to administer the scheme) (the "Board or its delegated committee") may determine from time to time. The shares awarded to the participants under the Share Purchase Scheme will be settled by the shares of the Company purchased in the market.

The following is a summary of the principal terms of the Share Purchase Scheme:

(i) Purpose of the scheme

To recognise 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.

(ii) Participants of the scheme

Those eligible persons (i.e. directors and employees of any members of the Group and consultants and/or advisers engaged or appointed by any members of the Group) selected by the Board or its delegated committee for participation in the scheme, and those eligible persons selected by the trustee of the scheme after taking into consideration the Board or its delegated committee's recommendations.

(iii) Operation of the scheme

The Board or its delegated committee may, subject to the rules relating to the 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 scheme. The scheme limit of this scheme is 3% of the total number of issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible persons on vesting and providing that the Board or its delegated committee may resolve to increase such limit at its sole discretion).

The Board or its delegated committee 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 of the Company which it wishes to be the subject of a bonus or award under the scheme. Where a sum of money has been set aside (or a number of shares of the Company 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 or its delegated committee 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 or its delegated committee at its discretion and the trustee shall cause the vested shares to be transferred to the selected eligible person or deliver share certificate(s) representing the relevant number of vested shares to the selected eligible person in accordance with the terms of this scheme.

The Board or its delegated committee may by resolution terminate the operation of the scheme.

(iv) Total number of shares available for issue under the scheme and percentage of issued shares as at the date of this annual report

The maximum number of shares administered under the scheme shall not exceed 3% of the issued shares of the Company from time to time, provided that the shares which have been transferred to participants upon vesting shall be left out of account when ascertaining such percentage and provided further that the Board or its delegated committee may resolve to increase such limit at its sole discretion.

(v) Maximum entitlement of each participant under the scheme

No such provision in the scheme.

(vi) The period within which the awarded shares must be taken up under an award

No such provision in the scheme.

(vii) The vesting period of the awarded shares

As determined by the Board or its delegated committee at its discretion.

(viii) The amount payable on acceptance of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid

No such provision in the scheme.

(ix) The basis of determining the purchase price of shares awarded

Not applicable.

(x) The remaining life of the scheme

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

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 2022 were as follows:

	Number of awarded shares								
Category of participants	As at 1 January 2022	Awarded during the year[3]	Awarded under Melco Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of award	Vesting date
Directors									
Mr. Ho, Lawrence Yau Lung	3,584,000	-	-	-	-	-	3,584,000	14.04.2020	14.04.2023[1]
	5,946,000	-	-	-	-	-	5,946,000	07.04.2021	07.04.2023[2]
	-	4,573,000	765,000	-	-	-	5,338,000	06.04.2022	06.04.2023
	-	4,573,000	765,000	-	-	-	5,338,000	06.04.2022	06.04.2024
	-	4,572,000	-	-	-	-	4,572,000	06.04.2022	06.04.2025
	9,530,000	13,718,000	1,530,000	-	-	-	24,778,000		
Mr. Evan Andrew Winkler	70,000	-	-	(70,000)	-	-	-	10.04.2019	10.04.2022
	1,626,000	-	-	(1,626,000)	-	-	-	06.09.2019	30.06.2022
	-	-	3,287,000	-	-	-	3,287,000	06.04.2022	06.04.2023
	-	-	3,286,000	-	-	-	3,286,000	06.04.2022	06.04.2024
	1,696,000	-	6,573,000	(1,696,000)	-	-	6,573,000		
Mr. Chung Yuk Man, Clarence	14,000	-	-	(14,000)	-	-	-	10.04.2019	10.04.2022
	22,000	-	-	(22,000)	-	-	-	14.04.2020	14.04.2022
	22,000	-	-	-	-	-	22,000	14.04.2020	14.04.2023
	17,000	-	-	(17,000)	-	-	-	07.04.2021	07.04.2022
	17,000	-	-	-	-	-	17,000	07.04.2021	07.04.2023
	17,000	-	-	-	-	-	17,000	07.04.2021	07.04.2024
	-	190,000	-	(190,000)	-	-	-	06.04.2022	06.04.2022
	-	210,000	612,000	-	-	-	822,000	06.04.2022	06.04.2023
	-	211,000	611,000	-	-	-	822,000	06.04.2022	06.04.2024
	-	211,000	-	-	-	-	211,000	06.04.2022	06.04.2025
	109,000	822,000	1,223,000	(243,000)	-	-	1,911,000		

Category of participants	Number of awarded shares: As at 1 January 2022	Awarded during the year[3]	Awarded under Melco Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of award	Vesting date
Mr. Ng Ching Wo	3,000	-	-	(3,000)	-	-	-	10.04.2019	10.04.2022
	4,000	-	-	(4,000)	-	-	-	14.04.2020	14.04.2022
	4,000	-	-	-	-	-	4,000	14.04.2020	14.04.2023
	4,000	-	-	(4,000)	-	-	-	07.04.2021	07.04.2022
	4,000	-	-	-	-	-	4,000	07.04.2021	07.04.2023
	4,000	-	-	-	-	-	4,000	07.04.2021	07.04.2024
	-	25,000	115,000	-	-	-	140,000	06.04.2022	06.04.2023
	-	25,000	115,000	-	-	-	140,000	06.04.2022	06.04.2024
	-	24,000	-	-	-	-	24,000	06.04.2022	06.04.2025
	23,000	74,000	230,000	(11,000)	-	-	316,000		
Mr. John William Crawford	5,000	-	-	(5,000)	-	-	-	14.04.2020	14.04.2022
	4,000	-	-	-	-	-	4,000	14.04.2020	14.04.2023
	4,000	-	-	(4,000)	-	-	-	07.04.2021	07.04.2022
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2023
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2024
	-	23,000	20,000	-	-	-	43,000	06.04.2022	06.04.2023
	-	22,000	20,000	-	-	-	42,000	06.04.2022	06.04.2024
	-	22,000	-	-	-	-	22,000	06.04.2022	06.04.2025
	19,000	67,000	40,000	(9,000)	-	-	117,000		
Mr. Tsui Che Yin, Frank	1,000	-	-	(1,000)	-	-	-	10.04.2019	10.04.2022
	4,000	-	-	(4,000)	-	-	-	14.04.2020	14.04.2022
	3,000	-	-	-	-	-	3,000	14.04.2020	14.04.2023
	3,000	-	-	(3,000)	-	-	-	07.04.2021	07.04.2022
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2023
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2024
	-	20,000	226,000	-	-	-	246,000	06.04.2022	06.04.2023
	-	20,000	225,000	-	-	-	245,000	06.04.2022	06.04.2024
	-	20,000	-	-	-	-	20,000	06.04.2022	06.04.2025
	17,000	60,000	451,000	(8,000)	-	-	520,000		
Ms. Karuna Evelyne Shinsho	2,000	-	-	(2,000)	-	-	-	10.04.2019	10.04.2022
	4,000	-	-	(4,000)	-	-	-	14.04.2020	14.04.2022
	4,000	-	-	-	-	-	4,000	14.04.2020	14.04.2023
	3,000	-	-	(3,000)	-	-	-	07.04.2021	07.04.2022
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2023
	3,000	-	-	-	-	-	3,000	07.04.2021	07.04.2024
	-	19,000	21,000	-	-	-	40,000	06.04.2022	06.04.2023
	-	19,000	20,000	-	-	-	39,000	06.04.2022	06.04.2024
	-	18,000	-	-	-	-	18,000	06.04.2022	06.04.2025
	19,000	56,000	41,000	(9,000)	-	-	107,000		
Sub-total	11,413,000	14,797,000	10,088,000	(1,976,000)	-	-	34,322,000		

	Number of awarded shares								
Category of participants	**As at 1 January 2022**	**Awarded during the year[3]**	**Awarded under Melco Option Exchange Program during the year**	**Vested during the year**	**Lapsed during the year**	**Cancelled during the year**	**As at 31 December 2022**	**Date of award**	**Vesting date**
Employees	31,000	-	-	(31,000)	-	-	-	10.04.2019	10.04.2022
	49,000	-	-	(49,000)	-	-	-	14.04.2020	14.04.2022
	49,000	-	-	-	-	-	49,000	14.04.2020	14.04.2023
	41,000	-	-	(41,000)	-	-	-	07.04.2021	07.04.2022
	39,000	-	-	-	-	-	39,000	07.04.2021	07.04.2023
	39,000	-	-	-	-	-	39,000	07.04.2021	07.04.2024
	-	109,000	-	(109,000)	-	-	-	06.04.2022	06.04.2022
	-	225,000	354,000	-	-	-	579,000	06.04.2022	06.04.2023
	-	221,000	349,000	-	-	-	570,000	06.04.2022	06.04.2024
	-	220,000	-	-	-	-	220,000	06.04.2022	06.04.2025
Sub-total	248,000	775,000	703,000	(230,000)	-	-	1,496,000		
Service providers	5,000	-	-	(5,000)	-	-	-	10.04.2019	10.04.2022
	8,000	-	-	(8,000)	-	-	-	14.04.2020	14.04.2022
	8,000	-	-	-	-	-	8,000	14.04.2020	14.04.2023
	6,000	-	-	(6,000)	-	-	-	07.04.2021	07.04.2022
	6,000	-	-	-	-	-	6,000	07.04.2021	07.04.2023
	6,000	-	-	-	-	-	6,000	07.04.2021	07.04.2024
	-	39,000	121,000	-	-	-	160,000	06.04.2022	06.04.2023
	-	39,000	120,000	-	-	-	159,000	06.04.2022	06.04.2024
	-	38,000	-	-	-	-	38,000	06.04.2022	06.04.2025
Sub-total	39,000	116,000	241,000	(19,000)	-	-	377,000		
Others[4]	12,000	-	-	(12,000)	-	-	-	10.04.2019	10.04.2022
	15,000	-	-	(15,000)	-	-	-	14.04.2020	14.04.2022
	14,000	-	-	-	-	-	14,000	14.04.2020	14.04.2023
Sub-total	41,000	-	-	(27,000)	-	-	14,000		
Total	**11,741,000**	**15,688,000**	**11,032,000**	**(2,252,000)**	**-**	**-**	**36,209,000**		

Movements of the awarded shares granted to the five highest paid individuals of the Group (including two Directors and three employees who are neither a Director nor the Chief Executive of the Company) (the "Five Highest Paid Individuals") pursuant to the terms of the rules and trust deed of the Share Purchase Scheme during the year ended 31 December 2022 were as follows:

	Number of awarded shares								
Category of participants	As at 1 January 2022	Awarded during the year[3]	Awarded under Melco Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of award	Vesting date
Five Highest Paid Individuals	92,000	-	-	(92,000)	-	-	-	10.04.2019	10.04.2022
	1,626,000	-	-	(1,626,000)	-	-	-	06.09.2019	30.06.2022
	36,000	-	-	(36,000)	-	-	-	14.04.2020	14.04.2022
	3,584,000	-	-	-	-	-	3,584,000	14.04.2020	14.04.2023[1]
	36,000	-	-	-	-	-	36,000	14.04.2020	14.04.2023
	28,000	-	-	(28,000)	-	-	-	07.04.2021	07.04.2022
	5,946,000	-	-	-	-	-	5,946,000	07.04.2021	07.04.2023[2]
	27,000	-	-	-	-	-	27,000	07.04.2021	07.04.2023
	27,000	-	-	-	-	-	27,000	07.04.2021	07.04.2024
	-	4,726,000	4,254,000	-	-	-	8,980,000	06.04.2022	06.04.2023
	-	4,725,000	4,251,000	-	-	-	8,976,000	06.04.2022	06.04.2024
	-	4,724,000	-	-	-	-	4,724,000	06.04.2022	06.04.2025
Total	**11,402,000**	**14,175,000**	**8,505,000**	**(1,782,000)**	**-**	**-**	**32,300,000**		

Notes:

1. The vesting date of the awarded shares has been deferred from 14 April 2022 to 14 April 2023.

2. The vesting date of the awarded shares has been deferred from 7 April 2022 to 7 April 2023.

3. The number of awarded shares granted during the year excludes the number of awarded shares granted under the Melco Option Exchange Program during the year.

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

5. In respect of the awarded shares vested during the year, the weighted average closing price of the shares of the Company immediately before the dates on which the awarded shares vested was HK$6.32. The participants are not required to pay any purchase price for the awarded shares upon vesting subject to the share award.

On 6 April 2022, a total of 26,720,000 awarded shares (including 11,032,000 awarded shares granted pursuant to the Melco Option Exchange Program) were granted under the Share Purchase Scheme, representing 1.76% of the total number of issued shares of the Company on the date of grant and such awarded shares are expected to be funded by the existing shares of the Company and not to involve issuance of new shares of the Company upon vesting. The participants are not required to pay any purchase price for the awarded shares upon vesting subject to the share award. The closing price of the shares of the Company immediately before the date on which these awarded shares were granted was HK$7.46. The aggregate fair value of the awarded shares granted at the date of grant was HK$189,712,000 which was determined with reference to the closing price of the ordinary shares of the Company as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange at the date of award, or on the Melco Modification Date for the Melco Replacement Share Awards in accordance with HKFRS 2. The weighted average fair value per awarded share granted was HK$7.10.

(III) Share schemes of principal subsidiary involving issue of new shares and/or funded by existing shares

Melco Resorts' Share Incentive Plans

Melco Resorts adopted a share incentive plan in 2011 (as subsequently amended) (the "Melco Resorts Amended 2011 Share Incentive Plan"), which was terminated on 6 December 2021, and a new share incentive plan (the "Melco Resorts 2021 Share Incentive Plan") which was approved by the Company's shareholders on 4 June 2021 and became effective on 6 December 2021. No further awards may be granted under the Melco Resorts Amended 2011 Share Incentive Plan. All subsequent awards will be granted under the Melco Resorts 2021 Share Incentive Plan. All awards previously granted under the Melco Resorts Amended 2011 Share Incentive Plan shall remain valid subject to the terms and conditions of the plan.

Melco Resorts is a principal subsidiary of the Company under the new Chapter 17 of the Listing Rules, which became effective on 1 January 2023. Accordingly, the share incentive plans of Melco Resorts are subject to Chapter 17 of the Listing Rules (subject to the transitional arrangements made available by the Hong Kong Stock Exchange).

The following is a summary of the principal terms of the Melco Resorts Amended 2011 Share Incentive Plan and the Melco Resorts 2021 Share Incentive Plan:

(i) Purpose of the plans

To promote the success and enhance the value of Melco Resorts, by linking the personal interests of the members of its board, employees and consultants, its parents, its subsidiaries and its related entities to those of Melco Resorts' shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Melco Resorts' shareholders; and to provide flexibility to Melco Resorts in its ability to motivate, attract, and retain the services of the members of Melco Resorts' board, and employees and consultants upon whose judgment, interest and special effort the successful conduct of Melco Resorts' operation is largely dependent.

(ii) Types of awards

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

(iii) Participants of the plans

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

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

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

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

(v) *Total number of Melco Resorts Shares available for issue under the plans and percentage of issued shares of Melco Resorts as at the date of this annual report*

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

Following the termination of the Melco Resorts Amended 2011 Share Incentive Plan on 6 December 2021, no further share options could be granted thereunder. As at the date of this report, a total of 2,845,719 Melco Resorts Shares may be issued upon exercise of all share options which had been granted and yet to be exercised under the Melco Resorts Amended 2011 Share Incentive Plan, representing 0.21% of the total number of Melco Resorts Shares in issue.

Under Melco Resorts 2021 Share Incentive Plan, the total number of Melco Resorts Shares available for grant was 145,654,794 at 1 January 2022, and 115,536,483 at 31 December 2022, representing 10.00% and 8.43%, respectively, of the total number of Melco Resorts Shares in issue.

As at the date of this report, a total of 5,360,526 Melco Resorts Shares may be issued upon exercise of all share options which had been granted and yet to be exercised under the Melco Resorts 2021 Share Incentive Plan, representing 0.40% of the total number of Melco Resorts Shares in issue.

(vi) *Maximum entitlement of each participant under the plans*

The total number of Melco Resorts Shares issued and to be issued upon exercise of the 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 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.

(vii) *The period within which the option may be exercised*

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

(viii) *The vesting period of options or awards granted*

As determined by the Melco Resorts Compensation Committee.

(ix) *The amount payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid*

As determined by the Melco Resorts Compensation Committee.

(x) *The basis of determining the exercise price of options granted or the purchase price of shares awarded*

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

(xi) *The remaining life of the plans*

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

Share options granted by Melco Resorts

On 28 March 2022, the compensation committee of Melco Resorts approved a proposal to allow for an option exchange program, designed to provide the eligible participants an opportunity to exchange certain outstanding underwater share options for new share options and new restricted shares to be granted, subject to eligible participants' consent (the "Melco Resorts Option Exchange Program"). The share options eligible for exchange under the Melco Resorts Option Exchange Program were those that were granted during the years from 2012 to 2021 under the Melco Resorts Amended 2011 Share Incentive Plan, including those unvested, or vested but not exercised or the unexercised share options granted in 2012 but expired in March 2022. The Melco Resorts Option Exchange Program became unconditional and effective on 15 April 2022, the date Melco Resorts accepted the eligible participants' consent (the "Melco Resorts Modification Date"), with a total of 26,076,978 eligible share options were tendered and surrendered by eligible participants (the "Melco Resorts Cancelled Share Options") and Melco Resorts granted an aggregate of 2,486,241 new share options (the "Melco Resorts Replacement Share Options") and 5,912,547 new restricted shares (the "Melco Resorts Replacement Restricted Shares") under the Melco Resorts 2021 Share Incentive Plan. The Melco Resorts Replacement Share Options and the Melco Resorts Replacement Restricted Shares have vesting periods of one to two years.

Movements of share options granted under the Melco Resorts Amended 2011 Share Incentive Plan and the Melco Resorts 2021 Share Incentive Plan during the year ended 31 December 2022 were as follows:

(i) Share options granted to the Directors

	Number of share options									
Name of Director	**As at 1 January 2022**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Cancelled under Melco Resorts Option Exchange Program during the year**	**As at 31 December 2022**	**Date of grant**	**Exercise price *US$***	**Exercise period *(Note)***
Under the Melco Resorts Amended 2011 Share Incentive Plan										
Mr. Ho, Lawrence Yau Lung	474,399	-	-	(474,399)	-	-	-	29.03.2012	3.93	3
	362,610	-	-	-	-	(362,610)	-	10.05.2013	5.32	4
	320,343	-	-	-	-	(320,343)	-	28.03.2014	5.32	5
	690,291	-	-	-	-	(690,291)	-	30.03.2015	5.32	6
	1,302,840	-	-	-	-	(1,302,840)	-	18.03.2016	5.32	7
	1,470,000	-	-	-	-	(1,470,000)	-	31.03.2017	6.18	9
	1,470,000	-	-	-	-	(1,470,000)	-	02.04.2018	9.40	13
Total	**6,090,483**	**-**	**-**	**(474,399)**	**-**	**(5,616,084)**	**-**			

(ii) Share options granted to other eligible participants

Category of participants	As at 1 January 2022	Granted during the year[29]	Granted under Melco Resorts Option Exchange Program during the year	Exercised during the year	Lapsed during the year	Cancelled during the year[30]	Cancelled under Melco Resorts Option Exchange Program during the year	Modified during the year	Reclassified during the year	As at 31 December 2022	Date of grant	Exercise price US$	Exercise period *(Note)*
	Number of share options												
Under the Melco Resorts Amended 2011 Share Incentive Plan													
Employees	250,554	-	-	-	(221,850)	-	-	-	(28,704)	-	29.03.2012	3.93	3
	183,108	-	-	-	-	-	(178,158)	-	(4,950)	-	10.05.2013	5.32	4
	188,295	-	-	-	-	-	(177,963)	-	(10,332)	-	28.03.2014	5.32	5
	382,401	-	-	-	-	-	(354,450)	-	(18,702)	9,249	30.03.2015	5.32	6
	811,353	-	-	-	-	-	(758,595)	-	(35,298)	17,460	18.03.2016	5.32	7
	191,328	-	-	-	-	-	(191,328)	-	-	-	23.12.2016	4.79	8
	1,710,996	-	-	-	-	-	(1,520,580)	-	(159,252)	31,164	31.03.2017	6.18	9
	34,518	-	-	-	-	-	(34,518)	-	-	-	08.09.2017	7.61	10
	36,225	-	-	-	-	-	(36,225)	-	-	-	16.03.2018	9.15	11
	2,189,871	-	-	-	-	-	(1,967,733)	-	(195,687)	26,451	29.03.2018	9.66	12
	453,894	-	-	-	-	-	(453,894)	-	-	-	23.11.2018	5.66	14
	2,860,860	-	-	-	-	(25,380)	(2,546,598)	-	(218,508)	70,374	01.04.2019	8.14	15
	8,844,348	-	-	-	-	(246,945)	(7,855,002)	-	(490,734)	251,667	31.03.2020	4.13	16
	3,805,338	-	-	-	-	(153,690)	(3,386,190)	-	(156,678)	108,780	07.04.2021	6.89	17
	223,476	-	-	-	-	-	(223,476)	-	-	-	11.06.2021	5.83	18
Sub-total	22,166,565	-	-	-	(221,850)	(426,015)	(19,684,710)	-	(1,318,845)	515,145			
Service providers	-	-	-	-	(11,859)	-	-	-	11,859	-	29.03.2012	3.93	3
	19,596	-	-	-	-	-	(19,596)	-	-	-	10.05.2013	5.32	4
	17,046	-	-	-	-	-	(17,046)	-	-	-	28.03.2014	5.32	5
	41,898	-	-	-	-	-	(41,898)	-	-	-	30.03.2015	5.32	6
	90,990	-	-	-	-	-	(90,990)	-	-	-	18.03.2016	5.32	7
	78,570	-	-	-	-	-	(78,570)	-	-	-	31.03.2017	6.18	9
	69,675	-	-	-	-	-	(69,675)	-	-	-	29.03.2018	9.66	12
	88,296	-	-	-	-	-	(88,296)	-	-	-	01.04.2019	8.14	15
	268,407	-	-	-	-	-	(268,407)	-	-	-	31.03.2020	4.13	16
	95,424	-	-	-	-	-	(95,424)	-	-	-	07.04.2021	6.89	17
	6,282	-	-	-	-	-	(6,282)	-	-	-	11.06.2021	5.83	18
Sub-total	776,184	-	-	-	(11,859)	-	(776,184)	-	11,859	-			
Others[28]	-	-	-	-	(16,845)	-	-	-	16,845	-	29.03.2012	3.93	3
	43,140	-	-	-	(9,249)	-	-	-	4,950	38,841	10.05.2013	5.32	4
	64,656	-	-	-	(18,372)	-	-	-	10,332	56,616	28.03.2014	5.32	5
	112,155	-	-	-	(33,258)	-	-	-	18,702	97,599	30.03.2015	5.32	6
	211,677	-	-	-	(62,769)	-	-	-	35,298	184,206	18.03.2016	5.32	7
	156,546	-	-	-	(48,783)	-	-	(122,583)	159,252	144,432	31.03.2017	6.18	9
	-	-	-	-	-	-	-	122,583	-	122,583	31.03.2017	6.18	21
	242,233	-	-	-	(130,450)	(99,456)	-	(92,982)	195,687	115,032	29.03.2018	9.66	12
	-	-	-	-	-	-	-	92,982	-	92,982	29.03.2018	9.66	22
	175,869	-	-	-	(126,201)	-	-	(119,874)	218,508	148,302	01.04.2019	8.14	15
	-	-	-	-	-	-	-	59,937	-	59,937	01.04.2019	8.14	23
	-	-	-	-	-	-	-	59,937	-	59,937	01.04.2019	8.14	24
	462,768	-	-	-	(93,903)	-	-	(384,237)	490,734	475,362	31.03.2020	4.13	16
	-	-	-	-	-	-	-	384,237	-	384,237	31.03.2020	4.13	25
	193,830	-	-	-	-	-	-	(156,678)	156,678	193,830	07.04.2021	6.89	17
	-	-	-	-	-	-	-	78,339	-	78,339	07.04.2021	6.89	26
	-	-	-	-	-	-	-	78,339	-	78,339	07.04.2021	6.89	27
Sub-total	1,662,874	-	-	-	(539,830)	(99,456)	-	-	1,306,986	2,330,574			
Total	**24,605,623**	**-**	**-**	**-**	**(773,539)**	**(525,471)**	**(20,460,894)**	**-**	**-**	**2,845,719**			
Under the Melco Resorts 2021 Share Incentive Plan													
Employees	-	2,874,285	-	-	-	-	-	-	-	2,874,285	06.04.2022	2.47	19
	-	-	2,486,241	-	-	-	-	-	-	2,486,241	06.04.2022	2.47	20
Total	**-**	**2,874,285**	**2,486,241**	**-**	**-**	**-**	**-**	**-**	**-**	**5,360,526**			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. Since there were no share options exercised during the year, there is no weighted average closing price of Melco Resorts Shares in respect thereof for the year.
3. The share 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.
4. The share 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.
5. The share 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.
6. The share 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.
7. The share 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.
8. The share options granted on 23 December 2016 are exercisable from 26 September 2019 to 22 December 2026.
9. The share options granted on 31 March 2017 are exercisable from 30 March 2020 to 30 March 2027.
10. The share options granted on 8 September 2017 are exercisable from 8 September 2019 to 7 September 2027.
11. The share options granted on 16 March 2018 are exercisable from 16 March 2020 to 15 March 2028.
12. The share options granted on 29 March 2018 are divided into 2 tranches exercisable from 29 March 2020 and 29 March 2021, respectively, to 28 March 2028.
13. The share 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.
14. The share options granted on 23 November 2018 are exercisable from 23 November 2020 to 22 November 2028.
15. The share 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.
16. The share 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.
17. The share options granted on 7 April 2021 are divided into 2 tranches exercisable from 7 April 2023 and 7 April 2024, respectively, to 6 April 2031.
18. The share options granted on 11 June 2021 are divided into 2 tranches exercisable from 11 June 2023 and 11 June 2024, respectively, to 10 June 2031.
19. The share options granted on 6 April 2022 are divided into 3 tranches exercisable from 6 April 2023, 6 April 2024 and 6 April 2025, respectively, to 5 April 2032.
20. The share options granted on 6 April 2022 are divided into 2 tranches exercisable from 6 April 2023 and 6 April 2024, respectively, to 5 April 2032.
21. The share options granted on 31 March 2017 are exercisable from 30 March 2020 to 8 January 2024.
22. The share options granted on 29 March 2018 are exercisable from 29 March 2020 and 29 March 2021, respectively, to 8 January 2024.
23. The share options granted on 1 April 2019 are exercisable from 1 April 2021 to 8 January 2024.
24. The share options granted on 1 April 2019 are exercisable from 1 April 2022 to 1 April 2024.
25. The share options granted on 31 March 2020 are exercisable from 31 March 2022 and 31 March 2023, respectively, to 31 March 2024.
26. The share options granted on 7 April 2021 are exercisable from 7 April 2023 to 7 April 2024.
27. The share options granted on 7 April 2021 are exercisable from 7 April 2024 to 7 April 2025.
28. The category “Others” represents former employees of Melco Resorts and its subsidiaries.
29. The number of share options granted during the year excludes the number of share options granted under the Melco Resorts Option Exchange Program during the year.
30. The number of share options cancelled during the year excludes the number of share options cancelled under the Melco Resorts Option Exchange Program during the year.

On 6 April 2022, Melco Resorts, under the Melco Resorts 2021 Share Incentive Plan,

(1) granted 2,486,241 Melco Resorts Replacement Share Options to the eligible participants under the Melco Resorts Option Exchange Program; and

(2) apart from those granted under the Melco Resorts Option Exchange Program, granted 2,874,285 new share options (the "Melco Resorts New Share Options") to eligible participants under the Melco Resorts 2021 Share Incentive Plan.

The 2,486,241 Melco Resorts Replacement Share Options and 2,874,285 Melco Resorts New Share Options granted by Melco Resorts, representing 0.37% of the total number of issued shares of Melco Resorts on the date of grant. Such share options will vest over a period of two years from 2023 to 2024 or over a period of three years from 2023 to 2025 and those that will vest in 2023 are expected to be funded by the existing shares of Melco Resorts and not to involve issuance of new shares of Melco Resorts upon the exercise of the share options by the participants. The validity period of these share options is ten years, from 6 April 2022 to 5 April 2032. Such share options entitle the eligible participants to subscribe for a total of 5,360,526 ordinary shares of Melco Resorts at an exercise price of US$2.47 per share of Melco Resorts. The closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market immediately before the date on which the Melco Resorts New Share Options and the Melco Resorts Replacement Share Options were granted was US$7.64 (representing approximately US$2.55 per share of Melco Resorts). The aggregate estimated fair value of the 5,360,526 share options granted at the date of grant was US$4,745,033, in which the fair value of Melco Resorts Replacement Share Options was measured on the Melco Resorts Modification Date in accordance with HKFRS 2. The weighted average fair value per share option granted was US$0.89.

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

Grant/modification date of the share options	**6 April 2022**	**15 April 2022**
Valuation model	Black-Scholes	Black-Scholes
Exercise price	US$2.47	US$2.47
Expected volatility	51.00%	52.50%
Expected life	5.1 years	4.6 years
Risk-free rate	2.69%	2.75%
Expected dividend yield	2.50%	2.50%

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

Restricted shares granted by Melco Resorts

Movements of the restricted shares granted under the Melco Resorts Amended 2011 Share Incentive Plan and the Melco Resorts 2021 Share Incentive Plan, during the year ended 31 December 2022 were as follows:

(i) Restricted shares granted to Directors

Name of Director	Number of restricted shares: As at 1 January 2022	Awarded during the year[6]	Awarded under Melco Resorts Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of award	Vesting date
Under the Melco Resorts Amended 2011 Share Incentive Plan									
Mr. Ho, Lawrence Yau Lung	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
	727,434	-	-	-	-	-	727,434	07.04.2021	07.04.2023
	727,434	-	-	-	-	-	727,434	07.04.2021	07.04.2024
	312,012	-	-	(312,012)	-	-	-	07.07.2021	07.01.2022
	312,012	-	-	(312,012)	-	-	-	07.07.2021	07.04.2022
	312,012	-	-	(312,012)	-	-	-	07.07.2021	07.07.2022
	7,665,858	-	-	(3,880,320)	-	-	3,785,538		
Mr. Evan Andrew Winkler	10,746	-	-	(10,746)	-	-	-	01.04.2019	01.04.2022
	21,168	-	-	(21,168)	-	-	-	31.03.2020	31.03.2022
	21,168	-	-	-	-	-	21,168	31.03.2020	31.03.2023
	12,693	-	-	(12,693)	-	-	-	07.04.2021	07.04.2022
	12,693	-	-	-	-	-	12,693	07.04.2021	07.04.2023
	12,693	-	-	-	-	-	12,693	07.04.2021	07.04.2024
	91,161	-	-	(44,607)	-	-	46,554		
Mr. Chung Yuk Man, Clarence	23,025	-	-	(23,025)	-	-	-	01.04.2019	01.04.2022
	48,993	-	-	(48,993)	-	-	-	31.03.2020	31.03.2022
	48,993	-	-	-	-	-	48,993	31.03.2020	31.03.2023
	27,201	-	-	(27,201)	-	-	-	07.04.2021	07.04.2022
	27,201	-	-	-	-	-	27,201	07.04.2021	07.04.2023
	27,201	-	-	-	-	-	27,201	07.04.2021	07.04.2024
	8,766	-	-	(8,766)	-	-	-	07.07.2021	07.01.2022
	8,766	-	-	(8,766)	-	-	-	07.07.2021	07.04.2022
	8,766	-	-	(8,766)	-	-	-	07.07.2021	07.07.2022
	228,912	-	-	(125,517)	-	-	103,395		

	Number of restricted shares								
Name of Director	As at 1 January 2022	Awarded during the year[(6)]	Awarded under Melco Resorts Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2022	Date of award	Vesting date
Mr. John William Crawford	10,746	-	-	(10,746)	-	-	-	01.04.2019	01.04.2022
	22,983	-	-	(22,983)	-	-	-	31.03.2020	31.03.2022
	22,983	-	-	-	-	-	22,983	31.03.2020	31.03.2023
	7,254	-	-	(7,254)	-	-	-	07.04.2021	07.04.2022
	7,254	-	-	-	-	-	7,254	07.04.2021	07.04.2023
	7,254	-	-	-	-	-	7,254	07.04.2021	07.04.2024
	78,474	-	-	(40,983)	-	-	37,491		
Total	**8,064,405**	**-**	**-**	**(4,091,427)**	**-**	**-**	**3,972,978**		
Under the Melco Resorts 2021 Share Incentive Plan									
Mr. Ho Lawrence Yau Lung	-	808,386	-	(808,386)	-	-	-	06.04.2022	06.04.2022
	-	1,347,312	653,148	-	-	-	2,000,460	06.04.2022	06.04.2023
	-	1,347,312	653,148	-	-	-	2,000,460	06.04.2022	06.04.2024
	-	1,347,312	-	-	-	-	1,347,312	06.04.2022	06.04.2025
	-	4,850,322	1,306,296	(808,386)	-	-	5,348,232		
Mr. Evan Andrew Winkler	-	35,472	-	-	-	-	35,472	06.04.2022	06.04.2023
	-	35,472	-	-	-	-	35,472	06.04.2022	06.04.2024
	-	35,472	-	-	-	-	35,472	06.04.2022	06.04.2025
	-	992,064	-	(992,064)	-	-	-	06.09.2022	06.09.2022
	-	992,064	-	-	-	-	992,064	06.09.2022	15.02.2023
	-	992,064	-	-	-	-	992,064	06.09.2022	15.05.2023
	-	3,082,608	-	(992,064)	-	-	2,090,544		
Mr. Chung Yuk Man, Clarence	-	36,486	-	(36,486)	-	-	-	06.04.2022	06.04.2022
	-	76,014	-	-	-	-	76,014	06.04.2022	06.04.2023
	-	76,014	-	-	-	-	76,014	06.04.2022	06.04.2024
	-	76,014	-	-	-	-	76,014	06.04.2022	06.04.2025
	-	264,528	-	(36,486)	-	-	228,042		
Mr. John William Crawford	-	20,271	-	-	-	-	20,271	06.04.2022	06.04.2023
	-	20,271	-	-	-	-	20,271	06.04.2022	06.04.2024
	-	20,271	-	-	-	-	20,271	06.04.2022	06.04.2025
	-	60,813	-	-	-	-	60,813		
Total	**-**	**8,258,271**	**1,306,296**	**(1,836,936)**	**-**	**-**	**7,727,631**		

(ii) Restricted shares granted to other eligible participants

Category of participants	Number of restricted shares: As at 1 January 2022	Awarded during the year[6]	Awarded under Melco Resorts Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Modified during the year	Reclassified during the year	As at 31 December 2022	Date of award	Vesting date
Under the Melco Resorts Amended 2011 Share Incentive Plan											
Directors of Melco Resorts Group (other than the Directors of the Company)	23,028	-	-	(23,028)	-	-	-	-	-	01.04.2019	01.04.2022
	50,805	-	-	(50,805)	-	-	-	-	-	31.03.2020	31.03.2022
	50,805	-	-	-	-	-	-	-	50,805	31.03.2020	31.03.2023
	21,762	-	-	(21,762)	-	-	-	-	-	07.04.2021	07.04.2022
	21,762	-	-	-	-	-	-	-	21,762	07.04.2021	07.04.2023
	21,762	-	-	-	-	-	-	-	21,762	07.04.2021	07.04.2024
Sub-total	189,924	-	-	(95,595)	-	-	-	-	94,329		
Employees	785,577	-	-	(756,360)	-	(18,927)	-	(10,290)	-	01.04.2019	01.04.2022
	1,614,138	-	-	(1,565,043)	-	(35,952)	-	(13,143)	-	31.03.2020	31.03.2022
	1,659,459	-	-	-	-	(133,200)	-	(102,240)	1,424,019	31.03.2020	31.03.2023
	78,576	-	-	(78,576)	-	-	-	-	-	24.11.2020	24.11. 2022
	1,052,277	-	-	-	-	(87,288)	-	(57,252)	907,737	07.04.2021	07.04.2023
	1,052,277	-	-	-	-	(87,288)	-	(57,252)	907,737	07.04.2021	07.04.2024
	31,923	-	-	-	-	-	-	-	31,923	11.06.2021	11.06.2023
	31,923	-	-	-	-	-	-	-	31,923	11.06.2021	11.06.2024
	1,092	-	-	-	-	(1,092)	-	-	-	07.07.2021	07.10.2021[1]
	1,153,608	-	-	(1,146,828)	-	(6,780)	-	-	-	07.07.2021	07.01.2022
	1,154,736	-	-	(1,084,398)	-	(69,210)	-	(1,128)	-	07.07.2021	07.04.2022
	1,154,736	-	-	(1,053,636)	-	(86,880)	-	(13,488)	732	07.07.2021	07.07.2022[2]
Sub-total	9,770,322	-	-	(5,684,841)	-	(526,617)	-	(254,793)	3,304,071		
Service providers	18,786	-	-	-	(18,786)	-	-	-	-	01.04.2019	01.04.2022
	49,536	-	-	-	(49,536)	-	-	-	-	31.03.2020	31.03.2022
	46,908	-	-	-	-	(6,645)	(4,269)	6,930	42,924	31.03.2020	31.03.2023[5]
	-	-	-	-	-	-	2,133	-	2,133	31.03.2020	01.06.2024[5]
	-	-	-	-	-	-	2,136	-	2,136	31.03.2020	09.06.2024[5]
	17,622	-	-	-	-	(3,993)	(2,565)	5,763	16,827	07.04.2021	07.04.2023[5]
	17,622	-	-	-	-	(3,993)	(2,565)	5,763	16,827	07.04.2021	07.04.2024[5]
	-	-	-	-	-	-	2,565	-	2,565	07.04.2021	01.06.2024[5]
	-	-	-	-	-	-	2,565	-	2,565	07.04.2021	09.06.2024[5]
	897	-	-	-	-	-	-	-	897	11.06.2021	11.06.2023
	897	-	-	-	-	-	-	-	897	11.06.2021	11.06.2024
	15,468	-	-	-	(15,468)	-	-	-	-	07.07.2021	07.01.2022
	14,340	-	-	-	(14,340)	(1,128)	-	1,128	-	07.07.2021	07.04.2022
	14,340	-	-	-	(14,340)	(1,128)	-	1,128	-	07.07.2021	07.07.2022
Sub-total	196,416	-	-	-	(112,470)	(16,887)	-	20,712	87,771		
Others[7]	10,692	-	-	(10,692)	-	-	-	-	-	29.03.2018	27.04.2022
	37,299	-	-	(47,589)	-	-	-	10,290	-	01.04.2019	01.04.2022
	31,920	-	-	(31,920)	-	-	-	-	-	01.04.2019	27.04.2022
	82,344	-	-	(95,487)	-	-	-	13,143	-	31.03.2020	31.03.2022
	100,179	-	-	(100,179)	-	-	-	-	-	31.03.2020	27.04.2022
	39,651	-	-	-	-	-	(36,360)	95,310	98,601	31.03.2020	31.03.2023[3][4]
	-	-	-	-	-	-	8,592	-	8,592	31.03.2020	01.04.2024[3]
	-	-	-	-	-	-	27,768	-	27,768	31.03.2020	07.04.2024[4]
	4,116	-	-	-	-	-	(19,722)	51,489	35,883	07.04.2021	07.04.2023[3][4]
	4,116	-	-	-	-	-	(5,163)	51,489	50,442	07.04.2021	07.04.2024[3][4]
	-	-	-	-	-	-	10,326	-	10,326	07.04.2021	01.04.2024[3]
	-	-	-	-	-	-	14,559	-	14,559	07.04.2021	07.04.2024[4]
	-	-	-	(12,360)	-	-	-	12,360	-	07.07.2021	07.07.2022
Sub-total	310,317	-	-	(298,227)	-	-	-	234,081	246,171		
Total	**10,466,979**	**-**	**-**	**(6,191,133)**	**-**	**(543,504)**	**-**	**-**	**3,732,342**		

Category of participants	As at 1 January 2022	Awarded during the year[6]	Awarded under Melco Resorts Option Exchange Program during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Modified during the year	Reclassified during the year	As at 31 December 2022	Date of award	Vesting date
	Number of restricted shares										
Under the Melco Resorts 2021 Share Incentive Plan											
Directors of Melco Resorts Group (other than the Directors of the Company)	-	60,813	-	-	-	-	-	-	60,813	06.04.2022	06.04.2023
	-	60,813	-	-	-	-	-	-	60,813	06.04.2022	06.04.2024
	-	60,813	-	-	-	-	-	-	60,813	06.04.2022	06.04.2025
Sub-total	-	182,439	-	-	-	-	-	-	182,439		
Employees	-	3,697,503	-	(3,697,503)	-	-	-	-	-	06.04.2022	06.04.2022
	-	2,307,084	2,201,937	-	-	(162,921)	-	(147,108)	4,198,992	06.04.2022	06.04.2023
	-	2,307,084	2,201,940	-	-	(162,921)	-	(147,108)	4,198,995	06.04.2022	06.04.2024
	-	2,307,084	-	-	-	(89,265)	-	(56,715)	2,161,104	06.04.2022	06.04.2025
	-	3,750	-	(3,750)	-	-	-	-	-	08.08.2022	08.08.2022
	-	1,110	-	-	-	-	-	-	1,110	08.08.2022	06.04.2023
	-	1,110	-	-	-	-	-	-	1,110	08.08.2022	06.04.2024
Sub-total	-	10,624,725	4,403,877	(3,701,253)	-	(415,107)	-	(350,931)	10,561,311		
Service providers	-	36,168	-	(36,168)	-	-	-	-	-	06.04.2022	06.04.2022
	-	60,306	101,187	-	-	(7,392)	(19,785)	33,543	167,859	06.04.2022	06.04.2023[5]
	-	60,306	101,187	-	-	(7,392)	(19,785)	33,543	167,859	06.04.2022	06.04.2024[5]
	-	60,306	-	-	-	(7,392)	(9,501)	15,420	58,833	06.04.2022	06.04.2025[5]
	-	-	-	-	-	-	24,534	-	24,534	06.04.2022	01.06.2024[5]
	-	-	-	-	-	-	24,537	-	24,537	06.04.2022	09.06.2024[5]
Sub-total	-	217,086	202,374	(36,168)	-	(22,176)	-	82,506	443,622		
Others[7]	-	-	-	-	-	-	(86,034)	113,565	27,531	06.04.2022	06.04.2023[4]
	-	-	-	-	-	-	86,034	113,565	199,599	06.04.2022	06.04.2024[4]
	-	-	-	-	-	-	-	41,295	41,295	06.04.2022	06.04.2025
Sub-total	-	-	-	-	-	-	-	268,425	268,425		
Total	**-**	**11,024,250**	**4,606,251**	**(3,737,421)**	**-**	**(437,283)**	**-**	**-**	**11,455,797**		

Notes:

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

2. The contractual right to the vesting of 732 restricted shares have been terminated when the relevant employee notified of his resignation before the vesting date of 7 July 2022. Such 732 unvested restricted shares were cancelled when the termination date of his employment became effective.

3. The vesting date of these restricted shares were modified from 31 March 2023, 7 April 2023 and 7 April 2024 to 1 April 2024, with effective from 17 February 2022.

4. The vesting date of these restricted shares were modified from 31 March 2023 and 7 April 2023 to 7 April 2024; and 6 April 2023 to 6 April 2024 with effective from 5 July 2022.

5. The vesting date of these restricted shares were modified from 31 March 2023, 6 April 2023, 7 April 2023, 6 April 2024, 7 April 2024 and 6 April 2025 to 1 June 2024 and 9 June 2024 , with effective from 21 December 2022.

6. The number of restricted shares awarded during the year excludes the number of restricted shares awarded under the Melco Resorts Option Exchange Program during the period.

7. The category "Others" represents former employees of Melco Resorts and its subsidiaries.

8. In respect of the restricted shares vested during the year, the weighted average closing price of the shares of Melco Resorts immediately before the dates on which the restricted shares vested was US$2.5198 per share of Melco Resorts. The participants are not required to pay any purchase price for the restricted shares upon vesting subject to the share award.

On 6 April 2022, a total of 22,212,906 restricted shares (including 5,912,547 restricted shares granted pursuant to the Melco Resorts Option Exchange Program) were granted under the Melco Resorts 2021 Share Incentive Plan, representing 1.53% of the total number of issued shares of Melco Resorts on the date of grant. Out of these restricted shares, certain amounts have vested in 2022 and certain amounts will vest over a period of two years from 2023 to 2024 or over a period of three years from 2023 to 2025. Those vested in 2022 were funded by the existing shares of Melco Resorts and those that will vest in 2023 are expected to be funded by the existing shares of Melco Resorts and not to involve issuance of new shares of Melco Resorts upon vesting. The participants are not required to pay any purchase price for the restricted shares upon vesting subject to the share award. The closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market immediately before the date on which such restricted shares were granted was US$7.64 (representing approximately US$2.55 per share of Melco Resorts). The aggregate fair value of the restricted shares granted at the date of grant was US$53,609,000 which was determined with reference to the closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market at the date of award, or on the Melco Resorts Modification Date for the Melco Resorts Replacement Restricted Share in accordance with HKFRS 2. The weighted average fair value per restricted share granted was US$2.41.

On 8 August 2022, a total of 5,970 restricted shares were granted under the Melco Resorts 2021 Share Incentive Plan, representing 0.0004% of the total number of issued shares of Melco Resorts on the date of grant. Out of these restricted shares, certain amounts have vested in 2022 and certain amounts will vest over a period of two years from 2023 to 2024. Those vested in 2022 were funded by the existing shares of Melco Resorts and those that will vest in 2023 are expected to be funded by the existing shares of Melco Resorts and not to involve issuance of new shares of Melco Resorts upon vesting. The participant is not required to pay any purchase price for the restricted shares upon vesting subject to the share award. The closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market immediately before the date on which such restricted shares were granted was US$5.33 (representing approximately US$1.78 per share of Melco Resorts). The aggregate fair value of the restricted shares granted at the date of grant was US$11,000 which was determined with reference to the closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market at the date of award in accordance with HKFRS 2. The weighted average fair value per restricted share granted was US$1.77.

On 6 September 2022, a total of 2,976,192 restricted shares were granted under the Melco Resorts 2021 Share Incentive Plan, representing 0.22% of the total number of issued shares of Melco Resorts on the date of grant. Out of these restricted shares, certain amounts have vested in 2022 and certain amounts will vest in 2023. Those vested in 2022 were funded by the existing shares of Melco Resorts and those that will vest in 2023 are expected to be funded by the existing shares of Melco Resorts and not to involve issuance of new shares of Melco Resorts upon vesting. The participant is not required to pay any purchase price for the restricted shares upon vesting subject to the share award. The closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market immediately before the date on which such restricted shares were granted was US$5.12 (representing approximately US$1.71 per share of Melco Resorts). The aggregate fair value of the restricted shares granted at the date of grant was US$5,000,000 which was determined with reference to the closing price of Melco Resorts' American depositary shares trading on the Nasdaq Global Select Market at the date of award in accordance with HKFRS 2. The weighted average fair value per restricted share granted was US$1.68.

The number of Melco Resorts Shares that may be issued in respect of the share options and restricted shares granted under all share schemes of Melco Resorts involving the issue of new shares during the year ended 31 December 2022 divided by the weighted average number of shares of Melco Resorts in issue for the year ended 31 December 2022 was 2.15%.

None of the participants has been granted share options and/or restricted shares (involving issue of new shares) by Melco Resorts that exceed 1% of the total number of issued shares of Melco Resorts and none of the Related Entity Participants or service providers/consultants has been granted share options and/or restricted shares (involving issue of new shares) by Melco Resorts that exceed 0.1% of the total number of issued shares of Melco Resorts in any 12-month period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, no Director has had an interest in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's businesses which is required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

For the year ended 31 December 2022, the Group entered into the following 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) Private Placements by SCIHL

On 7 February 2022, SCIHL, a listed subsidiary of Melco Resorts and the Company, announced it had entered into subscription agreements with certain existing institutional holders of its ordinary shares and American depositary shares ("ADSs"), which provided for the subscription by such institutional shareholders of new Class A Shares or ADSs (each representing four Class A Shares) to be issued by SCIHL at a subscription price of US$0.75 (equivalent to approximately HK$5.85) per Class A Share or US$3.00 (equivalent to approximately HK$23.4) per ADS (the "Private Placements"). SCIHL intended to contribute the net proceeds of the Private Placements to Studio City Company Limited, a wholly owned subsidiary of SCHIL.

On the same date, as part of the Private Placements,

(1) New Cotai, LLC ("New Cotai") entered into a subscription agreement with SCIHL, pursuant to which New Cotai agreed to purchase from SCIHL, 93,822,444 Class A Shares, including Class A Shares underlying ADSs, at a price of US$0.75 (equivalent to approximately HK$5.85) per Class A Share for an aggregate purchase price of approximately US$70.4 million (equivalent to approximately HK$549.1 million) (the "New Cotai Subscription"); and

(2) Silver Point Capital, L.P. ("Silver Point") entered into a subscription agreement with SCIHL, pursuant to which Silver Point agreed to purchase from SCIHL 55,747,672 Class A Shares, including Class A Shares underlying ADSs, at a price of US$0.75 (equivalent to approximately HK$5.85) per Class A Share for an aggregate purchase price of approximately US$41.8 million (equivalent to approximately HK$326.0 million) (the "Silver Point Subscription").

Immediately prior to the Private Placements, New Cotai and Silver Point were interested in approximately 23.3% and 13.9% of the issued shares of SCIHL, respectively, and were, therefore, substantial shareholders of SCIHL and connected persons at subsidiary level of the Company for the purposes of the Listing Rules. The New Cotai Subscription and the Silver Point Subscription constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Further details of the connected transactions were set out in the announcement of the Company dated 8 February 2022.

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

On 6 April 2022, Melco Resorts granted restricted shares in respect of 2,052,206 ADSs (equivalent to 6,156,618 shares of Melco Resorts) to Mr. Ho, Lawrence Yau Lung under its share incentive plan. The restricted shares granted represented approximately 0.42% of Melco Resorts' issued shares as of 7 April 2022 and would be vested to Mr. Ho in four tranches on 6 April 2022, 6 April 2023, 6 April 2024 and on 6 April 2025, respectively.

Based on the closing price of US$7.40 per ADS as quoted on the Nasdaq Global Select Market on 6 April 2022, the market value of the restricted shares granted to Mr. Ho was approximately US$15,186,324 (equivalent to approximately HK$118,453,327).

The number of restricted shares granted to Mr. Ho was determined with reference to his duties and responsibilities as a director of a subsidiary of Melco Resorts in Macau, where the majority of the Group's business is located. The purpose of the aforesaid grant of restricted shares to Mr. Ho is for incentivising and motivating him to strive for the future development of the Melco Resorts Group and its businesses.

Mr. Ho is a substantial shareholder, the Chairman and Chief Executive Officer of the Company. He is also the Chairman and Chief Executive Officer of Melco Resorts. As such, Mr. Ho is a connected person of the Company under the Listing Rules, and the grant of restricted shares to Mr. Ho constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the announcement of the Company dated 7 April 2022.

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

On 6 September 2022, Melco Resorts granted restricted shares in respect of 992,064 ADSs (equivalent to 2,976,192 shares of Melco Resorts) to Mr. Evan Andrew Winkler under its share incentive plan. The restricted shares granted represented approximately 0.22% of Melco Resorts' issued shares as of 7 September 2022 and would be vested to Mr. Winkler in three tranches on 6 September 2022, 15 February 2023 and 15 May 2023, respectively.

Based on the closing price of US$5.04 per ADS as quoted on the Nasdaq Global Select Market on 6 September 2022, the market value of the restricted shares granted to Mr. Winkler was approximately US$5,000,000 (equivalent to approximately HK$39,000,000).

The number of restricted shares granted to Mr. Winkler was determined with reference to his duties and responsibilities as the President of Melco Resorts. The grant of restricted shares to Mr. Winkler is an equity grant for his new employment arrangement with Melco Resorts, while he continues with his roles as the President and Managing Director of the Company with no further remuneration from the Company for performing those roles. The purpose of the aforesaid grant of restricted shares to Mr. Winkler is for incentivising and motivating him to strive for the future development of the Melco Resorts Group and its businesses.

Mr. Winkler is the President and Managing Director of the Company. He is also the President of Melco Resorts. As such, Mr. Winkler is a connected person of the Company, and the grant of restricted shares to Mr. Winkler constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were set out in the announcement of the Company dated 7 September 2022.

WAIVERS IN RELATION TO CONNECTED TRANSACTIONS

(i) Grant of Waiver from Strict Compliance with the Connected Transaction Requirements under Rules 14A.24(1), 14A.24(6), 14A.25 and 14.29 of the Listing Rules

As disclosed in the announcement of the Company dated 15 December 2022 (the "Waiver Announcement"), in order for Melco Resorts (Macau) Limited ("MRM") to be granted a new gaming concession, MRM increased its capital from MOP 1.01 billion to MOP 5 billion, including 6,490,000 new Class A shares of MRM (the "Class A Shares") issued to Mr. Ho, Lawrence Yau Lung to meet the requirement under Macau law for a Macau permanent resident managing director to have not less than a 15% shareholding as the holder of a gaming concession and 4,682,000 new Class A Shares and 28,728,000 new Class B shares of MRM (the "Class B Shares") issued to MCO Investments Limited, being fully contributed by a wholly-owned subsidiary of Melco Resorts (the "Capital Increase").

Mr. Ho is a substantial shareholder, director, and the Chairman and Chief Executive Officer, of both the Company and Melco Resorts and is therefore a connected person of the Company.

MRM technically falls within the definition of a "connected subsidiary" under Rule 14A.16 of the Listing Rules as a result of the Class A Shares in MRM then held by Mr. Ho representing 10% of MRM's then issued share capital for the purpose of enabling MRM to qualify to hold its previous gaming sub-concession under the previous applicable Macau law.

In light of the above, the Capital Increase could technically be regarded as a connected transaction under Rules 14A.24(6) and Rule 14A.25 of the Listing Rules.

As also disclosed in the Waiver Announcement, as a result of the reduction of the voting share capital held by wholly-owned subsidiaries of Melco Resorts from 90% to 85%, the Capital Increase also constituted a deemed disposal and a connected transaction for the Company under Rule 14.29 and Rule 14A.24(1) of the Listing Rules, respectively.

The Company had applied for, and the Hong Kong Stock Exchange had granted to the Company (subject to the condition that the Company disclosed the waiver, including the details and reasons, by way of an announcement), a waiver from strict compliance with the requirements under Rules 14A.24(1), 14A.24(6), 14A.25 and 14.29 of the Listing Rules.

For details of the Capital Increase and the Waiver, please refer to the Waiver Announcement.

(ii) Grant of Waiver from Strict Compliance with the Connected Transaction Requirements under Rule 14A.103 of the Listing Rules

Mr. Thomas Jefferson Wu, an independent non-executive director of Melco Resorts, a listed subsidiary of the Company, is a connected person of the Company at subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules. The parents of Mr. Wu (the "Parents") and the majority-controlled companies held directly or indirectly by the Parents (the "Parents' Controlled Companies") are, therefore, associates of Mr. Wu and are connected persons of the Company at subsidiary level pursuant to Rule 14A.07(4) and 14A.12(2). It came to the attention of the Company that it would be impractical and unduly burdensome for Mr. Wu to provide the necessary information to the Company for it to comply with the connected transaction requirements for the transactions under Chapter 14A of the Listing Rules which may become applicable if a transaction entered into by the Group is connected only because of the interest of the Parents and/or the Parents' Controlled Companies (the "Transactions"). Accordingly, the Company applied for, and the Hong Kong Stock Exchange granted to the Company a waiver from the connected transactions requirements for the Transactions under Rule 14A.103 of the Listing Rules (the "Waiver"), subject to the conditions that:

(a) Mr. Wu is a connected person only because he is an independent non-executive director at the subsidiary level;

(b) the Company will disclose the Waiver in its annual reports as long as the Waiver remains valid and in place; and

(c) the Company and Mr. Wu will promptly notify the Hong Kong Stock Exchange if they become aware of any material changes in the information provided in the submissions in respect of the Waiver.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2022, 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 2022, the following persons/corporations had interests in five per cent or more of the issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares and underlying shares of the Company as notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of total issued shares[(1)]	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	301,368,606	-	19.87%	2
Lasting Legend Ltd.	Beneficial owner	122,243,024	-	8.06%	2
	Interest of controlled corporation	301,368,606	-	19.87%	2
Trident Trust Company (Cayman) Limited	Trustee	423,611,630	-	27.93%	3
Black Spade Capital Limited	Beneficial owner	91,445,132	-	6.03%	4
	Interest of controlled corporation	53,491,345	-	3.53%	4
King Dragon Ventures Limited	Interest of controlled corporations	144,936,477	-	9.56%	4
LHT I Limited	Interest of controlled corporations	144,936,477	-	9.56%	4
Zedra Asia Limited	Trustee	144,936,477	-	9.56%	5
L3G Holdings Inc.	Beneficial owner	312,666,187	-	20.62%	6
Zedra Trust Company (Cayman) Limited	Trustee	312,666,187	-	20.62%	6
Mr. Ho, Lawrence Yau Lung	Beneficial owner	-	24,778,000	1.63%	10
	Interest of controlled corporations	570,114,107	-	37.59%	7
	Interest of spouse	4,212,102	-	0.28%	8
	Others	312,666,187	-	20.62%	6
Ms. Lo Sau Yan, Sharen	Beneficial owner	4,212,102	-	0.28%	-
	Interest of spouse	882,780,294	24,778,000	59.84%	9, 10
Southeastern Asset Management, Inc.	Investment manager	105,922,781	-	6.98%	-

Notes:

1. As at 31 December 2022, the total number of issued shares of the Company was 1,516,683,755.

2. Better Joy Overseas Ltd. is a company controlled by Lasting Legend Ltd. and, therefore, Lasting Legend Ltd. was deemed to be interested in the 301,368,606 shares held by Better Joy Overseas Ltd. The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company as such companies are owned by the person, company and/or trusts associated with Mr. Ho, Lawrence Yau Lung.

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. Black Spade Capital Limited is wholly owned by King Dragon Ventures Limited which in turn is wholly owned by LHT I Limited and, therefore, King Dragon Ventures Limited and LHT I Limited were deemed to be interested in the 144,936,477 shares held by Black Spade Capital Limited and its wholly owned subsidiary, Mighty Dragon Developments Limited. The shares held by the aforesaid companies also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company as such companies are owned by a trust associated with him.

5. The 144,936,477 shares relate to the same block of shares held by Black Spade Capital Limited and Mighty Dragon Developments Limited referred to in note 4 above.

6. 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 was 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.

7. The 570,114,107 shares relate to the 301,368,606 shares, 122,243,024 shares, 53,491,345 shares, 91,445,132 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, Black Spade Capital Limited and Maple Peak Investments Inc., respectively, representing approximately 19.87%, 8.06%, 3.53%, 6.03% and 0.10% of the total issued shares of the Company. All of such companies are owned or controlled by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies.

8. 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 under the SFO.

9. 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 under the SFO.

10. The interests of Mr. Ho, Lawrence Yau Lung in the underlying shares of the Company (in respect of the 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 2022, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries 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 3,050,000 shares of the Company at a total consideration of approximately HK$15,242,000 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 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. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 42 to 59 of this annual report.

REMUNERATION POLICY

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

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 Schemes" section of this report and in note 38 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

DONATIONS AND CONTRIBUTIONS

During the year ended 31 December 2022, donations and contributions by the Group for charitable and other purposes amounted to approximately HK$63,879,000 (2021: HK$170,306,000).

AUDITOR

The financial statements of the Company for the year ended 31 December 2022 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 31 March 2023

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 107 to 233, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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
Impairment of goodwill and trademarks	
Referring to note 22 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 2022. 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 2022 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 22 to the consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the annual impairment assessment including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We have also evaluated the reasonableness of the inputs and assumptions used to determine the profit and cash flow forecasts against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans. We also involved our valuation specialists to assess the appropriateness of the discount rates and methodologies used; and re-performed the underlying calculations used in the Group's assessment and performed sensitivity testing of the inputs used.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets (other than goodwill and trademarks)	
As at 31 December 2022, 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$53,255 million. The management performed an impairment test, where an indication of impairment exists or when annual impairment testing for an asset is required. As the Group has incurred operating losses due to the severe decline in overall market conditions resulting from the continuing impact of coronavirus disease ("COVID-19") since 2020, the Group has therefore performed an impairment test on its non-current non-financial assets, and the assets' recoverable amounts as at 31 December 2022 were stated at the higher of the assets' value-in-use and their fair values less cost of disposal. We identified the impairment of non-current non-financial assets as a key audit matter because the impairment test and assessment were largely based on management's expectations and estimates of future results in the casino and hospitality operations of the Group. The assumptions used in impairment test were based on management's estimates of variables such as budgeted revenue, gross margin, discount and growth rates, which can be affected by expectations about future market and economic conditions. Related disclosure are included in notes 3, 17, 18, 21 and 35 to the Group's consolidated financial statements.	We obtained an understanding of the process and testing of the internal controls over the Group's impairment assessment, including the preparation of the profit and cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts. We have also evaluated the reasonableness of the inputs and assumptions used to determine the profit and cash flow 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 on the inputs used.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NET REVENUES	5	10,565,657	15,638,846
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	6	(3,833,337)	(6,554,174)
Employee benefits expenses	7	(5,186,974)	(5,562,700)
Depreciation and amortization	11	(4,586,000)	(5,437,161)
Other operating expenses, gains and losses, net	8	(3,760,037)	(3,359,860)
Total operating costs and expenses, net		(17,366,348)	(20,913,895)
OPERATING LOSS		(6,800,691)	(5,275,049)
NON-OPERATING INCOME/(EXPENSES)			
Interest income		108,024	51,858
Interest expenses, net of amounts capitalized	9	(3,262,133)	(2,926,666)
Other financing costs		(53,885)	(88,684)
Losses on modification or extinguishment of debts, net		–	(102,856)
Foreign exchange gains/(losses), net		179	(10,275)
Other income, net	10	33,416	455,273
Share of losses of a joint venture	23	(543)	(1,789)
Share of losses of associates	24	(6,050)	(1,791)
Total non-operating expenses, net		(3,180,992)	(2,624,930)
LOSS BEFORE TAX	11	(9,981,683)	(7,899,979)
Income tax expense	14	(5,634)	(43,282)
LOSS FOR THE YEAR		(9,987,317)	(7,943,261)

	Note	2022 HK$'000	2021 HK$'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		(270,760)	(541,086)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain arising from defined benefit obligations		1,686	3,028
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(269,074)	(538,058)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(10,256,391)	(8,481,319)
Loss for the year attributable to:			
Owners of the Company		(5,113,127)	(3,808,968)
Non-controlling interests		(4,874,190)	(4,134,293)
		(9,987,317)	(7,943,261)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(5,227,636)	(4,064,742)
Non-controlling interests		(5,028,755)	(4,416,577)
		(10,256,391)	(8,481,319)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		HK$(3.40)	HK$(2.52)
Diluted		HK$(3.40)	HK$(2.52)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	47,347,230	46,988,366
Right-of-use assets	35	5,581,446	7,069,510
Gaming license and subconcession	18	13,335	546,877
Goodwill	19	5,299,451	5,299,451
Trademarks	20	16,992,458	16,992,458
Other intangible assets	21	313,321	374,740
Investment in a joint venture	23	167,033	181,674
Investments in associates	24	44,581	29,278
Prepayments, deposits and other receivables	27	1,271,584	1,394,832
Other financial assets	30	–	20,320
Restricted cash	28	2,752,241	50,693
Deferred tax assets	36	4,986	31,423
Total non-current assets		79,787,666	78,979,622
CURRENT ASSETS			
Inventories	25	206,292	230,824
Trade receivables	26	437,273	425,098
Prepayments, deposits and other receivables	27	999,938	931,860
Other financial assets	30	21,168	–
Tax recoverable		112	758
Restricted cash	28	1,254,390	3,170
Cash and bank balances	29	14,317,506	13,452,432
		17,236,679	15,044,142
Assets classified as held for sale	31	67,273	169,513
Total current assets		17,303,952	15,213,655
CURRENT LIABILITIES			
Trade payables	32	52,557	46,779
Other payables, accruals and deposits received	33	6,338,282	7,345,052
Tax payable		91,562	105,123
Interest-bearing borrowings	34	1,803,077	4,712,947
Lease liabilities	35	373,589	509,977
		8,659,067	12,719,878
Liabilities directly associated with assets classified as held for sale	31	–	11,674
Total current liabilities		8,659,067	12,731,552
NET CURRENT ASSETS		8,644,885	2,482,103
TOTAL ASSETS LESS CURRENT LIABILITIES		88,432,551	81,461,725

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	33	267,586	239,858
Interest-bearing borrowings	34	70,407,930	53,163,654
Lease liabilities	35	1,985,986	3,201,416
Deferred tax liabilities	36	2,384,984	2,388,789
Total non-current liabilities		75,046,486	58,993,717
Net assets		13,386,065	22,468,008
EQUITY			
Share capital	37	5,701,853	5,696,445
(Deficit)/reserves		(3,910,548)	1,166,222
Equity attributable to owners of the Company		1,791,305	6,862,667
Non-controlling interests		11,594,760	15,605,341
Total equity		13,386,065	22,468,008

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

The consolidated financial statements on pages 107 to 233 were approved and authorized for issue by the board of Directors on 31 March 2023 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 2022

	Attributable to owners of the Company												
	Share capital HK$'000 (note 37)	**Capital reserve** HK$'000 (note a)	**Special reserve** HK$'000 (note b)	**Legal reserve** HK$'000 (note c)	**Other revaluation reserve** HK$'000	**Exchange reserve** HK$'000	**Share option reserve** HK$'000	**Shares held under share award schemes** HK$'000	**Share award reserve** HK$'000	**Retained profits** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2021	5,692,080	7,053	(5,828,909)	245,255	(1,421)	14,639	240,062	(3,021)	61,165	10,337,284	10,764,187	20,013,109	30,777,296
Exchange differences on translation of foreign operations	-	-	-	-	-	(257,477)	-	-	-	-	(257,477)	(283,609)	(541,086)
Actuarial gain arising from defined benefit obligations	-	-	-	-	1,703	-	-	-	-	-	1,703	1,325	3,028
Other comprehensive income/(loss) for the year	-	-	-	-	1,703	(257,477)	-	-	-	-	(255,774)	(282,284)	(538,058)
Loss for the year	-	-	-	-	-	-	-	-	-	(3,808,968)	(3,808,968)	(4,134,293)	(7,943,261)
Total comprehensive income/(loss) for the year	-	-	-	-	1,703	(257,477)	-	-	-	(3,808,968)	(4,064,742)	(4,416,577)	(8,481,319)
Exercise of share options	4,365	-	-	-	-	-	(1,490)	-	-	-	2,875	-	2,875
Recognition of share-based payments	-	-	345,807	-	-	-	29,142	-	102,301	-	477,250	286,487	763,737
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	(1,793)	-	-	1,793	-	-	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	16,370	(25,706)	9,336	-	-	-
Purchase of shares for unvested shares under the share award schemes (note 37)	-	-	-	-	-	-	-	(120,596)	-	-	(120,596)	-	(120,596)
Modification of awarded shares (note 38(l))	-	-	-	-	-	-	-	-	(715)	-	(715)	-	(715)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(536)	(536)
Change in ownership interests of certain subsidiaries (note 40)	-	-	(195,592)	-	-	-	-	-	-	-	(195,592)	(277,142)	(472,734)
	4,365	-	150,215	-	-	-	25,859	(104,226)	75,880	11,129	163,222	8,809	172,031
At 31 December 2021	5,696,445	7,053*	(5,678,694)*	245,255*	282*	(242,838)*	265,921*	(107,247)*	137,045*	6,539,445*	6,862,667	15,605,341	22,468,008

	Attributable to owners of the Company												
	Share capital HK$'000 (note 37)	**Capital reserve** HK$'000 (note a)	**Special reserve** HK$'000 (note b)	**Legal reserve** HK$'000 (note c)	**Other revaluation reserve** HK$'000	**Exchange reserve** HK$'000	**Share option reserve** HK$'000	**Shares held under share award schemes** HK$'000	**Share award reserve** HK$'000	**Retained profits** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity**
At 1 January 2022	5,696,445	7,053	(5,678,694)	245,255	282	(242,838)	265,921	(107,247)	137,045	6,539,445	6,862,667	15,605,341	22,468,008
Exchange differences on translation of foreign operations	-	-	-	-	-	(115,409)	-	-	-	-	(115,409)	(155,351)	(270,760)
Actuarial gain arising from defined benefit obligations	-	-	-	-	900	-	-	-	-	-	900	786	1,686
Other comprehensive income/(loss) for the year	-	-	-	-	900	(115,409)	-	-	-	-	(114,509)	(154,565)	(269,074)
Loss for the year	-	-	-	-	-	-	-	-	-	(5,113,127)	(5,113,127)	(4,874,190)	(9,987,317)
Total comprehensive income/(loss) for the year	-	-	-	-	900	(115,409)	-	-	-	(5,113,127)	(5,227,636)	(5,028,755)	(10,256,391)
Exercise of share options	5,408	-	-	-	-	-	(2,014)	-	-	-	3,394	-	3,394
Recognition of share-based payments	-	-	234,614	-	-	-	7,112	-	70,571	-	312,297	187,224	499,521
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	(1,411)	-	-	1,411	-	-	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	13,726	(24,441)	10,715	-	-	-
Purchase of shares for unvested shares under the share award schemes (note 37)	-	-	-	-	-	-	-	(15,242)	-	-	(15,242)	-	(15,242)
Modification of share options and awarded shares (note 38(I))	-	-	-	-	-	-	(241,130)	-	241,052	-	(78)	-	(78)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(30)	(30)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(24,930)	(24,930)
Change in ownership interests of certain subsidiaries (note 40)	-	-	(144,097)	-	-	-	-	-	-	-	(144,097)	855,910	711,813
	5,408	-	90,517	-	-	-	(237,443)	(1,516)	287,182	12,126	156,274	1,018,174	1,174,448
At 31 December 2022	5,701,853	7,053*	(5,588,177)*	245,255*	1,182*	(358,247)*	28,478*	(108,763)*	424,227*	1,438,444*	1,791,305	11,594,760	13,386,065

* These reserve accounts comprise the consolidated deficit of HK$3,910,548,000 (2021: reserve of HK$1,166,222,000) 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 Hong Kong dollars ("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 its shareholders.

(b) The special reserve represents (1) the difference between the consideration paid and the aggregate of goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in a former subsidiary, which subsequently became an associate of the Group acquired in previous years; (2) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in a subsidiary; (3) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of a partial interest of a subsidiary; (4) the deemed disposal of a partial interest in a subsidiary in relation to the exercise of share options by non-controlling interests; (5) share of net asset changes of a former associate in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries; (6) share of net asset changes of a former associate resulting from the share repurchase and cancellation by a former associate, which increased the Group's effective ownership therein; (7) share of net asset changes of a subsidiary resulting from the share repurchase or issuance by the subsidiary, which changed the Group's effective ownership therein; (8) share of net asset changes of a former joint venture in relation to the deemed contribution from shareholders as a result of the provision of a non-interest-bearing loan to the joint venture; (9) share of special reserve of an associate; (10) the difference between the cash consideration and net assets acquired for privatization of a subsidiary; and (11) share of net asset change of subsidiaries in relation to their share-based compensation.

(c) All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of the legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the board of directors of the relevant subsidiaries. As at 31 December 2022, the aggregate balance of the reserves amounted to HK$245,255,000 (2021: HK$245,255,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(9,981,683)	(7,899,979)
Adjustments for:			
Depreciation of property, plant and equipment	11	3,562,839	3,772,164
Amortization of intangible assets	11	668,016	1,178,810
Depreciation of right-of-use assets	11	355,145	486,187
Loss on disposal of property, plant and equipment	8	3,728	6,278
Impairment losses on property, plant and equipment	8	400,716	28,376
Loss on disposal of assets classified as held for sale, net	8	3,248	–
Gain on disposal of investment properties	8	–	(54,300)
Gain on disposal of intangible and other assets		–	(5,982)
(Gain)/loss on lease modifications	8	(4)	847
(Reversal of allowances)/allowances for credit losses, net	8	(5,628)	95,727
Impairment losses on right-of-use assets	8	167,533	–
Impairment losses on assets classified as held for sale	8	53,267	–
Reversal of impairment loss on investment in an associate	10	(871)	–
Share-based compensation	7	604,028	690,531
Gain on fair value changes of financial assets at fair value through profit or loss	10	(848)	(428,057)
Interest income		(108,024)	(51,858)
Interest expenses, net of amounts capitalized	9	3,262,133	2,926,666
Losses on modification or extinguishment of debts, net		–	102,856
Adjustment of lease liabilities	8	(2,850)	(29,702)
Share of losses of a joint venture	23	543	1,789
Share of losses of associates	24	6,050	1,791
		(1,012,662)	822,144
Changes in working capital:			
Decrease in inventories		24,203	56,609
(Increase)/decrease in trade receivables		(8,208)	488,665
(Increase)/decrease in prepayments, deposits and other receivables		(40,728)	385,875
Increase/(decrease) in trade payables		5,778	(25,551)
Decrease in other payables, accruals and deposits received		(1,003,022)	(1,149,325)
Cash (used in)/generated from operations		(2,034,639)	578,417
Income tax paid, net of refunds		(24,953)	(36,890)
Net cash (used in)/generated from operating activities		(2,059,592)	541,527

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and deposits for property, plant and equipment		(4,201,210)	(5,009,080)
Payments for intangible assets		(50,310)	(60,904)
Payment for extension of gaming subconcession		(45,631)	–
Payments for right-of-use assets		(24,116)	–
Investment in an associate		(21,433)	(31,084)
Proceeds from disposal of property, plant and equipment		3,308	37,273
Interest received		105,116	48,869
Proceeds from disposal of assets classified as held for sale		122,161	–
Proceeds from disposal of investment properties		–	410,300
Proceeds from disposal of intangible and other assets		–	6,150
Investment in a joint venture		–	(180,150)
Withdrawals of bank deposits with original maturities over three months		–	2,643,241
Placement of bank deposits with original maturities over three months		–	(2,603,741)
Proceeds from disposal of financial assets at fair value through profit or loss	30	–	558,106
Purchase of financial assets at fair value through profit or loss	30	–	(19,440)
Net cash used in investing activities		(4,112,115)	(4,200,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing borrowings		(215,474)	(13,305,487)
Interest paid		(3,238,678)	(2,673,798)
Payments of deferred financing costs		(65,713)	(378,692)
Dividends paid		–	(7)
Dividends paid to non-controlling shareholders		(23,724)	(64,205)
Payments of lease liabilities (including associated interest)		(457,683)	(295,569)
Purchase of shares for the share award schemes		(15,242)	(120,596)
Repurchase of shares of subsidiaries		(333,224)	(472,734)
Proceeds from exercise of share options		3,394	58,505
Net proceeds from issuance of shares by a subsidiary		1,045,289	(3,460)
(Increase)/decrease in restricted cash		(3,944,986)	70,935
Proceeds from interest-bearing borrowings		14,466,499	20,405,948
Net cash generated from financing activities		7,220,458	3,220,840
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,048,751	(438,093)
Cash and cash equivalents at beginning of year, including those classified within assets held for sale		13,452,432	13,821,297
Effect of foreign exchange rate changes, net		(183,677)	71,050
		14,317,506	13,454,254
Less: cash and bank balances classified within assets held for sale	31	–	(1,822)
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,317,506	13,452,432
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	14,317,506	13,452,432

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 majority-owned subsidiary of the Company, 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 Cyprus Group"), is currently developing City of Dreams Mediterranean, an integrated resort in Limassol, in the Republic of Cyprus ("Cyprus"). ICR Cyprus Group is currently operating a temporary casino in Limassol and is licensed to operate four satellite casinos ("Cyprus Operations") in Cyprus. Upon the opening of City of Dreams Mediterranean, ICR Cyprus 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 2022	Directly 2021	Indirectly 2022	Indirectly 2021
Melco Resorts	Cayman Islands	Investment holding	Ordinary shares - United States dollars ("US$") 14,450,521 (2021: US$14,565,479)	-	-	54.50%	57.10%
COD Resorts Limited ("COD Resorts")	Macau	Integrated resort development and related operations	Quota capital - Macau Pataca ("MOP") 1,050,000	-	-	54.50%	57.10%
MCO Cotai Investments Limited	Cayman Islands	Investment holding	Ordinary share - US$0.01	-	-	54.50%	57.10%
MCO Holdings Limited	Cayman Islands	Investment holding	Ordinary share - US$0.01	-	-	54.50%	57.10%
MCO International Limited	Cayman Islands	Investment holding	Ordinary shares - US$4	-	-	54.50%	57.10%
MCO Investments Limited	Cayman Islands/ Hong Kong	Investment holding	Ordinary shares - US$2.02	-	-	54.50%	57.10%
MCO Nominee One Limited	Cayman Islands/ Hong Kong	Investment holding and financing	Ordinary share - US$0.01	-	-	54.50%	57.10%
Melco Resorts (Macau) Limited ("Melco Resorts Macau")	Macau	Casino operations and investment holding	Ordinary shares - Class A shares[1]: MOP1,400,000,000 (2021: MOP282,800,000) Class B shares[2]: MOP3,600,000,000 (2021: MOP727,200,000)	-	-	54.50%[3]	57.10%[3]
Melco Resorts and Entertainment (Philippines) Corporation ("MRP")	The Philippines	Investment holding	Common shares - Philippine Peso ("PHP") 5,689,764,700	-	-	54.19%	56.52%
Melco Resorts Finance Limited ("Melco Resorts Finance")	Cayman Islands/ Hong Kong	Financing	Ordinary shares - US$12.02	-	-	54.50%	57.10%
Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure")	The Philippines	Integrated resort development and related operations	Common shares - PHP2,281,894,500	-	-	54.19%	56.52%

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	
				2022	2021	2022	2021
MSC Cotai Limited ("MSC Cotai")	The British Virgin Islands ("BVI")	Investment holding	Ordinary shares - US$77,035.27 (2021: US$37,035.27)	-	-	29.98%	31.41%
SCP One Limited	BVI	Investment holding	Ordinary share - US$1 A share* - US$1	-	-	29.98%	31.41%
SCP Two Limited	BVI	Investment holding	Ordinary share - US$1 A share* - US$1	-	-	29.98%	31.41%
SCP Holdings Limited	BVI	Investment holding	Ordinary share - US$1 A share* - US$1	-	-	29.98%	31.41%
Studio City Company Limited ("Studio City Company")	BVI	Investment holding and financing	Ordinary shares - US$3	-	-	29.98%	31.41%
Studio City Developments Limited ("Studio City Developments")	Macau	Integrated resort development and related operations	Quota capital - MOP6,001,000	-	-	29.98%	31.41%
Studio City Finance Limited ("Studio City Finance")	BVI /Hong Kong	Investment holding and financing	Ordinary shares - US$3	-	-	29.98%	31.41%
Studio City Holdings Limited	BVI	Investment holding	Ordinary share - US$1	-	-	29.98%	31.41%
Studio City Holdings Two Limited	BVI	Investment holding	Ordinary share - US$1 A share* - US$1	-	-	29.98%	31.41%
SCIHL	Cayman Islands	Investment holding	Ordinary shares - Class A shares(4): US$77,035.27 (2021: US$37,035.27) Class B shares(4): US$7,251.18	0.09%	0.17%	29.90%	31.24%
Studio City Investments Limited ("Studio City Investments")	BVI	Investment holding	Ordinary shares - US$3	-	-	29.98%	31.41%
ICR Cyprus	Cyprus	Investment holding	Ordinary shares - Euro ("EUR") 1,000,000	-	-	40.87%	42.82%
Integrated Casino Resorts Cyprus Limited	Cyprus	Operation of an integrated resort and satellite casinos	Ordinary shares - EUR11,001	-	-	40.87%	42.82%
ICR Cyprus Resort Development Co Limited	Cyprus	Integrated resort development and related operations	Ordinary shares - EUR11,002 (2021: EUR11,001)	-	-	40.87%	42.82%

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	
				2022	2021	2022	2021
Melco Leisure and Entertainment Group Limited ("Melco Leisure")	BVI/Hong Kong	Investment holding	Ordinary share - US$1	100%	100%	-	-
Melco Services Limited	BVI/Hong Kong	Provision of management service to group companies	Ordinary share - US$1	100%	100%	-	-
Melco Investment Resources Limited	BVI/Hong Kong	Financing	Ordinary share - US$1	100%	100%	-	-

* Class A share has no voting right.

1. ORGANIZATION AND BUSINESS (continued)

(a) Corporate and group information (continued)

Information about subsidiaries (continued)

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

Notes:

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

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

(3) Certain Macau laws require companies limited by shares (sociedade anónima) incorporated in Macau to have a minimum of three shareholders, and all gaming concessionaires and subconcessionaires to be managed by a Macau permanent resident, the managing director, who must hold at least 15% (2021: 10%) of the share capital of the concessionaire or subconcessionaire. In accordance with such Macau laws, 85% (2021: 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 54.50% (2021: 57.10%) owned subsidiary of the Company for purposes of the consolidated financial statements of the Company because the economic interest of the 15% (2021: 10%) holding of the managing director is limited to, in aggregate with other Class A shareholders, MOP1 on the winding up or liquidation of Melco Resorts Macau and to receive an aggregate annual dividend of MOP1.

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

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

Melco Resorts Finance, Studio City Finance and Studio City Company, subsidiaries of the Company, had issued debt securities of HK$31,934,287,000, HK$16,317,831,000 and HK$2,693,238,000, respectively, at the end of the year, as disclosed in note 34, in which the Group has no interest.

1. ORGANIZATION AND BUSINESS (continued)

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

The disruptions to the Group's business caused by the COVID-19 outbreak continued to have a material effect on its financial position and operations during 2022.

In Macau, the Group's operations were significantly impacted by travel restrictions and quarantine requirements as imposed by the governments of Macau, Hong Kong and the People's Republic of China (the "PRC") during 2022. A stream of COVID-19 outbreaks in the PRC in the first half of 2022 led to a tightening of border controls for entry from Guangdong province. In June 2022, the resurgence of COVID-19 cases in Macau led to citywide mandatory testing and strict travel restrictions and requirements implemented to enter and exit Macau. On 23 June 2022, the Macau government issued a mandatory closure order for entertainment and leisure venues, with casinos and gaming areas excluded. During the period from 11 July 2022 to 22 July 2022, such mandatory closure order was further extended to almost all entities including gaming. The Group's casinos in Macau were closed for 12 days and resumed operations on 23 July 2022. From 2 August 2022, all closure orders were lifted but health-related precautionary measures remained in place. The validity of nucleic acid tests to enter Macau varied from time to time. Since 1 September 2022, certain non-Macau resident individuals who are not residents of Taiwan, Hong Kong and the PRC became eligible to enter Macau without prior approval provided they comply with certain conditions imposed by the Macau government, subject to valid nucleic acid tests, and, from 12 November 2022, a five-day quarantine at a government designated facility and a three-day home quarantine period. On 1 November 2022, China's National Immigration Administration commenced electronic processing of visa applications for individual or group travel to Macau. Since 8 January 2023, travellers arriving in Macau from Taiwan, Hong Kong and the PRC were no longer required to present negative nucleic acid tests. From 27 February 2023, masks were not required in outdoor places. However, masks are still required on public transportation (except taxis) and in certain indoor areas. The requirement to wear masks was waived in most private indoor areas by their operators or supervisory entities.

In the Philippines, during the period from 1 January 2022 to 28 February 2022, City of Dreams Manila's operations were impacted by on and off travel restrictions and operated at limited capacity under different levels of community quarantine measures in Metro Manila as imposed by the Philippine government in response to COVID-19 cases. The Philippine government re-opened borders to fully vaccinated international tourists with a negative RT-PCR test taken within 48 hours of departure of their country of origin effective on 10 February 2022 and lowered COVID-19 restrictions to Alert Level 1 starting from 1 March 2022 which allowed casinos to operate at 100% capacity, subject to certain guidelines. As of 30 May 2022, restrictions for inbound travellers into the Philippines were eased and negative RT-PCR test results were no longer required for individuals who were fully vaccinated. In addition, as of 28 October 2022, the mandatory wearing of masks in the Philippines was limited to healthcare facilities, medical transport vehicles and public transport.

In Cyprus, with a surge in COVID-19 cases, authorities increased COVID-19 restrictions from the end of December 2021 by reducing the capacity at certain venues and increasing restrictions for unvaccinated people. However, the casinos of the Cyprus Operations remained open and such restrictions were eased from 21 February 2022. Travel restrictions into Cyprus were eased on 18 April 2022 and as of 1 June 2022, passengers travelling to Cyprus were not required to present any vaccination or recovery certificates nor negative COVID-19 test results. Furthermore, the requirement to wear masks was no longer mandatory other than in healthcare facilities, pharmacies and public transport.

1. ORGANIZATION AND BUSINESS (continued)

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

While quarantine-free travel to and from the PRC has resumed and pandemic measures in Macau, the Philippines and Cyprus eased significantly, the pace of recovery from COVID-19 related disruptions remains highly uncertain.

As announced by SCIHL in May 2022, the Macau government granted a further extension of the development period under the Studio City land concession to 30 June 2023. The first stage opening of Studio City Phase 2 is expected to be in the second quarter of 2023, with the second stage opening expected in the third quarter of 2023.

The Group was informed that the Council of Ministers of the Cyprus government has approved an extension of the deadline to open City of Dreams Mediterranean under the terms of the gaming license to 30 June 2023 and the Group currently expects to open City of Dreams Mediterranean within that timeline.

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

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

As at 31 December 2022, the Group had total cash and bank balances of HK$14,317,506,000 and available unused borrowing capacity of HK$561,019,000, subject to the satisfaction of certain conditions precedent.

The Group has taken various mitigating measures to manage through the 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 and raising additional capital through debt and equity offerings.

The Group believes it will be able to support continuing operations and capital expenditures for at least 12 months after the reporting period end date of these consolidated financial statements. Accordingly, these consolidated financial statements are prepared on a going concern basis.

1. ORGANIZATION AND BUSINESS (continued)

(c) Macau gaming subconcession or concession contract

On 8 September 2006, Melco Resorts Macau, a subsidiary of the Company, entered into a subconcession contract to operate its gaming business in Macau, which expired on 26 June 2022. This subconcession contract was extended to 31 December 2022 by order of the Macau Chief Executive under the Macau gaming law pursuant to an amendment agreement entered into by Melco Resorts Macau on 23 June 2022. Such extension coincided with the extended expiration date of all the other concessions and subconcessions in Macau. Melco Resorts Macau paid a premium of MOP47,000,000 (equivalent to approximately HK$45,631,000) to the Macau government in June 2022 for the extension. Melco Resorts Macau also submitted a bank guarantee in an amount of MOP820,000,000 (equivalent to approximately HK$796,117,000) to the Macau government on 20 September 2022 to guarantee the satisfaction of any labour liabilities upon expiry of the subconcession (note 44). After the award of the Concession as described below, the bank guarantee of MOP820,000,000 (equivalent to approximately HK$796,117,000) as described above, together with another bank guarantee of MOP300,000,000 (equivalent to approximately HK$291,262,000) as disclosed in note 44 provided to the Macau government under its subconcession, and along with any related cash collateral were released in January 2023.

On 16 December 2022, the Macau government awarded a ten-year concession to operate games of fortune and chance in casinos in Macau (the "Concession") to Melco Resorts Macau. The term of the Concession commenced on 1 January 2023 and ends on 31 December 2032. Under the Concession, Melco Resorts Macau is authorized to operate the Altira Casino, the City of Dreams Casino and the Studio City Casino as well as the Grand Dragon Casino and the Mocha Clubs.

On 30 December 2022, in accordance with the obligations under letter of undertakings dated 23 June 2022, Melco Resorts Macau and each of Altira Resorts Limited, COD Resorts and Studio City Developments, subsidiaries of the Company, which holds the land lease rights for the properties on which the Altira Casino, City of Dreams Casino and Studio City Casino are located, respectively, executed a public deed pursuant to which the gaming and gaming support areas comprising the Altira Casino, City of Dreams Casino and Studio City Casino with an area of 17,128.8 square meters, 31,227.3 square meters and 28,784.3 square meters, respectively, and related gaming equipment and utensils (collectively as referred to the "Reversion Assets"), reverted to the Macau government, without compensation and free and clear from any charges or encumbrances, at the expiration of the subconcession in accordance with the Macau gaming law. Under the terms of the Macau gaming law and the Concession, effective as at 1 January 2023, the Reversion Assets have been transferred by the Macau government to Melco Resorts Macau for use in its operations during the Concession for a fee of MOP750 (equivalent to approximately HK$730) per square meter of the casino for years 1 to 3 of the Concession, subject to a consumer price index increase in years 2 and 3 of the Concession. The fee will increase to MOP2,500 (equivalent to approximately HK$2,400) per square meter of the casino for years 4 to 10 of the Concession, subject to a consumer price index increase in years 5 to 10 of the Concession.

Melco Resorts Macau and Studio City Entertainment Limited ("Studio City Entertainment"), a subsidiary of the Company, entered into a services and right to use agreement dated 11 May 2007, as amended on 15 June 2012, together with related agreements, under which Melco Resorts Macau agreed to operate the Studio City Casino since Studio City Entertainment does not hold a gaming concession in Macau. Under such arrangements, Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with its operations from Studio City Casino's gross gaming revenues and Studio City Entertainment receives the residual amount. These arrangements were amended on 23 June 2022 to align such agreement with the enacted amendments to the Macau gaming law and the residual amount which Studio City Entertainment receives as revenue. In addition, certain conditions imposed by the Macau government relating to the previously existing agreement, including in relation to shareholding requirements for certain direct and indirect shareholders of Studio City Entertainment, are no longer applicable.

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 certain financial instruments which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These consolidated financial statements are presented in HK$ except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. 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).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have significant financial impact to the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). 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 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.4 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 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 and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets (other than goodwill)

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

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

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

Non-current assets and disposal groups held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

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

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

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

Gaming license and subconcession

Costs of the gaming license and subconcession are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line basis over the respective terms of the agreements.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

General approach

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Shares held under share award schemes

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

Inventories

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

Cash and cash equivalents

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

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

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.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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, food and beverage, entertainment, retail and other goods and services.

(a) Casino revenues

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

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

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

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

(b) Entertainment and resort facilities revenue

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from 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; and

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

Contract and contract-related liabilities

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

Share-based payments

Equity-settled share options/share awards granted to employees

The Group operates share option and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes valuation model, further details of which are given in note 38 to the consolidated financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Equity-settled share options/share awards granted to consultants

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

Cash-settled transactions

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Further details of dividends are given in note 15 to the consolidated financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful lives of trademarks

Certain trademarks of the Group were acquired through the deemed acquisition of Melco Resorts on 9 May 2016 which have legal lives of 7 to 10 years and are renewable for the same consecutive period upon expiry at minimal cost. The Group is of the opinion that the Group will renew the trademarks continuously and has the ability to do so. Such trademarks are considered by the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and/or 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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.

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 2022 were HK$47,347,230,000 (2021: HK$46,988,366,000) and HK$313,321,000 (2021: HK$374,740,000), respectively.

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

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

Impairment of goodwill and trademarks

Determining whether goodwill and trademarks are impaired requires estimations 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 2022, the carrying amounts of goodwill and trademarks were HK$5,299,451,000 (2021: HK$5,299,451,000) and HK$16,992,458,000 (2021: HK$16,992,458,000), respectively. Details of the recoverable amount calculation are disclosed in note 22.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 casinos and the provision of hospitality services and facilities through Melco Resorts; and

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

Management monitors the results of the Group's operating and reportable segments separately for the purpose of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, is the loss for the year before interest, income tax, depreciation and amortization, share-based compensation expenses, pre-opening costs, development costs, property charges and other, payments to the Philippine Parties (as defined in note 42), corporate expenses, share of losses of a joint venture, share of losses of associates 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 2022

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment net revenues			
Sales to external customers (note 5)	10,565,657	–	10,565,657
Intersegment sales	17,140	–	17,140
	10,582,797	–	10,582,797
Elimination of intersegment sales			(17,140)
Total net revenues			10,565,657
Adjusted EBITDA	(356,846)	(5,133)	(361,979)
Operating costs and expenses			
Depreciation and amortization			(4,586,000)
Share-based compensation expenses			(604,028)
Pre-opening costs			(121,399)
Property charges and other			(866,111)
Payments to the Philippine Parties			(226,535)
Corporate expenses			(34,639)
Operating loss			(6,800,691)
Non-operating income/(expenses)			
Interest income			108,024
Interest expenses, net of amounts capitalized			(3,262,133)
Other financing costs			(53,885)
Foreign exchange gains, net			179
Other income, net			33,416
Share of losses of a joint venture			(543)
Share of losses of associates			(6,050)
Total non-operating expenses, net			(3,180,992)
Loss before tax			(9,981,683)
Income tax expense			(5,634)
LOSS FOR THE YEAR			(9,987,317)

4. SEGMENT INFORMATION (continued)

Segment net revenues and results (continued)

Year ended 31 December 2021

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

4. SEGMENT INFORMATION (continued)

31 December 2022

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	93,974,093	314,173	94,288,266
Corporate and other unallocated assets			2,803,352
Total assets			97,091,618
Segment liabilities	77,135,904	57,809	77,193,713
Corporate and other unallocated liabilities			6,511,840
Total liabilities			83,705,553

31 December 2021

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

4. SEGMENT INFORMATION (continued)

Other segment information

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2022			
Capital expenditures	4,667,449	–	4,667,449
Share of losses of a joint venture	–	(543)	(543)
Share of losses of associates	–	(6,050)	(6,050)
31 December 2022			
Investment in a joint venture	–	167,033	167,033
Investments in associates	–	44,581	44,581

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2021			
Capital expenditures	6,073,032	–	6,073,032
Share of losses of a joint venture	–	(1,789)	(1,789)
Share of losses of associates	–	(1,791)	(1,791)
31 December 2021			
Investment in a joint venture	–	181,674	181,674
Investments in associates	–	29,278	29,278

Geographical information

The Group's operations are mainly located in Macau, the Philippines, Cyprus, Japan, Singapore and Hong Kong. Information about the Group's net revenues is presented based on the locations of the operations of the relevant group entities. Information about the Group's non-current segment assets is presented based on the locations of the assets and for investments in a joint venture and associates, by location of their head offices.

4. SEGMENT INFORMATION (continued)

Geographical information (continued)

Net revenues from external customers

	2022			2021		
	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Macau	6,710,105	–	6,710,105	13,107,623	–	13,107,623
The Philippines	3,104,302	–	3,104,302	2,086,762	–	2,086,762
Cyprus	714,958	–	714,958	409,593	–	409,593
Japan	36,292	–	36,292	29,165	–	29,165
Hong Kong	–	–	–	–	5,703	5,703
Total	10,565,657	–	10,565,657	15,633,143	5,703	15,638,846

Non-current segment assets

	2022 HK$'000	2021 HK$'000
Macau	71,881,648	71,083,086
The Philippines	1,325,559	3,157,927
Cyprus	4,097,745	3,136,894
Hong Kong	447,477	1,245,711
The PRC	167,033	181,677
Others	55,006	39,431
Total	77,974,468	78,844,726

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 2022 and 2021, no individual customer contributed over 10% of the total net revenues of the Group.

5. NET REVENUES

For the year ended 31 December 2022

Segments	**Casino and Hospitality** HK$'000	**Others** HK$'000	**Total** HK$'000
Casino revenue	8,425,961	–	8,425,961
Entertainment and resort facilities:			
Rooms	912,720	–	912,720
Food and beverage	669,673	–	669,673
Entertainment, retail and other	557,303	–	557,303
Sales to external customers (note 4)	10,565,657	–	10,565,657

For the year ended 31 December 2021

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

For the year ended 31 December 2022, entertainment, retail and other include rental income of HK$342,479,000 (2021: HK$389,585,000).

For the year ended 31 December 2022, the revenue from contracts with customers was HK$10,223,178,000 (2021: HK$15,243,558,000).

Contract and contract-related liabilities

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

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

5. NET REVENUES (continued)

Contract and contract-related liabilities (continued)

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

	Outstanding gaming chips		Advance customer deposits and ticket sales		Loyalty program liabilities	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	562,637	1,609,730	2,415,338	2,139,878	189,891	226,189
Balance at 31 December	291,713	562,637	2,175,653	2,415,338	121,575	189,891
(Decrease)/increase	(270,924)	(1,047,093)	(239,685)	275,460	(68,316)	(36,298)

6. GAMING TAX AND LICENSE FEES

According to the gaming subconcession agreement for the gaming business in Macau as disclosed in note 18, the Group was required to pay to the Macau government a 35% gaming tax on gross revenues of the gaming operation in Macau. The Group was also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. In addition, the Group made 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 18, Licensees under the Regular License (as defined in note 42) are required to pay license fees to the Philippine Amusement and Gaming Corporation ("PAGCOR") ranging from 15% to 25% of its gross gaming revenues of the gaming operation in the Philippines on a monthly basis starting from the date the casino commences operations. Such license fees include the 5% franchise tax on actual gross gaming revenues generated by the casino. The Group is also subject to fees based on 5% of certain non-gaming revenue and 2% of casino revenues generated from non-junket operation tables as further disclosed in note 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 disclosed in note 44.

7. EMPLOYEE BENEFITS EXPENSES

	2022 HK$'000	2021 HK$'000
Wages, salaries and staff welfare	3,742,718	4,046,768
Discretionary bonus	301,609	249,128
Defined contribution plans and social security funds	201,925	198,631
Share-based compensation – equity-settled	602,217	686,345
Share-based compensation – cash-settled	1,811	4,186
Others	336,694	377,642
Total employee benefits expenses including directors' emoluments	5,186,974	5,562,700

8. OTHER OPERATING EXPENSES, GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Repairs and maintenance	609,157	573,727
Utilities and fuel	474,048	449,442
Impairment losses on property, plant and equipment (note)	400,716	28,376
Costs of inventories	271,010	369,297
Other gaming operations expenses	252,177	310,212
Advertising and promotions	243,298	323,188
Payments to the Philippine Parties	226,535	204,929
Insurance	169,863	147,625
Impairment loss on right-of-use assets (note)	167,533	–
Other taxes and licenses	140,451	111,312
Transportation expenses	128,265	175,544
Legal and professional fees	116,272	266,499
Operating supplies	70,670	68,402
Rental and other expenses	62,637	43,939
Impairment losses on assets classified as held for sale	53,267	–
Auditor's remuneration		
– Audit services to the Company	3,651	1,550
– Audit services to the subsidiaries	24,328	14,581
Loss on disposal of property, plant and equipment	3,728	6,278
Loss on disposal of assets classified as held for sale, net	3,248	–
(Gain)/loss on lease modifications	(4)	847
Bad debt recovery	(883)	(39,521)
Adjustment of lease liabilities	(2,850)	(29,702)
(Reversal of allowances)/allowances for credit losses, net	(5,628)	95,727
Gain on disposal of investment properties	–	(54,300)
Others	348,548	291,908
	3,760,037	3,359,860

Note:

During the year ended 31 December 2022, impairment losses of HK$372,503,000 and HK$167,533,000 were recognized for certain property, plant and equipment and right-of-use assets, respectively, in relation to Altira Macau, as a CGU ("Altira CGU"). See note 17 for more details in determining the recoverable amount of the Altira CGU.

9. INTEREST EXPENSES, NET OF AMOUNTS CAPITALIZED

	2022 HK$'000	2021 HK$'000
Interest on:		
Interest-bearing borrowings	3,362,027	2,733,913
Lease liabilities	232,043	283,949
Amortization of deferred financing costs	171,423	146,203
	3,765,493	3,164,065
Less: interest capitalized (note)	(503,360)	(237,399)
	3,262,133	2,926,666

Note: Borrowing costs capitalized during the year ended 31 December 2022 were calculated by applying a capitalization rate of 5.81% (2021: 5.77%) to expenditure on qualifying assets.

10. OTHER INCOME, NET

	2022 HK$'000	2021 HK$'000
Gain on fair value changes of financial assets at fair value through profit or loss	848	428,057
Reversal of impairment loss on investment in an associate	871	–
Others	31,697	27,216
	33,416	455,273

11. LOSS BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Depreciation of property, plant and equipment	17	3,562,839	3,772,164
Amortization of gaming license and subconcession	18	579,173	1,089,003
Depreciation of right-of-use assets	35	383,732	514,905
Less: capitalized in construction in progress	35	(28,587)	(28,718)
Amortization of other intangible assets	21	88,843	89,807
		4,586,000	5,437,161
Gross rental income from investment properties	5	–	(5,703)
Less: direct operating expenses incurred for investment properties that generated rental income during the year		–	254
		–	(5,449)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2021: seven) directors were as follows:

2022

	Mr. Ho, Lawrence Yau Lung HK$'000 (note a)	Mr. Evan Andrew Winkler HK$'000 (note a)	Mr. Chung Yuk Man, Clarence HK$'000 (note a)	Mr. Ng Ching Wo HK$'000 (note b)	Mr. Tsui Che Yin, Frank HK$'000 (note c)	Mr. John William Crawford HK$'000 (note c)	Ms. Karuna Evelyne Shinsho HK$'000 (note c)	Total HK$'000
Fees	-	-	2,209	420	340	2,143	320	5,432
Other emoluments:								
Salaries and other benefits	10,446	7,861	4,302	-	-	18	-	22,627
Pension costs – defined contribution plans	36	-	18	-	-	-	-	54
Share-based compensation	222,442	60,745	11,505	469	372	1,765	361	297,659
Total emoluments	232,924	68,606	18,034	889	712	3,926	681	325,772

2021

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

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

Notes:

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

(b) The individual represents a Non-executive Director of the Company. The Non-executive Director's emoluments shown above were for his services as director of the Company.

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

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$1,200,000 (2021: HK$14,166,120), no other directors waived any emoluments in the years ended 31 December 2022 and 2021.

During both years, all directors were granted share options/awarded shares, in respect of their services to the Group under the long-term incentive schemes set out in note 38.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2021: two) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor the Chief Executive of the Company are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	21,649	19,632
Pension costs – defined contribution plans	2,232	1,135
Share-based compensation	68,849	56,404
	92,730	77,171

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 2022	 2021
HK$18,000,001 to HK$18,500,000	–	1
HK$21,000,001 to HK$21,500,000	1	–
HK$24,000,001 to HK$24,500,000	–	1
HK$32,500,001 to HK$33,000,000	1	–
HK$34,000,001 to HK$34,500,000	–	1
HK$38,500,001 to HK$39,000,000	1	–
	3	3

During both years, all highest paid employees (excluding directors and the Chief Executive) were granted share options and awarded shares, in respect of their services to the Group under the long-term incentive schemes set out in note 38.

14. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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% (2021: 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 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. Studio City Entertainment was also exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau for an additional five years from 2017 to 2021, to the extent that such income was derived from Studio City gaming operations and had been subject to gaming tax pursuant to a notice issued by the Macau government in January 2017. The exemption coincided with Melco Resorts Macau's exemption from Macau Complementary Tax. Pursuant to Dispatch of the Macau Chief Executive dated 17 February 2022 and 1 September 2022, Melco Resorts Macau was granted extensions of the Macau Complementary Tax exemption on profits generated from gaming operations for the period from 1 January 2022 to 26 June 2022 and from 27 June 2022 to 31 December 2022, respectively. Melco Resorts Macau applied for the Macau Complementary Tax exemption on profits generated from gaming operations for the period from 1 January 2023 to 31 December 2027 and Studio City Entertainment applied for an extension of the Macau Complementary Tax exemption for 2022 and for the period from 1 January 2023 to 31 December 2027. Both applications are currently pending approval by the Macau government. The non-gaming profits and dividend distributions of Studio City Entertainment 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 concession 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 provided for an annual payment of MOP18,900,000 (equivalent to approximately HK$18,350,000) as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau had distributable profits in the relevant year. An amount of MOP4,000,000 (equivalent to approximately HK$3,883,000) as payment for such arrangement for the period from 1 January 2022 to 26 June 2022 was paid by the shareholders of Melco Resorts Macau as of 31 December 2022. In March 2023, Melco Resorts Macau received an extension of the agreement with the Macau government for an amount of MOP4,167,000 (equivalent to approximately HK$4,046,000) as payment for such arrangement for the period from 27 June 2022 to 31 December 2022. Melco Resorts Macau applied for an extension of such arrangement for the period from 1 January 2023 to 31 December 2027 at an amount to be set by the Macau government.

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

14. INCOME TAX EXPENSE (continued)

No provision for Cyprus Corporate Income Tax has been made for the year ended 31 December 2022 as there are no taxable profits (2021: 12.5%).

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

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

	2022 HK$'000	**2021** HK$'000
Current tax:		
Macau Complementary Tax	74	1,342
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	18,350
Hong Kong Profits Tax	4,126	431
Philippine Corporate Income Tax	925	3
Philippine withholding tax on dividends	–	22,906
Cyprus Corporate Income Tax	–	1,463
Other jurisdictions	1,713	2,517
Sub-total	25,188	47,012
(Over)/under provision in prior years:		
Macau Complementary Tax	(16,241)	(6,800)
Hong Kong Profits Tax	(31)	137
Philippine Corporate Income Tax	3,323	(1,120)
PRC Capital Gains Tax	(31,980)	–
Other jurisdictions	762	112
Sub-total	(44,167)	(7,671)
Deferred tax (note 36)	24,613	3,941
Total	5,634	43,282

14. INCOME TAX EXPENSE (continued)

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

	2022 HK$'000	**2021** HK$'000
Loss before tax	(9,981,683)	(7,899,979)
Tax at the Macau Complementary Tax rate of 12% (2021: 12%)	(1,197,802)	(947,997)
Effect of different tax rates of the Company and subsidiaries operating in other jurisdictions	(122,079)	(238,947)
Effect of tax losses that cannot be carried forward	125,053	52,419
Effect of tax exemption granted by the government	(201,299)	(84,360)
Effect of income not taxable for income tax purposes	(94,692)	(168,898)
Effect of expenses not deductible for income tax purpose	671,745	960,261
Effect of tax losses and temporary differences not recognized	851,268	333,816
Utilization of tax losses previously not recognized	(743)	(1,004)
Lump sum in lieu of Macau Complementary tax on dividends	18,350	18,350
Overprovision in prior years	(44,167)	(7,671)
Change in income tax rate	–	127,313
Income tax expense for the year	5,634	43,282

15. DIVIDENDS

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 any dividend for the years ended 31 December 2022 and 2021.

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2022 HK$'000	2021 HK$'000
Loss for the year		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(5,113,127)	(3,808,968)
Effect of dilutive potential ordinary shares:		
Parent's proportionate adjustment in relation to participation interest in a subsidiary of the Company	(2,754)	–
Loss attributable to owners of the Company for the purpose of diluted loss per share	(5,115,881)	(3,808,968)

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,505,575	1,511,925

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Transportation HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 January 2021	722,884	42,970,458	1,615,552	67,249	7,455,780	5,485,298	1,491,132	3,119,648	62,928,001
Exchange adjustments	(57,948)	(607)	(43,221)	-	(133,427)	(70,842)	(1,620)	(134,534)	(442,199)
Additions	-	4,511	47,508	-	495,759	451,177	15,704	5,058,409	6,073,068
Reclassifications	-	-	10,202	-	(153,399)	144,086	1,701	(2,590)	-
Classified as assets held for sale *(note 31)*	(193,725)	(5,638)	-	-	(3,369)	(6,014)	(4,881)	(4,340)	(217,967)
Disposals and write-off	(4,790)	(56,049)	(22,294)	-	(169,976)	(151,443)	(9,079)	(21,826)	(435,457)
At 31 December 2021	466,421	42,912,675	1,607,747	67,249	7,491,368	5,852,262	1,492,957	8,014,767	67,905,446
Exchange adjustments	(24,928)	-	(68,898)	-	(237,456)	(124,776)	(1,414)	(121,456)	(578,928)
Additions	-	11,669	101,691	-	184,804	731,218	4,567	3,633,730	4,667,679
Reclassifications	-	131,673	1,135	-	(174,462)	41,654	-	-	-
Classified as assets held for sale *(note 31)*	-	-	-	-	-	-	(200,192)	-	(200,192)
Disposals and write-off	-	(13,930)	(104,018)	(67,249)	(336,376)	(203,916)	(1,011)	-	(726,500)
At 31 December 2022	441,493	43,042,087	1,537,657	-	6,927,878	6,296,442	1,294,907	11,527,041	71,067,505

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land HK$'000	Buildings HK$'000	Gaming equipment HK$'000	Restaurant vessels, ferries and pontoons HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Transportation HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 January 2021	51,469	8,278,273	1,093,397	67,249	3,790,644	3,992,351	480,679	-	17,754,062
Exchange adjustments	(4,764)	(85)	(31,502)	-	(84,680)	(60,964)	(1,012)	-	(183,007)
Provided for the year	-	1,834,680	229,462	-	994,564	551,331	162,127	-	3,772,164
Classified as assets held for sale *(note 31)*	(55,652)	(1,116)	-	-	(805)	(2,950)	(2,086)	-	(62,609)
Impairments	8,947	6,645	-	-	10,202	2,310	-	272	28,376
Eliminated on disposals and write-off	-	(56,049)	(21,377)	-	(162,074)	(143,055)	(9,079)	(272)	(391,906)
At 31 December 2021	-	10,062,348	1,269,980	67,249	4,547,851	4,339,023	630,629	-	20,917,080
Exchange adjustments	-	-	(57,859)	-	(167,563)	(115,331)	(1,474)	-	(342,227)
Provided for the year	-	1,827,423	164,397	-	979,224	453,068	138,727	-	3,562,839
Classified as assets held for sale *(note 31)*	-	-	-	-	-	-	(98,669)	-	(98,669)
Impairments	-	301,998	2,309	-	40,714	27,482	28,213	-	400,716
Eliminated on disposals and write-off	-	(13,930)	(103,078)	(67,249)	(333,422)	(200,778)	(1,007)	-	(719,464)
At 31 December 2022	-	12,177,839	1,275,749	-	5,066,804	4,503,464	696,419	-	23,720,275
Carrying values:									
At 31 December 2022	441,493	30,864,248	261,908	-	1,861,074	1,792,978	598,488	11,527,041	47,347,230
At 31 December 2021	466,421	32,850,327	337,767	-	2,943,517	1,513,239	862,328	8,014,767	46,988,366

The net carrying amount of property, plant and equipment pledged to secure against the Group's interest-bearing borrowings as at 31 December 2022 was HK$41,169,479,000 (2021: HK$42,983,538,000) (note 34).

During the year ended 31 December 2022, impairment losses of HK$372,503,000 were recognized for certain property, plant and equipment in relation to Altira CGU under the Casino and Hospitality segment as a result of the significant decline in cash flows due in large part to the COVID-19 outbreak and the earlier cessation of gaming promoter arrangements in Macau by Melco Resorts Macau. The recoverable amount of Altira CGU was HK$875,115,000 as at 31 December 2022 based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The rate used to discount the forecast cash flows from Altira CGU is 14.11% which is on a pre-tax basis and reflects specific risks relating to Altira CGU.

During the year ended 31 December 2022, an impairment loss of HK$28,213,000 on an aircraft (2021: HK$8,947,000 on the freehold land included in Hakone Assets) was recognized before classification as assets held for sale (note 31).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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.

The Reversion Assets that reverted to the Macau government at the expiration of the subconcession, are owned by the Macau government. Effective as at 1 January 2023, the Reversion Assets were transferred to Melco Resorts Macau for the duration of the Concession, in return for annual payments for the right to operate the Reversion Assets as part of the Concession as disclosed in note 1(c).

The Reversion Assets that reverted to the Macau government on 31 December 2022, and included in the above table, consisted of the following:

	2022 HK$'000
Buildings	2,853,281
Furniture, fixtures and equipment	222,196
Gaming equipment	707,536
	3,783,013
Less: accumulated depreciation and impairment	(2,027,188)
	1,755,825

As the Group will continue to operate the Reversion Assets in the same manner as under the previous subconcession, obtain substantially all of the economic benefits and bear all of the risks arising from the use of these assets, as well as assuming it will be successful in the awarding of a new concession upon expiry of the Concession, the Group will continue to recognize these Reversion Assets as property, plant and equipment over their remaining estimated useful lives.

18. GAMING LICENSE AND SUBCONCESSION

	2022 HK$'000	2021 HK$'000
Cost:		
At 1 January	6,702,315	6,702,315
Additions	45,631	–
At 31 December	6,747,946	6,702,315
Accumulated amortization:		
At 1 January	6,155,438	5,066,435
Charge for the year	579,173	1,089,003
At 31 December	6,734,611	6,155,438
Net carrying values	13,335	546,877

Gaming license and subconcession comprise the costs of (i) the gaming subconcession granted by the Macau government to Melco Resorts Macau on 8 September 2006 for the gaming business in Macau that was amortized on a straight-line basis over the term of the gaming subconcession which expired on 26 June 2022. Melco Resorts Macau paid a premium of MOP47,000,000 (equivalent to approximately HK$45,631,000) to the Macau government in June 2022 for the extension of the subconcession contract to 31 December 2022 and such premium was amortized on a straight-line basis from 27 June 2022 to the extended expiration date on 31 December 2022; and (ii) the Regular License (as defined in note 42) issued by PAGCOR on 29 April 2015 for the gaming business in the Philippines that are amortized on a straight-line basis over the term of the license agreements which will expire on 11 July 2033. During the years ended 31 December 2022 and 2021, the Group determined that there was no impairment in gaming license and subconcession.

19. GOODWILL

	Notes	Deemed Acquisition of Melco Resorts HK$'000 (note a)	Japan Ski Resort HK$'000 (note b)	Total HK$'000
Cost:				
At 1 January 2021		5,299,451	107,485	5,406,936
Classified as assets held for sale	31	–	(107,485)	(107,485)
At 31 December 2021 and 31 December 2022		5,299,451	–	5,299,451
Accumulated impairment:				
At 1 January 2021		–	107,485	107,485
Classified as assets held for sale	31	–	(107,485)	(107,485)
At 31 December 2021 and 31 December 2022		–	–	–
Carrying values:				
At 31 December 2022		5,299,451	–	5,299,451
At 31 December 2021		5,299,451	–	5,299,451

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

(b) The goodwill arose from the acquisition of a 100% equity interest of Kabushiki Kaisha Okushiga Kogen Resort (the "Japan Ski Resort") in 2019, an individual CGU under Melco Resorts. The Japan Ski Resort was a disposal group classified as held for sale as at 31 December 2021 and the disposal was completed during the year ended 31 December 2022 (note 31).

Particulars regarding impairment testing on goodwill are disclosed in note 22.

20. TRADEMARKS

	2022 HK$'000	2021 HK$'000
Cost:		
At 1 January and 31 December	16,992,458	16,992,458

The trademarks have legal lives of 7 to 10 years and are renewable for the same consecutive period upon expiry at minimal cost. These trademarks are considered by the Group to have indefinite useful lives because they are expected to contribute to net cash inflows and will not be amortized until their useful lives are determined to be finite. Instead they are tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding impairment testing of trademarks are disclosed in note 22.

21. OTHER INTANGIBLE ASSETS

	Club memberships *HK$'000*	Internal-use software *HK$'000*	Proprietary rights *HK$'000*	Total *HK$'000*
Cost:				
At 1 January 2021	5,700	402,229	93,133	501,062
Additions	–	35,967	–	35,967
Disposal	(120)	–	–	(120)
Exchange adjustments	–	(653)	–	(653)
At 31 December 2021 and 1 January 2022	5,580	437,543	93,133	536,256
Additions	–	27,790	–	27,790
Exchange adjustments	–	(1,180)	–	(1,180)
At 31 December 2022	5,580	464,153	93,133	562,866
Accumulated amortization:				
At 1 January 2021	–	70,626	1,449	72,075
Charge for the year	–	80,494	9,313	89,807
Exchange adjustments	–	(366)	–	(366)
At 31 December 2021 and 1 January 2022	–	150,754	10,762	161,516
Charge for the year	–	79,530	9,313	88,843
Exchange adjustments	–	(814)	–	(814)
At 31 December 2022	–	229,470	20,075	249,545
Carrying values:				
At 31 December 2022	5,580	234,683	73,058	313,321
At 31 December 2021	5,580	286,789	82,371	374,740

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.

The proprietary rights are related to an entertainment show in City of Dreams. The estimated useful life is 10 years and the proprietary rights are amortized on a straight-line basis.

22. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARKS

(a) Goodwill

For the purpose of impairment testing on goodwill, the recoverable amount of the group of CGUs under Melco Resorts has 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 rate used to discount the forecast cash flows from the group of CGUs under Melco Resorts is 12.12% (2021: 9.84%). The discount rate used is pre-tax and reflects specific risks relating to the group of CGUs under Melco Resorts. The cash flow projections beyond the five-year period for the group of CGUs under Melco Resorts are extrapolated with growth rates ranging from 2.0% to 3.0% (2021: 1.9% to 3.0%).

(b) Trademarks

For the purpose of impairment testing, trademarks as set out in note 20 were allocated to four individual CGUs operating in the "Casino and Hospitality" segment. The carrying amounts of trademarks as at 31 December 2022 and 2021 allocated to these units are as follows:

	2022 HK$'000	**2021** HK$'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 amounts of each of the CGUs as above have been determined on the basis of value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions. All value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow projections beyond the five-year period are extrapolated with growth rates ranging from 2.2% to 3.0% (2021: 2.0% to 3.0%). The rates used to discount the forecast cash flows from City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs are 11.37%, 12.65%, 13.77% and 12.68% (2021: 9.02%, 10.61%, 11.21% and 10.02%), 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 recoverable amounts of the CGUs or group of CGUs to fall below the carrying amounts of the CGUs or group of CGUs.

During the years ended 31 December 2022 and 2021, management determined that there was no impairment of its CGUs or group of CGUs containing goodwill and trademarks.

23. INVESTMENT IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Cost of investment in a joint venture	180,150	180,150
Share of loss	(2,332)	(1,789)
Share of changes in exchange reserve	(10,785)	3,313
	167,033	181,674

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

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

* *for identification purposes only*

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

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

A notice dated 13 July 2022 from the Group was served to the joint venture partner to terminate the Joint Venture Cooperation Agreement in accordance with the Civil Code of the PRC (the "JV Termination") because certain provisions in the Joint Venture Cooperation Agreement were not met by the joint venture partner. As at the date of approval of these consolidated financial statements, the Group is in discussion with the joint venture partner on the separation plan regarding the JV Termination and management expects that the Group will be able to recover the carrying amount of its investment in the joint venture.

23. INVESTMENT IN A JOINT VENTURE (continued)

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

	2022 HK$'000	**2021** HK$'000
The Group's share of loss for the year	(543)	(1,789)
The Group's share of other comprehensive (loss)/income for the year	(14,098)	3,313
The Group's share of total comprehensive (loss)/income for the year	(14,641)	1,524

24. INVESTMENTS IN ASSOCIATES

	2022 HK$'000	**2021** HK$'000
Cost of investments in associates		
Unlisted in the U.S.	52,517	31,084
Listed in Canada	–	339,601
Net changes in investments in associates	(317)	54,355
Share of changes in net assets and exchange reserve	222	7,616
Share of post-acquisition results, net of dividends received	(7,841)	(82,683)
Impairment losses recognized	–	(320,695)
	44,581	29,278

Particulars of the associates at the end of the reporting period are as follows:

Name	**Place of incorporation/ operation**	**Proportion of ownership interest and voting rights held by the Group** 2022	2021	**Principal activities**
CleanRobotics Technologies, Inc ("CleanRobotics") (note a)	The U.S.	28.85%	29.03%	Waste management
Metalmark Innovations, PBC ("Metalmark") (note b)	The U.S.	15.49%	–	Air purification solutions
Mountain China Resorts (Holding) Limited ("MCR") (note c)	Canada/the PRC	18.85%	18.85%	Operation of ski resorts

24. INVESTMENTS IN ASSOCIATES (continued)

Notes:

(a) On 17 August 2021, the Group acquired preferred stocks issued by CleanRobotics, a private company, for an aggregate consideration of US$4,000,000 (equivalent to approximately HK$31,084,000). The preferred stocks shall vote together with the common stocks of CleanRobotics on an as-converted basis and the Group is entitled to appoint one director to the board of CleanRobotics in accordance with the terms of the agreements. CleanRobotics became an associate of the Group on 17 August 2021. As at 31 December 2022, goodwill on acquisition of US$2,337,000 (equivalent to approximately HK$18,251,000) was included in the cost of investment (2021: US$2,337,000 (equivalent to approximately HK$18,199,000)).

(b) On 17 February 2022, the Group acquired shares of preferred stock issued by Metalmark, a private company, for an aggregate consideration of approximately US$2,750,000 (equivalent to approximately HK$21,433,000). The shares of preferred stock shall vote together with the shares of common stock of Metalmark on an as-converted basis and the Group is entitled to appoint one director to the board of Metalmark in accordance with the terms of the agreements. Metalmark became an associate of the Group on 17 February 2022. As at 31 December 2022, goodwill on acquisition of US$1,308,000 (equivalent to approximately HK$10,215,000) was included in the cost of investment.

(c) The shares of MCR were listed on the TSX Venture Exchange of Canada (the "Canada Stock Exchange") until they were delisted on 20 January 2023. As at 31 December 2021, the fair value of the investment was HK$3,563,000 which was determined at the market price of listed shares on the Canada Stock Exchange (Level 1 fair value measurement). The Group was 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 until the completion of the amalgamation disclosed below. MCR was an associate of the Group as at 31 December 2021.

On 16 December 2022, the shareholders of MCR approved an amalgamation proposal of MCR. The amalgamation was completed on 18 January 2023 (the "Amalgamation") and MCR's shares were delisted from the Canada Stock Exchange on 20 January 2023. Under the Amalgamation, all shares in MCR held by the Group were exchanged into shares of the amalgamated company, and deemed to have been redeemed by the amalgamated company immediately upon the effectiveness of the Amalgamation by the amalgamated company, for an aggregate consideration of approximately Canadian dollars 151,000 (equivalent to approximately HK$871,000). After consideration of relevant facts, the Group concluded the investment would be partially recovered by the share redemption and an impairment provision of HK$871,000 was reversed to profit or loss during the year ended 31 December 2022. In addition, the investment met the criteria for classification as asset held for sale which is reported under Others segment as at 31 December 2022 and the Group ceased to equity pick up the results of MCR at the time when it was reclassified as an asset held for sale. The carrying amount of the investment, net of impairment, was HK$871,000 as at 31 December 2022, being the fair value less costs to sell.

Aggregate information of the associates that are not individually material

	2022 HK$'000	**2021** HK$'000
The Group's share of loss for the year	(6,050)	(1,791)
The Group's share of other comprehensive income for the year	222	–
The Group's share of total comprehensive loss for the year	(5,828)	(1,791)
Aggregate carrying amount of the Group's investments in associates	44,581	29,278
Unrecognized share of loss of the associates for the year	(9,134)	(6,505)
Cumulative unrecognized share of loss of the associates	(461,859)	(452,725)

25. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	137,862	159,119
Food and beverages	68,430	71,705
	206,292	230,824

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. The Group currently does not have gaming promoter arrangements for Macau business following their cessation in December 2021.

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 which it intends to settle on a net basis. As at 31 December 2022, the gross amounts of casino receivables are HK$2,047,998,000 (2021: HK$2,266,656,000) and the aggregate amounts of the commissions payable and front money deposits are HK$194,399,000 (2021: HK$288,404,000).

The Group's trade receivables related to the rooms, food and beverage, entertainment and retail from the Casino and Hospitality segment which 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 up to 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:

	2022	**2021**
	HK$'000	HK$'000
Within 1 month	143,444	167,894
More than 1 month but within 3 months	71,011	208,513
More than 3 months but within 6 months	1,476	222,600
More than 6 months	1,650,029	1,387,949
	1,865,960	1,986,956
Allowances for credit losses	(1,428,687)	(1,561,858)
	437,273	425,098

Movement in the allowances for credit losses

	2022	**2021**
	HK$'000	HK$'000
At 1 January	1,561,858	1,553,121
(Reversal of allowances)/allowances for credit losses, net	(6,174)	89,371
Write-off	(126,997)	(80,634)
At 31 December	1,428,687	1,561,858

For the year ended 31 December 2022, reversal of allowances for credit losses, net, of HK$6,174,000 (2021: allowances for credit losses, net, of HK$89,371,000) 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 2022

	Expected credit loss rate	**Gross carrying amount** HK$'000	**Expected credit losses** HK$'000
Current	8.1%	103,008	8,353
Past due:			
Within 1 month	2.3%	40,436	936
More than 1 month but within 3 months	4.2%	71,011	2,957
More than 3 months but within 6 months	57.7%	1,476	852
More than 6 months	85.8%	1,650,029	1,415,589
	76.6%	1,865,960	1,428,687

As at 31 December 2021

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Current assets		
Prepayments and other assets	749,368	663,654
Other receivables	188,415	217,510
Deposits	62,155	50,696
	999,938	931,860
Non-current assets		
Prepayments and other assets	1,038,743	1,142,318
Rental, utilities and other deposits	78,057	90,530
Deposits for acquisition of property, plant and equipment	152,231	158,558
Other receivables	2,553	3,426
	1,271,584	1,394,832

During the year ended 31 December 2022, impairment losses on other receivables of HK$546,000 (2021: HK$9,371,000) and reversal of impairment losses on other assets of nil (2021: HK$3,015,000) were recognized in profit or loss and included in the Casino and Hospitality and Others segments, respectively.

28. RESTRICTED CASH

Restricted cash mainly consists of cash deposited in (i) collateral bank accounts for bank guarantees (as disclosed below); and (ii) collateral bank accounts associated with borrowings under credit facilities.

On 20 September 2022, Melco Resorts Macau provided a bank guarantee in an amount of MOP820,000,000 (equivalent to approximately HK$796,117,000) to the Macau government to guarantee the satisfaction of any labour liabilities upon expiry of the subconcession. As stipulated in the bank guarantee contract, MOP410,000,000 (equivalent to approximately HK$398,058,000) was required to be held in a cash deposit account as collateral to secure the bank guarantee. In January 2023, such bank guarantee and the cash deposited in the collateral bank account were released. The cash of MOP410,000,000 (equivalent to approximately HK$398,058,000) deposited in the collateral account was included in the current portion of restricted cash in the consolidated statement of financial position as at 31 December 2022.

On 9 December 2022, as required by the Concession, Melco Resorts Macau provided a bank guarantee in favour of the Macau government of MOP1,000,000,000 (equivalent to approximately HK$970,874,000) to secure the fulfilment of performance of certain of its legal and contractual obligations, including labour obligations. As stipulated in the bank guarantee contract, MOP1,000,000,000, or an equivalent amount in other currencies, is required to be held in a cash deposit account as collateral in order to secure the bank guarantee. The bank guarantee will remain in effect until 180 days after the earlier of the expiration and termination of the Concession. The cash of HK$970,874,000 (equivalent to MOP1,000,000,000) deposited in the collateral bank account was included in the non-current portion of restricted cash in the consolidated statement of financial position as at 31 December 2022.

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

	2022 HK$'000	2021 HK$'000
Current assets		
Financial assets at fair value through profit or loss	21,168	–
Non-current assets		
Financial assets at fair value through profit or loss	–	20,320

Senior Unsecured Convertible Note (the "Convertible Note")

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

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

As at 31 December 2022, the fair value of the Investment was US$2,711,000 (equivalent to approximately HK$21,168,000) (2021: US$2,606,000 (equivalent to approximately HK$20,320,000). The Investment is grouped under Level 3 hierarchy and the table set out below provides information on how the fair value of the Investment is determined by virtue of the valuation technique and input bases used.

Description	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Convertible Note	Discounted cash flow method	(1) Probability for the occurrence of Conversion Event	2022: Not applicable (note) 2021: 5% increase/(decrease) in the probability would result in an increase/(decrease) in fair value by approximately 1.5%
		(2) Discount rate	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by approximately 0.2% (2021: 1.6%)

Note: Management expects that the Group will redeem the Convertible Note in 2023. Accordingly, the Convertible Note is classified as current asset as at 31 December 2022.

For the year ended 31 December 2022, an increase in fair value of the Investment of HK$848,000 (2021: HK$880,000) was recognized in "Other income, net" in the consolidated statement of profit or loss and other comprehensive income.

EHang Holdings Limited ("EHang")

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

31. ASSETS CLASSIFIED AS HELD FOR SALE

	Notes	2022 HK$'000	2021 HK$'000
Assets classified as held for sale			
Japan Ski Resort	a	–	31,440
Hakone Assets	a	66,402	138,073
Investment in MCR	b	871	–
		67,273	169,513
Liabilities directly associated with assets classified as held for sale			
Japan Ski Resort	a	–	11,674

(a) Japan Ski Resort and Hakone Assets

In September 2021, the Group announced discontinuing its pursuit of a Yokohama integrated resort development in Japan. In December 2021, an external advisor was engaged to locate potential buyers and prepare marketing materials for the disposal of the Group's assets in Japan, including the Japan Ski Resort (as defined in note 19) and a parcel of freehold land together with the accompanying building structures in Hakone, Japan (the "Hakone Assets"). After consideration of the relevant facts, the Group concluded the assets and liabilities of the Japan Ski Resort and Hakone Assets met the criteria for classification as held for sale which is reported under the Casino and Hospitality segment as at 31 December 2021.

The major classes of assets of the Japan Ski Resort classified as held for sale as at 31 December 2021 were mainly comprised of:

	2021 HK$'000
Property, plant and equipment	17,285
Right-of-use assets	4,924
Cash and bank balances	1,822
Others	7,409
	31,440

Liabilities directly associated with the Japan Ski Resort of HK$11,674,000 as at 31 December 2021 mainly represented trade and other payables, lease liabilities and other current liabilities.

On 8 December 2022, the Group entered into an agreement with an independent third party (the "Buyer") to dispose of its entire interest in the Japan Ski Resort with net liabilities of HK$107,010,000 (including a loan payable to the Group of Japanese Yen ("JPY") 2,215,180,000 (equivalent to approximately HK$131,797,000)) for a consideration of JPY1 and to transfer the loan receivable from the Japan Ski Resort as mentioned above of JPY2,215,180,000 (equivalent to approximately HK$131,797,000) to the Buyer for a consideration of JPY1. The disposal was completed on 30 December 2022 and the Group recorded a loss on disposal of assets held for sale of HK$23,886,000 in profit or loss during the year ended 31 December 2022.

31. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(a) Japan Ski Resort and Hakone Assets (continued)

As at 31 December 2022 and 2021, the Hakone Assets classified as assets held for sale were comprised of property, plant and equipment, with carrying values of HK$66,402,000 and HK$138,073,000, respectively. Due to a significant decrease in the market value of the freehold land included in Hakone Assets as of 31 December 2022 and 2021, an impairment loss on assets held for sale of HK$53,267,000 and an impairment loss on property, plant and equipment of HK$8,947,000 was provided during the years ended 31 December 2022 and 2021, respectively. The recoverable amount of JPY917,000,000 (equivalent to approximately HK$54,559,000) (2021: JPY1,838,000,000 (equivalent to approximately HK$124,586,000)) was its fair value less costs to sell. The fair value was determined by the direct comparison approach which was considered as a level 3 fair value measurement. A key input under this approach is the sale rate, which was adjusted by certain factors including location and size of the comparable lands, of JPY176,000 (equivalent to approximately HK$10,000) (2021: JPY312,000 (equivalent to approximately HK$21,000)) per square meter. As at 31 December 2022, the disposal of the Hakone Assets was in progress and was anticipated to be completed within one year. After consideration of the relevant facts, the Group concluded to continue classifying the Hakone Assets as assets held for sale.

(b) Investment in MCR

The investment was reclassified from investment in an associate to asset held for sale during the year ended 31 December 2022. Details of the investment are disclosed in note 24.

(c) Aircraft

In June and August 2022, the Group signed sale and purchase agreements with buyers to sell two aircraft (the "Aircraft") for an aggregate selling price of US$15,800,000 (equivalent to approximately HK$124,022,000). Before the completion of the disposals of the Aircraft in September 2022, the Group concluded the Aircraft met the criteria for classification as assets held for sale which was reported under the Casino and Hospitality segment, and an impairment loss of HK$28,213,000 was provided for one of the aircraft due to a decrease in its market value. The recoverable amount of US$7,302,000 (equivalent to approximately HK$57,317,000) was its fair value less costs to sell. The fair value was estimated based on the buyer indicative purchase price which was considered as a level 2 input under the fair value hierarchy. The Group recorded a gain on disposal of assets held for sale of HK$20,638,000 on the Aircraft during the year ended 31 December 2022.

As at 31 December 2022, total comprehensive losses of HK$17,462,000 (2021: HK$6,804,000) relating to the assets held for sale has been accumulated in equity.

32. TRADE PAYABLES

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

	2022 HK$'000	**2021** HK$'000
Within 1 month	32,532	36,096
More than 1 month but within 3 months	7,301	8,206
More than 3 months but within 6 months	642	1,288
More than 6 months	12,082	1,189
	52,557	46,779

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

33. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Note	2022 HK$'000	2021 HK$'000
Current liabilities			
Advance customer deposits and ticket sales	5	2,175,653	2,415,338
Interest payable		978,349	829,123
Accrued operating expenses and other liabilities		853,394	793,492
Accrued employee benefits expenses		659,525	599,990
Construction cost payable		594,871	1,001,198
Gaming tax and license fee payables		380,231	666,520
Outstanding gaming chips	5	291,713	562,637
Payable for acquisition of property, plant and equipment		279,162	283,837
Loyalty program liabilities	5	121,575	189,891
Dividends payable		3,809	3,026
		6,338,282	7,345,052
Non-current liabilities			
Other liabilities		189,996	175,334
Accrued employee benefits expenses		39,061	39,146
Deposits received		38,529	25,378
		267,586	239,858

34. INTEREST-BEARING BORROWINGS

	Notes	2022 HK$'000	2021 HK$'000
Unsecured notes	a	48,252,118	48,151,277
Unsecured bank loans	b	14,831,845	3,117,000
Secured bank loans	c	6,433,806	6,608,324
Secured notes	d	2,693,238	–
		72,211,007	57,876,601
Non-current portion		(70,407,930)	(53,163,654)
Current portion		1,803,077	4,712,947
Analysed into borrowings repayable:			
Within one year or on demand		1,812,120	4,712,947
In the second year		15,262,680	429,228
In the third to fifth years, inclusive		27,336,409	20,318,490
After five years		28,115,235	32,754,645
		72,526,444	58,215,310
Less: deferred financing costs and original issue premiums		(315,437)	(338,709)
		72,211,007	57,876,601

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

	2022 HK$'000	2021 HK$'000
Fixed-rate borrowings	50,945,355	48,151,277
Variable-rate borrowings	21,265,652	9,725,324
	72,211,007	57,876,601

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

	2022 HK$'000	2021 HK$'000
US$	63,780,960	54,757,601
HK$	8,430,047	3,119,000
	72,211,007	57,876,601

34. INTEREST-BEARING BORROWINGS (continued)

During the year ended 31 December 2022, the Group obtained new interest-bearing borrowings of HK$14,466,499,000 (2021: HK$20,405,948,000) and repaid interest-bearing borrowings of HK$215,474,000 (2021: HK$13,305,487,000).

Notes:

(a) The unsecured notes bear interest rates ranging from 4.875% to 6.50% per annum and are repayable at maturities from 2025 to 2029. The unsecured notes are denominated in US$. Certain unsecured notes are guaranteed by certain subsidiaries of the Company.

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

On 21 January 2021, the Group issued US$250,000,000 (equivalent to approximately HK$1,938,375,000) in aggregate principal amount of 5.375% senior notes due 2029 at an issue price of 103.25% of the principal amount (the "Additional 2029 Senior Notes") in addition to the original US$900,000,000 (equivalent to approximately HK$6,977,501,000) 5.375% senior notes due 2029 issued in December 2019 (the "2029 Senior Notes"). The net proceeds from the offering of the Additional 2029 Senior Notes were used to repay the outstanding principal amount of HK$1,937,500,000 drawn under a revolving credit facility of the 2020 Credit Facilities (as defined in note b), together with accrued interest and associated costs. The Additional 2029 Senior Notes were consolidated and form a single series with the 2029 Senior Notes.

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

The indenture governing the unsecured notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of the issuer and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the ability of the restricted subsidiaries of relevant borrowing groups to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the unsecured notes also contains conditions and events of default customary for such financings. In the events that relate to a change of control or a termination of the Concession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing the unsecured notes, each holder of the unsecured notes will have the right to require the Group to repurchase all or any part of such holder's unsecured notes at a fixed redemption price.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

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

The indebtedness under the 2020 Credit Facilities is guaranteed by certain subsidiaries of the Company. 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 certain 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 Hong Kong Interbank Offered Rate ("HIBOR") plus applicable margins ranging from 1.00% to 2.00% per annum.

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

On 16 August 2022, the Group further received confirmation that the majority of lenders of the 2020 Credit Facilities consented and agreed to a waiver extension of certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities. The waiver effective on 9 November 2021 remained valid in respect of the relevant periods ended on the 31 December 2022 test date, and the waiver extension granted extends the waiver for the relevant periods ended or ending on the following applicable test dates: (a) 31 March 2023; (b) 30 June 2023; (c) 30 September 2023; (d) 31 December 2023; and (e) 31 March 2024. Such consent became effective on 17 August 2022. As at 31 December 2022, the outstanding principal amount of the 2020 Credit Facilities was HK$14,831,845,000 (2021: HK$3,117,000,000).

(c) The secured bank loans bear interest at HIBOR or London Interbank Offered Rate ("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 2023 to 2028. The secured bank loans consisted of term loan facilities and revolving credit facilities. The secured bank loans are guaranteed by certain subsidiaries of the Company.

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

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(c) (continued)

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

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

The borrowings under the 2021 Credit Facilities bear interest at LIBOR plus a margin of 2.35% per annum. The term loan facility under the 2021 Credit Facilities is repayable in instalments within the period from 2023 to 2026. The revolving credit facility under the 2021 Credit Facilities is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally being one month, or rolled over subject to compliance with certain covenants and satisfaction of conditions precedent. The indebtedness under the 2021 Credit Facilities is guaranteed by the Company and a subsidiary. In the event of a change of control, the Group may be required, at the election of any lender under the 2021 Credit Facilities, to repay such lender in full. In addition, the Group may be required to repay the loan in full if Melco Resorts Macau's concession contract is terminated or otherwise expires on its terms.

In March 2022, the Group obtained confirmation from the facility agent that certain provisions contained in the 2021 Credit Facilities were waived subject to certain conditions, including placing a cash collateral of US$220,000,000 (equivalent to approximately HK$1,721,696,000). As of 8 April 2022, the cash collateral was placed in a pledged account. The cash collateral (including interest earned) of US$222,761,000 (equivalent to approximately HK$1,739,656,000) was released on 13 January 2023.

On 16 August 2022, the Group further obtained confirmation from the facility agent that certain provisions contained in the 2021 Credit Facilities were waived and amended, subject to certain conditions. The net proceeds from the 2022 Share Repurchase (as defined in note 40) was deposited into a designated bank account on 30 August 2022 for the future repayment of principal and payment of interest under the 2021 Credit Facilities. As at 31 December 2022, the outstanding principal amount, net of deferred financing costs of the 2021 Credit Facilities, was US$823,586,000 (equivalent to approximately HK$6,431,806,000) (2021: US$847,129,000 (equivalent to approximately HK$6,606,324,000).

In May 2022, the maturity date of a secured credit facility of HK$2,000,000 was extended from 24 June 2022 to 31 December 2022 and was further extended to 24 June 2024 in December 2022.

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

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(d) On 16 February 2022, the Group issued US$350,000,000 (equivalent to approximately HK$2,733,499,000) in aggregate principal amount of 7.00% senior secured notes due 2027 at an issue price of 100% of the principal amount (the "2027 Senior Notes"). The net proceeds are being used to fund the capital expenditures of the remaining development project at Studio City and for general corporate purposes. Certain subsidiaries of the Company and other future restricted subsidiaries as defined in the 2027 Senior Notes are guarantors to guarantee the indebtedness under the 2027 Senior Notes.

The indenture governing the 2027 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) prepay or redeem subordinated debt or equity; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The indenture governing the 2027 Senior Notes also contains conditions and events of default customary for such financings.

In the events that relate to a change of control or a termination of the Concession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing the secured notes, each holder of the secured notes will have the right to require the Group to repurchase all or any part of such holder's secured notes at a fixed redemption price.

(e) As at 31 December 2022, an unsecured credit facility amounting to PHP2,350,000,000 (equivalent to approximately HK$327,019,000 (2021: PHP2,350,000,000 (equivalent to approximately HK$360,941,000)) was available for future drawdown, subject to satisfaction of certain conditions precedent. As at 31 December 2021, the available drawdown currency under the credit facility is PHP and the credit facility availability period was up to 31 January 2022, and the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 180 days from the date of drawdown, and (ii) the date which is 180 days after the end of the availability period. In January 2022, the credit facility availability period was extended to 1 May 2022, with other terms and conditions unchanged. In April 2022, the credit facility availability period was extended to 31 January 2023, and was further extended to 1 May 2023 in February 2023, with other terms and conditions unchanged, except (1) the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 360 days from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period; and (2) the available drawdown currencies are PHP and US$.

(f) As at 31 December 2022, the Group had a total available and unutilized borrowing capacity of HK$561,019,000 (2021: HK$13,380,737,000), subject to satisfaction of certain conditions precedent.

(g) As at 31 December 2022, borrowings in aggregate principal amount of HK$9,275,637,000 (2021: HK$6,747,691,000) are secured by the following assets of the Group:

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

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

(iii) certain bank deposits;

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

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

35. LEASES

Group as a lessee

The Group has lease contracts for land, buildings, gaming equipment, transportation assets and furniture, fixtures and equipment used in its operations. The Group leases the land and certain of the building structures for City of Dreams Manila under the MRP Lease Agreement as described in note 42(d), Cyprus Operations sites, Mocha Clubs sites, office spaces, warehouses, staff quarters, and certain parcels of land in Macau on which Altira Macau, City of Dreams and Studio City are located. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors and, in some cases, contingent rental expenses stated as a percentage of turnover. Certain leases include options to extend the lease term and options to terminate the lease term. The land concession contracts in Macau have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The estimated term related to the land concession contracts in Macau is 40 years.

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

	Right-of-use assets						
	Land	**Buildings**	**Gaming equipment**	**Transportation**	**Furniture, fixtures and equipment**	**Total**	**Lease liabilities**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2021	5,714,224	1,569,965	3,062	6,236	3,602	7,297,089	3,514,860
Additions	-	78,616	-	-	618	79,234	79,234
Depreciation	(189,185)	(318,307)	(1,219)	(3,468)	(2,726)	(514,905)	-
Modification	(48,536)	339,609	-	1,140	(721)	291,492	340,187
Reclassified to assets held for sale (note 31)	(4,773)	-	-	(97)	(54)	(4,924)	(8,565)
Adjustment of lease liabilities	-	-	-	-	-	-	(29,702)
Interest expense	-	-	-	-	-	-	283,949
Payments	-	-	-	-	-	-	(295,569)
Exchange adjustments	(8,873)	(69,095)	(179)	(257)	(72)	(78,476)	(173,001)
As at 31 December 2021	5,462,857	1,600,788	1,664	3,554	647	7,069,510	3,711,393
Additions	-	93,636	3,596	108	26,916	124,256	100,140
Depreciation	(185,419)	(186,814)	(1,034)	(2,739)	(7,726)	(383,732)	-
Modification	(71,061)	(873,825)	-	(87)	(39)	(945,012)	(945,016)
Impairment	(167,533)	-	-	-	-	(167,533)	-
Adjustment of lease liabilities	-	-	-	-	-	-	(2,850)
Interest expense	-	-	-	-	-	-	232,043
Payments	-	-	-	-	-	-	(457,683)
Exchange adjustments	(10,400)	(105,385)	(54)	(208)	4	(116,043)	(278,452)
As at 31 December 2022	5,028,444	528,400	4,172	628	19,802	5,581,446	2,359,575

35. LEASES (continued)

Group as a lessee (continued)

	2022 HK$'000	2021 HK$'000
Analysed of lease liabilities into:		
Current portion	373,589	509,977
Non-current portion	1,985,986	3,201,416
	2,359,575	3,711,393

The maturity analysis of lease liabilities is disclosed in note 46(b).

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

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets	383,732	514,905
Less: capitalized in construction in progress	(28,587)	(28,718)
Interest expense on lease liabilities	232,043	283,949
Impairment losses on right-of-use assets	167,533	–
Expense relating to short-term leases	5,629	3,788
Adjustment of lease liabilities	(2,850)	(29,702)
Variable lease payments not included in the measurement of lease liabilities	17,756	24,816
(Gain)/loss on lease modifications	(4)	847
Total amount recognized in profit or loss	775,252	769,885

During the year ended 31 December 2022, total impairment loss of HK$167,533,000 was recognized in "other operating expenses, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income, for certain right-of-use assets in relation to Altira CGU. See note 17 for more details in determining the recoverable amount of the Altira CGU.

The Group has total cash outflows for leases of HK$505,184,000 during the year ended 31 December 2022 (2021: HK$324,173,000).

As at 31 December 2022, certain right-of-use land with an aggregate carrying amount of HK$4,722,163,000 (2021: HK$5,055,753,000) were pledged to secure against the Group's interest-bearing borrowings (note 34).

35. LEASES (continued)

Group as a lessor

The Group entered into non-cancellable operating leases mainly for its 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 2022 and 2021, the Group earned minimum operating lease income of HK$314,907,000 and HK$344,895,000, respectively, and variable lease income of HK$27,572,000 and HK$50,394,000, respectively.

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

	2022 HK$'000	**2021** HK$'000
Within one year	377,389	375,394
More than one year but within two years	375,838	340,380
More than two years but within three years	378,707	341,485
More than three years but within four years	186,189	345,519
More than four years but within five years	31,884	158,205
After five years	14,385	21,509
	1,364,392	1,582,492

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

36. DEFERRED TAX

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

	2022 HK$'000	**2021** HK$'000
Deferred tax assets	4,986	31,423
Deferred tax liabilities	(2,384,984)	(2,388,789)
	(2,379,998)	(2,357,366)

36. DEFERRED TAX (continued)

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

	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	(2,423,579)	(221,212)	242,251	95,902	(48,015)	(2,354,653)
Credit/(charge) to profit or loss for the year (note 14)	28,814	13,597	(20,418)	(36,371)	10,437	(3,941)
Exchange adjustments	653	10,446	(11,248)	(729)	2,106	1,228
At 31 December 2021	(2,394,112)	(197,169)	210,585	58,802	(35,472)	(2,357,366)
Credit/(charge) to profit or loss for the year (note 14)	(4,984)	100,712	(103,731)	(26,444)	9,834	(24,613)
Exchange adjustments	888	19,983	(21,195)	(915)	3,220	1,981
At 31 December 2022	(2,398,208)	(76,474)	85,659	31,443	(22,418)	(2,379,998)

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$15,012,671,000 (2021: HK$13,526,390,000). A deferred tax asset has been recognized in respect of HK$172,093,000 (2021: HK$339,181,000) of tax losses to the extent that it is probable that future taxable profits or 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$14,840,578,000 (2021: HK$13,187,209,000) due to the unpredictability of future profit streams.

Included in unrecognized tax losses are losses of HK$13,678,734,000 (2021: HK$11,797,921,000) that are allowed to be carried forward and utilized against the taxable profit which shall not exceed 3 to 20 years (2021: 3 to 20 years). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$6,379,897,000 (2021: HK$5,030,698,000). No deferred tax asset has been recognized in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

37. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2022	**2021**	**2022** HK$'000	**2021** HK$'000
Issued and fully paid:				
At 1 January	1,516,205,755	1,515,763,755	5,696,445	5,692,080
Exercise of share options	478,000	442,000	5,408	4,365
At 31 December	1,516,683,755	1,516,205,755	5,701,853	5,696,445

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

During the year ended 31 December 2022, the trustee of the Share Purchase Scheme as defined in note 38 under the Company's share award schemes purchased 3,050,000 (2021: 11,409,000) ordinary shares of the Company on the Hong Kong Stock Exchange for an aggregate consideration of approximately HK$15,242,000 (2021: HK$120,596,000) which are for future vesting of unvested shares under the Company's Share Purchase Scheme.

As at 31 December 2022, 12,167,906 (2021: 12,136,925) and 75,000 (2021: 75,000) issued shares of the Company were held by the Company's Share Purchase Scheme and Share Subscription Scheme as defined in note 38 under the Company's share award schemes, respectively.

38. LONG-TERM INCENTIVE SCHEMES

(I) The Company

Share option schemes

The Company operates three share option schemes, one adopted by the Company on 8 March 2002 (the "2002 Share Option Scheme"), one adopted by the Company on 30 May 2012, with certain rules of the scheme amended on 5 June 2020, (the "2012 Share Option Scheme") following the expiry of the 2002 Share Option Scheme on 7 March 2012 and a new one adopted by the Company on 7 June 2022 (the "2022 Share Option Scheme") following the expiry of the 2012 Share Option Scheme on 29 May 2022, 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. All share option schemes have a term of 10 years. Following the expiry of the 2002 Share Option Scheme and 2012 Share Option Scheme, no further share options can be granted thereunder but the outstanding options 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 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 2022, the total number of shares available for grants under the 2022 Share Option Scheme is 151,668,375. During the year ended 31 December 2022, there were no share options granted or outstanding under the 2022 Share Option Scheme.

The exercise price of a share option grant is determined at the higher of (i) the closing price of the Company's ordinary shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing prices of the Company's shares as stated in the daily quotation sheets issued by 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 1 to 3 years (2021: 2 to 3 years).

On 6 April 2022, the Board announced an option exchange program, to provide the eligible participants an opportunity to exchange certain outstanding underwater share options for new share options and new awarded shares to be granted, subject to the eligible participants' consent (the "Melco Option Exchange Program"). The share options eligible for exchange under the Melco Option Exchange Program were those that were granted during the years from 2016 to 2021 under the 2012 Share Option Scheme, including those unvested, or vested but not exercised. The Melco Option Exchange Program became effective on 6 April 2022 (the "Melco Modification Date"), with a total of 33,590,000 eligible share options were accepted and surrendered by eligible participants (the "Melco Cancelled Share Options") and the Company granted an aggregate of 453,000 new share options under the 2012 Share Option Scheme (the "Melco Replacement Share Options") and 11,032,000 new awarded shares under the Share Purchase Scheme adopted by the Company on 18 October 2007 (the "Melco Replacement Share Awards"). The Melco Replacement Share Options and the Melco Replacement Share Awards have vesting periods of one to two years. The Melco Replacement Share Options expire 10 years from 6 April 2022. A total incremental share-based compensation expense resulting from the Melco Option Exchange Program was approximately HK$326,000, representing the excess of (i) the fair value of the Melco Replacement Share Options measured using the Black-Scholes valuation model on the Melco Modification Date; and (ii) the fair value of the Melco Replacement Share Awards determined with reference to the closing price of the Company's ordinary share as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange on the Melco Modification Date, over the fair value of the Melco Cancelled Share Options immediately before the exchange. The incremental share-based compensation expenses are being recognized over the new vesting periods of the Melco Replacement Share Options and Melco Replacement Share Awards, and the unrecognized compensation costs remaining from the Melco Cancelled Share Options are being recognized over the remainder of their original vesting periods.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ordinary shares trading on the Hong Kong Stock Exchange. Expected life is based upon the vesting term, and expected life adopted by other publicly traded companies. The risk-free interest rate used for each period presented is based on the Hong Kong Government Bond rate at the time of grant for the period equal to the expected life.

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

	Grant/modification date of the share options	
	6 April 2022	**7 April 2021**
Share price at date of grant/modification of share options	HK$7.10	HK$16.38
Exercise price	HK$7.278	HK$16.38
Expected volatility	46% – 48%	43% – 45%
Expected life	4.1 – 6.1 years	3.1 – 6.1 years
Risk-free rate	2.24% – 2.41%	0.27% – 0.88%
Expected dividend yield	0%	0%
Weighted average fair value of a share option at date of grant/modification	HK$3.02	HK$6.07

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(a) *2002 Share Option Scheme*

Movements of the share options granted under the 2002 Share Option Scheme are set out below:

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2021	1,475,000	6.55
Exercised	(387,000)	5.88
Lapsed	(250,000)	5.75
Outstanding at 31 December 2021 and 1 January 2022	838,000	7.10
Exercised	(478,000)	7.10
Lapsed	(360,000)	7.10
Outstanding at 31 December 2022	–	–
Exercisable at 31 December 2022	–	–
Exercisable at 31 December 2021	838,000	7.10

The weighted average share price at the date of exercise was HK$9.11 (2021: HK$15.40) during the year ended 31 December 2022.

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:

	2022		2021	
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)
7.01 – 8.00	–	–	838,000	0.07

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(b) 2012 Share Option Scheme

Movements of the share options granted under the 2012 Share Option Scheme are set out below:

	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January 2021	34,949,000	18.03
Granted	1,002,000	16.38
Exercised	(55,000)	10.91
Lapsed	(165,000)	18.46
Forfeited	(118,000)	15.30
Outstanding at 31 December 2021 and 1 January 2022	35,613,000	18.08
Granted	933,000	7.28
Granted under Melco Option Exchange Program	453,000	7.28
Cancelled under Melco Option Exchange Program	(33,590,000)	18.27
Outstanding at 31 December 2022	3,409,000	11.86
Exercisable at 31 December 2022	2,009,000	12.21
Exercisable at 31 December 2021	29,219,000	17.88

The weighted average share price at the date of exercise was HK$13.15 during the year ended 31 December 2021.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share option schemes (continued)

(b) 2012 Share Option Scheme (continued)

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

	2022		2021	
Range of exercise prices	**Number of share options outstanding**	**Weighted average remaining contractual life**	**Number of share options outstanding**	**Weighted average remaining contractual life**
HK$		(years)		(years)
7.01 – 8.00	1,386,000	9.27	–	–
10.01 – 11.00	1,499,000	3.27	5,965,000	4.27
12.01 – 13.00	74,000	7.29	2,726,000	8.29
14.01 – 15.00	202,000	4.27	616,000	5.27
16.01 – 17.00	–	–	927,000	9.27
18.01 – 19.00	–	–	14,200,000	7.68
19.01 – 20.00	107,000	6.28	3,019,000	7.28
23.01 – 24.00	141,000	5.28	8,160,000	6.28
	3,409,000		35,613,000	

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

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"), with certain rules of such schemes amended on 28 August 2014, 12 June 2015, 31 March 2020 and 6 April 2022, 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 schemes is 2% (the scheme limit of Share Purchase Scheme changed from 2% to 3% with effect from 6 April 2022) of the issued shares of the Company from time to time (excluding the shares which have already been transferred to the eligible participants on vesting and providing that the Board and such committee delegated by the Board to administer the relevant schemes may resolve to increase such limit at its sole discretion). The fair values of the awarded shares are determined with reference to the closing prices of the ordinary shares of the Company as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange at the respective dates of grant or modification, if applicable.

As at 31 December 2022, the accrued liability associated with the cash-settled awarded shares was HK$18,165,000 (2021: HK$7,412,000). Remeasurement gain of the liability associated with the cash-settled awarded shares of HK$1,509,000 (2021: HK$5,022,000) was recognized for the year ended 31 December 2022.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(I) The Company (continued)

Share award schemes (continued)

(a) Share Purchase Scheme

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

	Number of awarded shares	Weighted average grant/ modification date fair value
		HK$
Equity-settled		
Unvested at 1 January 2021	5,756,585	14.76
Granted	6,335,720	16.38
Vested	(1,206,689)	18.30
Forfeited	(39,000)	15.32
Modified to cash-settled	(64,320)	15.75
Unvested at 31 December 2021 and 1 January 2022	10,782,296	15.31
Granted	15,472,700	7.10
Granted under Melco Option Exchange Program	7,381,925	7.10
Vested	(1,319,106)	15.76
Modified to cash-settled	(15,990)	15.32
Unvested at 31 December 2022	32,301,825	9.48
Cash-settled		
Unvested at 1 January 2021	1,786,415	19.00
Granted	41,280	16.38
Vested	(933,311)	18.92
Modified from equity-settled	64,320	15.75
Unvested at 31 December 2021 and 1 January 2022	958,704	18.75
Granted	215,300	7.10
Granted under Melco Option Exchange Program	3,650,075	7.10
Vested	(932,894)	18.86
Modified from equity-settled	15,990	15.32
Unvested at 31 December 2022	3,907,175	7.18
Total unvested awarded shares at 31 December 2022	36,209,000	9.23
Total unvested awarded shares at 31 December 2021	11,741,000	15.59

(b) Share Subscription Scheme

No award was granted or outstanding under the Share Subscription Scheme during the years ended 31 December 2022 and 2021.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts

Melco Resorts share incentive plans

Melco Resorts adopted a share incentive plan in 2006 (as amended) (the "Melco Resorts 2006 Share Incentive Plan"), a share incentive plan in 2011 (as amended) (the "Melco Resorts 2011 Share Incentive Plan") and a share incentive plan in 2021 (the "Melco Resorts 2021 Share Incentive Plan"). Under the plans, Melco Resorts may grant various share-based awards, including but not limited to, options, restricted shares, share appreciation rights and other types of awards, subject to certain criteria as defined in the share incentive plans, to eligible participants including directors, employees and consultants of Melco Resorts and its subsidiaries and affiliates (including the Company). The purpose of the share incentive plans is to provide incentives and rewards to eligible participants who contribute to the success of Melco Resorts' operations and to encourage them to work towards enhancing value of Melco Resorts and its shares for the benefit of Melco Resorts and its shareholders as a whole.

All share incentive plans of Melco Resorts have a term of 10 years. The Melco Resorts 2006 Share Incentive Plan had been succeeded by the Melco Resorts 2011 Share Incentive Plan in 2011. In view of impending expiry of the Melco Resorts 2011 Share Incentive Plan, Melco Resorts adopted the Melco Resorts 2021 Share Incentive Plan effective on 6 December 2021 (also the termination date of the Melco Resorts 2011 Share Incentive Plan). Upon the succession/termination of the Melco Resorts 2006 Share Incentive Plan and the Melco Resorts 2011 Share Incentive Plan, no further awards can be granted under the Melco Resorts 2006 Share Incentive Plan or the Melco Resorts 2011 Share Incentive Plan but the provisions of such plans shall remain in full force and effect in all other respects for any awards granted prior to the date of the succession/termination of such plans.

The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the Melco Resorts 2021 Share Incentive Plan may be increased from time to time, provided that the maximum aggregate number of Melco Resorts' ordinary shares which may be issued upon exercise of options granted under the Melco Resorts 2021 Share Incentive Plan shall not be more than 10% of the total number of the issued share capital of Melco Resorts on the date the new plan limit is approved by the shareholders of the Company in accordance with the applicable listing rules in Hong Kong. As at 31 December 2022, there were 115,536,483 ordinary shares available for grants under the Melco Resorts 2021 Share Incentive Plan.

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 1 to 3 years (2021: 2 to 3 years).

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts share incentive plans (continued)

On 28 March 2022, the compensation committee of Melco Resorts approved a proposal to allow for an option exchange program, designed to provide the eligible participants an opportunity to exchange certain outstanding underwater share options for new share options and new restricted shares to be granted, subject to the eligible participants' consent (the "Melco Resorts Option Exchange Program"). The share options eligible for exchange under the Melco Resorts Option Exchange Program were those that were granted during the years from 2012 to 2021 under the Melco Resorts 2011 Share Incentive Plan, including those unvested, or vested but not exercised or the unexercised share options granted in 2012 but expired in March 2022. The Melco Resorts Option Exchange Program became unconditional and effective on 15 April 2022, the date Melco Resorts accepted the eligible participants' consent (the "Melco Resorts Modification Date"), with a total of 26,076,978 eligible share options were tendered and surrendered by eligible participants (the "Melco Resorts Cancelled Share Options") and Melco Resorts granted an aggregate of 2,486,241 new share options (the "Melco Resorts Replacement Share Options") and 5,912,547 new restricted shares (the "Melco Resorts Replacement Restricted Shares") under the Melco Resorts 2021 Share Incentive Plan. The Melco Resorts Replacement Share Options and Melco Resorts Replacement Restricted Shares have vesting periods of one to two years. The Melco Resorts Replacement Share Options expire 10 years from 6 April 2022. A total incremental share-based compensation expense resulting from the Melco Resorts Option Exchange program was approximately US$3,306,000 (equivalent to approximately HK$25,947,000), representing the excess of (i) the fair value of certain Melco Resorts Replacement Share Options measured using the Black-Scholes valuation model on the Melco Resorts Modification Date; and (ii) the fair value of certain Melco Resorts Replacement Restricted Shares determined with reference to the market closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the Melco Resorts Modification Date, over the fair value of the Melco Resorts Cancelled Share Options that were granted during 2013 to 2021 immediately before the exchange. The incremental share-based compensation expenses are being recognized over the new vesting periods of the Melco Resorts Replacement Share Options and Melco Resorts Replacement Restricted Shares, and the unrecognized compensation costs remaining from the Melco Resorts Cancelled Share Options are being recognized over the remainder of their original vesting periods.

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 or modification, if applicable.

38. 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 2021 Share Incentive Plan and Melco Resorts 2011 Share Incentive Plan were estimated on the dates of grant/modification using the following assumptions:

	Grant/modification date of the share options			
	15 April 2022	**6 April 2022**	**11 June 2021**	**7 April 2021**
Share price at date of grant/modification of share options	US$2.27	US$2.47	US$5.83	US$6.89
Exercise price	US$2.47	US$2.47	US$5.83	US$6.89
Expected volatility	52.50%	51.00%	44.85%	45.50%
Expected life	4.6 years	5.1 years	5.6 years	5.6 years
Risk-free rate	2.75%	2.69%	0.88%	1.01%
Expected dividend yield	2.50%	2.50%	2.50%	2.50%
Weighted average fair value of share options at the date of grant/ modification	US$0.82	US$0.94	US$1.91	US$2.31

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 2022 and 2021 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 1 January 2021	1,884,291	1.75
Exercised	(1,867,743)	1.75
Forfeited or expired	(16,548)	1.75
Outstanding at 31 December 2021 and 31 December 2022	–	–
Exercisable at 31 December 2021 and 31 December 2022	–	–

The weighted average share price at the date of exercise was US$5.70 during the year ended 31 December 2021.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Share options (continued)

(b) Melco Resorts 2011 Share Incentive Plan

Movements of the share options granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2022 and 2021 are set out below:

	Number of share options	Weighted average exercise price US$
Outstanding at 1 January 2021	28,846,227	5.93
Granted	4,606,884	6.84
Exercised	(787,074)	5.52
Forfeited or expired	(1,969,931)	5.99
Outstanding at 31 December 2021 and 1 January 2022	30,696,106	6.07
Forfeited or expired	(1,773,409)	5.49
Cancelled under Melco Resorts Option Exchange Program	(26,076,978)	6.13
Outstanding at 31 December 2022	2,845,719	5.89
Exercisable at 31 December 2022	2,262,303	6.02
Exercisable at 31 December 2021	15,886,549	6.77

The weighted average share price at the date of exercise was US$7.61 during the year ended 31 December 2021.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Share options (continued)

(b) Melco Resorts 2011 Share Incentive Plan (continued)

The 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:

	2022		2021	
Range of exercise prices	**Number of share options outstanding**	**Weighted average remaining contractual life**	**Number of share options outstanding**	**Weighted average remaining contractual life**
US$		(years)		(years)
3.01 – 4.00	–	–	724,953	0.24
4.01 – 5.00	1,111,266	7.25	9,766,851	8.19
5.01 – 6.00	403,971	2.41	5,526,051	3.91
6.01 – 7.00	757,467	6.69	7,510,704	7.44
7.01 – 8.00	–	–	34,518	5.69
8.01 – 9.00	338,550	6.25	3,125,025	7.25
9.01 – 10.00	234,465	5.24	4,008,004	6.25
	2,845,719		30,696,106	

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Share options (continued)

(c) Melco Resorts 2021 Share Incentive Plan

Movements of the share options granted under the Melco Resorts 2021 Share Incentive Plan during the year ended 31 December 2022 are set out below:

	Number of share options	**Weighted average exercise price** US$
Outstanding at 1 January 2022	–	–
Granted	2,874,285	2.47
Granted under Melco Resorts Option Exchange Program	2,486,241	2.47
Outstanding at 31 December 2022	5,360,526	2.47
Exercisable at 31 December 2022	–	–

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:

	2022	
Range of exercise prices US$	**Number of share options outstanding**	**Weighted average remaining contractual life** (years)
2.01 – 3.00	5,360,526	9.26

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Restricted shares

(a) Melco Resorts 2011 Share Incentive Plan

Movements of the restricted shares granted under the Melco Resorts 2011 Share Incentive Plan during the years ended 31 December 2022 and 2021 are set out below:

	Number of restricted shares	**Weighted average grant date fair value**
		US$
Unvested at 1 January 2021	13,356,630	5.46
Granted	12,098,709	6.07
Vested	(6,297,699)	6.91
Forfeited	(626,256)	5.66
Unvested at 31 December 2021 and 1 January 2022	18,531,384	5.35
Vested	(10,282,560)	5.29
Forfeited	(543,504)	5.57
Unvested at 31 December 2022	7,705,320	5.42

(b) Melco Resorts 2021 Share Incentive Plan

Certain restricted shares were approved by Melco Resorts be granted under the Melco Resorts 2021 Share Incentive Plan to the eligible management personnel of the Group in lieu of the 2021 bonus for their services performed during 2021. A total of 4,578,543 restricted shares were granted and vested immediately on 6 April 2022 (the "2021 Bonus Shares") with the grant date fair value of US$7.40 per ADS or US$2.47 per share, which was the closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the date of grant. Share-based compensation expenses of HK$87,349,000, of which HK$5,683,000 were capitalized, were recognized for such grant during the year ended 31 December 2021 based on the estimated bonus amount.

Certain restricted shares were approved by Melco Resorts be granted under the Melco Resorts 2021 Share Incentive Plan to the eligible management personnel of the Group in lieu of the 2022 bonus for their services performed during 2022 (the "2022 Bonus Shares"). The 2022 Bonus Shares are expected to be granted in April 2023 and vest immediately on its grant date. Based on the estimated bonus amount, share-based compensation expenses of HK$139,991,000, of which HK$5,312,000 were capitalized, were recognized for such grant during the year ended 31 December 2022.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(II) Melco Resorts (continued)

Melco Resorts Share Incentive Plans (continued)

Restricted shares (continued)

(b) Melco Resorts 2021 Share Incentive Plan (continued)

Movements of the restricted shares granted under the Melco Resorts 2021 Share Incentive Plan during the year ended 31 December 2022 are set out below:

	Number of restricted shares	**Weighted average grant/ modification date fair value** US$
Unvested at 1 January 2022	–	–
Granted	19,282,521	2.35
Granted under Melco Resorts Option Exchange Program	5,912,547	2.27
Vested	(5,574,357)	2.33
Forfeited	(437,283)	2.40
Unvested at 31 December 2022	19,183,428	2.33

38. 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. As at 31 December 2022, there were 305 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan.

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 Securities and Exchange Commission on 17 May 2019. As a result of all eligible participants electing to participate in the SIP Retirement Arrangements, all the Outstanding Awards, including a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the MRP Share Incentive Plan, were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019.

Under the SIP Retirement Arrangements, MRP would 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 was PHP7.25 per share, based on the offer price of a voluntary tender offer in 2018 and the Settlement Amount of the outstanding share options which was determined using the Black-Scholes valuation model. The weighted average fair value of the outstanding share options at the modification date was PHP4.23 per option.

As at 31 December 2021, all Outstanding Awards were settled.

38. LONG-TERM INCENTIVE SCHEMES (continued)

(III) MRP (continued)

MRP share incentive plan (continued)

Share options

Movements of share options granted under the MRP Share Incentive Plan during the years ended 31 December 2022 and 2021 were set out below:

	Number of share options
Cash-settled	
Outstanding at 1 January 2021	1,025,657
Vested	(1,025,657)
Outstanding at 31 December 2021 and 31 December 2022	–

Restricted shares

Movements of the restricted shares granted under the MRP Share Incentive Plan during the years ended 31 December 2022 and 2021 were set out below:

	Number of restricted shares	Weighted average grant date fair value
		PHP
Cash-settled		
Unvested at 1 January 2021	2,313,502	7.37
Vested	(2,313,502)	7.37
Unvested at 31 December 2021 and 31 December 2022	–	–

39. EMPLOYEE BENEFIT PLANS

The Group operates defined contribution fund schemes in different jurisdictions, which allow eligible employees to participate in defined contribution plans (the "Defined Contribution Fund Schemes"). The Group either contributes a fixed percentage of the eligible employees' relevant income, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of relevant income to the Defined Contribution Fund Schemes. The Group's contributions to the Defined Contribution Fund Schemes are vested with employees in accordance to vesting schedules, achieving full vesting ranging from upon contribution to 10 years from the date of employment effective in April 2021. The Defined Contribution Fund Schemes were established under trusts with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in different jurisdictions are members of government-managed social security fund schemes (the "Social Security Fund Schemes"), which are operated by the respective governments, if applicable. The Group is required to pay monthly fixed contributions or certain percentages of employee relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

Forfeited contributions totalling HK$8,125,000 (2021: HK$18,384,000) were utilized during the year ended 31 December 2022. As at 31 December 2022, HK$12,060,000 (2021: HK$7,776,000) was available to reduce future contributions.

During the year ended 31 December 2022, the Group's contributions into the defined contribution retirement benefits schemes and social security funds were HK$201,925,000 (2021: HK$198,631,000).

40. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES

Melco Resorts

On 18 August 2022, the Company, Melco Resorts and Melco Leisure entered into a share repurchase agreement, pursuant to which Melco Resorts agreed to repurchase 9,995,799 ordinary shares of Melco Resorts and 25,000,000 ADSs of Melco Resorts (equivalent to 75,000,000 ordinary shares of Melco Resorts) from Melco Leisure (the "2022 Share Repurchase"). The 2022 Share Repurchase was completed on 26 August 2022. The aggregate consideration for the 2022 Share Repurchase was approximately US$152,709,000 (equivalent to approximately HK$1,198,762,000), less the amount of fees, costs and expenses incurred by Melco Resorts in connection with the 2022 Share Repurchase. Following the completion of the 2022 Share Repurchase, 9,995,799 ordinary shares of Melco Resorts were cancelled. The Group's ownership interest in Melco Resorts decreased and Melco Resorts continues to be a subsidiary of the Company.

Other than the 2022 Share Repurchase as described above, Melco Resorts repurchased 5,929,076 ADSs (equivalent to 17,787,228 ordinary shares) (2021: 5,372,045 ADSs (equivalent to 16,116,135 ordinary shares)) from the open market for an aggregate consideration of approximately US$36,452,000 (equivalent to approximately HK$285,037,000) (2021: US$52,026,000 (equivalent to approximately HK$405,387,000)), of which 1,500,000 (2021: nil) ordinary shares repurchased were cancelled during the year ended 31 December 2022. The Group's ownership interest in Melco Resorts increased as a result.

During the years ended 31 December 2022 and 2021, 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 56.80% on 1 January 2021 to 57.10% on 31 December 2021 and decreased to 54.50% on 31 December 2022. The Group recognized a decrease of HK$130,129,000 (2021: HK$165,182,000) in special reserve and a decrease of HK$177,457,000 (2021: HK$240,205,000) in non-controlling interests.

SCIHL

During February and March 2022, SCIHL, respectively, announced and completed a series of private offers of 400,000,000 Class A ordinary shares to certain existing shareholders and holders of its ADSs, including the Group, with gross proceeds amounting to US$300,000,000 (equivalent to approximately HK$2,338,305,000), of which approximately US$134,944,000 (equivalent to approximately HK$1,051,857,000) was from non-controlling interests and approximately US$165,056,000 (equivalent to approximately HK$1,286,448,000) was from the Group (the "2022 Private Placements"). The 2022 Private Placements increased the Group's shareholding in SCIHL which was funded by the Group's drawdown of US$170,000,000 (equivalent to approximately HK$1,327,700,000) from the 2020 Credit Facilities on 23 February 2022. The Group retains its controlling financial interests in SCIHL before and after the 2022 Private Placements.

As a net result of the above transaction and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in SCIHL decreased from 31.41% on 1 January 2022 to 29.98% on 31 December 2022. The Group recognized a decrease of HK$964,000 in special reserve and an increase of HK$1,046,253,000 in non-controlling interests.

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

The Philippine subsidiaries

During the year ended 31 December 2022, the Group, through the subsidiaries, purchased 50.906 (2021: 123.103) common shares of MRP at a total consideration of PHP175,173,000 (equivalent to approximately HK$25,890,000) (2021: PHP440,032,000 (equivalent to approximately HK$67,347,000)) from the non-controlling interests, which increased the Group's ownership interest in MRP.

As a net result of the above transaction and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in MRP increased from 55.61% on 1 January 2021 to 56.52% on 31 December 2021 and decreased to 54.19% on 31 December 2022. The Group recognized a decrease of HK$13,004,000 (2021: HK$30,410,000) in special reserve and a decrease of HK$12,886,000 (2021: HK$36,937,000) in the non-controlling interests.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, property, plant and equipment amounting to HK$1,086,875,000 (2021: HK$1,297,758,000) were purchased from external parties and remained unsettled as at 31 December 2022.

(b) Changes in liabilities arising from financing activities during the years ended 31 December 2022 and 2021

	Interest-bearing borrowings HK$'000	**Lease liabilities** HK$'000
At 1 January 2021	50,634,661	3,514,860
New leases	–	79,234
Net changes of cash flows from financing activities	6,933,302	(295,569)
Exchange adjustments	324,922	(173,001)
Other (note)	(16,284)	585,869
At 31 December 2021	57,876,601	3,711,393
New leases	–	100,140
Net changes of cash flows from financing activities	14,200,508	(457,683)
Exchange adjustments	59,423	(278,452)
Other (note)	74,475	(715,823)
At 31 December 2022	72,211,007	2,359,575

Note:

"Other" mainly represents the effects of movements in 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 Company 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.

As a result of the disruptions and impact caused by the COVID-19 outbreak, on 22 March 2021, Melco Resorts Leisure and PLAI entered into a supplemental agreement to the Operating Agreement where the monthly payments paid or payable by Melco Resorts Leisure from 2019 to 2022 were adjusted.

42. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA (continued)

(d) MRP Lease Agreement

Melco Resorts Leisure and Belle entered into a lease agreement, as amended from time to time (the "MRP Lease Agreement") under which Belle agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex.

As a result of the disruptions and impact caused by the COVID-19 outbreak, on 22 March 2021, Melco Resorts Leisure and Belle entered into a supplemental agreement to the MRP Lease Agreement to make certain adjustments to the rental payments paid or payable by Melco Resorts Leisure for 2020 and 2021.

During the year ended 31 December 2022, Melco Resorts Leisure and Belle entered into supplemental agreements to the MRP Lease Agreement to make certain adjustments to the rental payments paid or payable by Melco Resorts Leisure from 2022 to 2033.

43. CAPITAL COMMITMENTS

	2022 HK$'000	**2021** HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	613,025	3,530,362

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 which expired on 26 June 2022 and was extended to 31 December 2022. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

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

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

- MOP300,000 (equivalent to approximately HK$291,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kinds of games or to certain players;

- MOP150,000 (equivalent to approximately HK$146,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and

- MOP1,000 (equivalent to approximately HK$971) 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 up to 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 was required to maintain a guarantee issued by a Macau bank in favour of the Macau government for a maximum amount of MOP300,000,000 (equivalent to approximately HK$291,262,000) until the 180th day after the termination date of the gaming subconcession. This bank guarantee was not enforceable with effect from 1 January 2023 and was released in January 2023.

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 was payable by Melco Resorts Macau quarterly to the bank.

On 20 September 2022, Melco Resorts Macau provided a bank guarantee issued by a Macau bank in favour of the Macau government in an amount of MOP820,000,000 (equivalent to approximately HK$796,117,000) to guarantee the satisfaction of any labour liabilities upon expiry of the subconcession and an aggregate sum of 0.9% per annum of MOP410,000,000 (equivalent to approximately HK$398,058,000) was payable by Melco Resorts Macau quarterly to the bank. This bank guarantee was not enforceable with effect from 1 January 2023 and was released in January 2023.

44. OTHER COMMITMENTS (continued)

Concession – Macau

Under the Concession awarded by the Macau government to Melco Resorts Macau on 16 December 2022, Melco Resorts Macau is obligated to pay the Macau government the following:

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

(ii) A variable annual premium depending on the number and type of gaming tables (subject to a minimum of 500 tables) and electronic gaming machines (subject to a minimum of 1,000) that Melco Resorts Macau operates. The variable annual premium is calculated as follows:

- MOP300,000 (equivalent to approximately HK$291,000) per year for each gaming table reserved exclusively to certain kinds of games or players;

- MOP150,000 (equivalent to approximately HK$146,000) per year for each gaming table not reserved exclusively to certain kinds of games or players; and

- MOP1,000 (equivalent to approximately HK$971) per year for each electronic gaming machine.

(iii) Under the terms of the Macau gaming law and the Concession, the gaming and gaming support areas and equipment and utensils have been transferred by the Macau government to Melco Resorts Macau for use in its operations during the Concession for a fee of MOP750 (equivalent to approximately HK$730) per square meter of the casino for years 1 to 3 of the Concession, subject to a consumer price index increase in years 2 and 3 of the Concession. The fee will increase to MOP2,500 (equivalent to approximately HK$2,400) per square meter of the casino for years 4 to 10 of the Concession, subject to a consumer price index increase in years 5 to 10 of the Concession;

(iv) A special gaming tax of an amount equal to 35% of gross gaming revenue on a monthly basis;

(v) Contributions of 2% and 3% of gross gaming revenue to a public fund, and to urban development, touristic promotion and social security, respectively on a monthly basis. These contributions may be waived or reduced with respect to gross gaming revenue generated by foreign patrons under certain circumstances;

(vi) A special premium in the event the average gross gaming revenue of Melco Resorts Macau's gaming tables does not reach the annual minimum of MOP7,000,000 (equivalent to approximately HK$6,796,000) and the average gross gaming revenue of the electronic gaming machines does not reach the annual minimum of MOP300,000 (equivalent to approximately HK$291,000). The amount of the special premium is equivalent to the difference between the amount of the special gaming tax paid by Melco Resorts Macau and the amount that would be paid under the annual minimum set average gross gaming revenue for gaming tables and electronic gaming machines; and

(vii) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favour of the Macau government in the amount of MOP1,000,000,000 (equivalent to approximately HK$970,874,000) until 180 days after the earlier of the expiration and termination of the Concession to guarantee its performance of certain of its legal and contractual obligations, including labour obligations

As a result of the bank guarantee issued by the bank to the Macau government as disclosed above, a sum of 0.03% per annum of the guarantee amount is payable by Melco Resorts Macau yearly to the bank.

44. OTHER COMMITMENTS (continued)

Concession – Macau (continued)

In addition, under the Concession, it requires i) the registered share capital and net asset value of Melco Resorts Macau cannot be less than MOP5,000,000,000 (equivalent to approximately HK$4,854,369,000); and ii) the managing director of Melco Resorts Macau must be a permanent resident of Macau and must hold at least 15% of the registered share capital of Melco Resorts Macau. Melco Resorts Macau is compliant with these requirements.

Committed investment

In connection with the Concession, Melco Resorts Macau has undertaken to carry out investment in the overall amount of MOP11,823,700,000 (equivalent to approximately HK$11,479,320,000). The investment plan includes gaming and non-gaming related projects in the expansion of foreign market patrons, conventions and exhibitions, entertainment shows, sports events, art and culture, health and well-being, thematic entertainment, gastronomy, community and maritime tourism and others. Out of the total investment amount referred to above, MOP10,008,000,000 (equivalent to approximately HK$9,716,505,000) will be applied to non-gaming related projects, with the balance applied to gaming related projects.

Melco Resorts Macau has undertaken to carry out incremental additional non-gaming investment in the amount of approximately 20% of its initial non-gaming investment, or MOP2,003,000,000 (equivalent to approximately HK$1,944,660,000), in the event the Macau government annual gross gaming revenue reaches MOP180,000,000,000 (equivalent to approximately HK$174,757,282,000) (the "Incremental Investment Trigger"). This incremental investment amount is reduced to 16%, 12%, 8%, 4% of the initial non-gaming investment amount or nil, if the Incremental Investment Trigger occurs in year 6, year 7, year 8, year 9 or year 10 of the Concession, respectively.

Regular License – Philippines

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

(i) to secure a surety bond in favour of PAGCOR in the amount of PHP100,000,000 (equivalent to approximately HK$13,916,000) 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. In October 2021, certain terms under the Regular License were amended to include the monthly minimum guarantee fee of PHP300,000 (equivalent to approximately HK$42,000) on certain games under the 25% non-high roller tables effective on 15 March 2022. This monthly minimum guarantee fee was discontinued in June 2022, but was reinstated on 2 March 2023 after the new and amended terms have been agreed to and finalized by the Licensees and PAGCOR;

(iii) the Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR;

(iv) PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not subject to the 5% fee except for rental income received from retail concessionaires; and

(v) grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) the holder has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As at 31 December 2022 and 2021, 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.

44. OTHER COMMITMENTS (continued)

Cooperation Agreement – Philippines

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any losses suffered or incurred by that Licensee arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agreed to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranties.

Gaming License – Cyprus

Pursuant to the Cyprus License, the Group has committed to pay the Cyprus government the following:

(i) annual license fee for the temporary casino and integrated casino resort of EUR2,500,000 (equivalent to approximately HK$20,897,000) per year for the first four years, and EUR5,000,000 (equivalent to approximately HK$41,794,000) per year for the next four years. Upon the completion of the eight years and thereafter every four years during the term of the Cyprus License, the Cyprus government may review the annual license fee, with minimum of EUR5,000,000 (equivalent to approximately HK$41,794,000) per year and any increase in the annual license fee may not exceed 20% of the annual license fee paid annually during the previous four-year period;

(ii) aggregate annual license fee for three operating satellite casinos of EUR2,000,000 (equivalent to approximately HK$16,718,000);

(iii) a casino tax of an amount equal to 15% of the gross gaming revenue on a monthly basis and the rate shall not be increased during the period of exclusivity for the Cyprus License; and

(iv) if the Group fails to open the integrated casino resort by the opening date, as defined in the Cyprus License as 30 April 2021 which was further extended to 30 September 2022 based on the approval of the Steering Committee and the Council of Ministers in Cyprus made in February 2021 (the "Opening Date"), the Group shall pay to the Cyprus government the amount of EUR10,000 (equivalent to approximately HK$84,000) for each day the integrated casino resort remains unopened past the Opening Date, up to a maximum of EUR1,000,000 (equivalent to approximately HK$8,359,000). If the integrated casino resort does not open for 100 business days past the Opening Date, the Cyprus government may terminate the Cyprus License. In February 2023, the Group was informed that the Council of Ministers of the Cyprus government approved an extension of the deadline to open City of Dreams Mediterranean under the terms of the Cyprus License to 30 June 2023.

Studio City Land Concession – Macau

In accordance with the Studio City land concession and the further extension granted by the Macau government as announced by SCHIL in May 2022, the land on which Studio City is located must be fully developed by 30 June 2023.

44. OTHER COMMITMENTS (continued)

Guarantees

Except as disclosed in note 34 and the bank guarantees under "Gaming Subconcession – Macau" and "Concession – Macau" sections of this note, the Group had made the following significant guarantees as at 31 December 2022:

(i) Melco Resorts Macau issued a promissory note ("Livrança") of MOP550,000,000 (equivalent to approximately HK$533,981,000) to a bank in respect of the bank guarantee issued to the Macau government under its gaming subconcession. This promissory note was not enforceable with effect from 1 January 2023 and was released in January 2023;

(ii) Melco Resorts Macau issued a promissory note ("Livranca") of MOP820,000,000 (equivalent to approximately HK$796,117,000) to a bank in respect of the bank guarantee issued on 20 September 2022 to the Macau government under its gaming subconcession. This promissory note was not enforceable with effect from 1 January 2023 and was released in January 2023;

(iii) Melco Resorts entered into two deeds of guarantee with third parties amounting to US$35,000,000 (equivalent to approximately HK$273,333,000) to guarantee certain payment obligations of the City of Dreams' operations;

(iv) in October 2013, one of the Company's subsidiaries entered into a trade credit facility agreement for HK$200,000,000 ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on 31 August 2021 was further extended to 31 August 2023, with no material changes in the underlying terms and conditions, and is guaranteed by Studio City Company. As at 31 December 2022, approximately HK$5,000,000 of the Trade Credit Facility had been utilized; and

(v) Melco Resorts Leisure issued a corporate guarantee of PHP100,000,000 (equivalent to approximately HK$13,916,000) to a bank in respect of a surety bond issued to PAGCOR as disclosed above under the Regular License.

Investment commitment to the joint venture

	2022	**2021**
	HK$'000	HK$'000
Investment commitment to the joint venture	–	305,775

44. OTHER COMMITMENTS (continued)

Litigation

Car parking spaces litigation

Aberdeen Restaurant Enterprises Limited ("AREL"), a subsidiary of the Company, is a plaintiff in a defence and counterclaim filed with the High Court of Hong Kong.

In relation to a sale and purchase agreement dated 17 March 2017 (the "Agreement") signed between AREL as seller and Gain Premium Holdings Limited ("Gain Premium") as purchaser for certain car parking spaces in Aberdeen, Hong Kong ("Property") for HK$500,000,000 (the "Purchase Consideration") (the "Sale Transaction"), AREL received a deposit of HK$50,000,000 (the "Deposit") from Gain Premium and the Sale Transaction was to complete on or before 31 May 2017 (the "Completion Date").

The Sale Transaction did not complete by the Completion Date. On 11 September 2017, AREL (as a plaintiff) commenced action against Gain Premium (as a defendant) in the High Court of Hong Kong (the "Court") to seek declarations that AREL has validly and effectively terminated the Agreement and is entitled to forfeit the Deposit and claims damages. On 23 October 2017, Gain Premium filed a defence and counterclaim seeking among other things, full refund of the Deposit and damages of up to HK$160,000,000. AREL and Gain Premium have obtained expert evidence on the market value of the Property as at the Completion Date (the "Market Value") that ranged from HK$356,900,000 to HK$660,000,000. If the Court considers the Market Value is equivalent to, or below, the Purchase Consideration, AREL will be entitled to damages from Gain Premium if AREL is successful in its claims, and will not be liable to Gain Premium for damages even in the event that Gain Premium is successful in its defence and counterclaim.

The trial day was scheduled to be held in the first half of 2024.

Based on legal advice, the Group is of the view that the chance that Gain Premium is successful in its defence and counterclaim is less than 50% and therefore no provision for counterclaim liability has been made by the Group in these consolidated financial statements.

ILGA litigation

On 7 December 2021, the Independent Liquor and Gaming Authority in Australia ("ILGA") commenced proceedings in the Supreme Court of New South Wales against Melco Resorts and six individual directors and/or officers of Melco Resorts, principally seeking a payment of Australian dollars 3,676,000 (equivalent to approximately HK$20,781,000) together with (i) the corresponding interest on such amount from 3 August 2020 to the date of judgment, and (ii) ILGA's legal costs in the proceedings by ILGA allegedly associated with its seeking in its assessment of whether a major change was proposed or occurred as a result of Melco Resorts' acquisition of shares in Crown Resorts Limited in 2019. Based on the progress of such proceedings to date, the Group is currently unable to determine the range of reasonably possible losses, if any, and believes that the outcomes of such proceedings will have no material financial impact on the Group. No provision for disputed costs has been made in these consolidated financial statements.

General litigation

As at 31 December 2022, the Group was a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcomes of such proceedings have been adequately provided for or have no material impact on the Group's consolidated financial statements as a whole.

45. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	2022	2021
	HK$'000	HK$'000
Short-term benefits	38,655	20,451
Post-employment benefits	869	472
Share-based compensation	328,813	329,379
	368,337	350,302

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Group's operating results and market standards.

(b) Other related party transaction

As at 31 December 2022, Mr. Ho and his controlled entity held an aggregate principal amount of US$60,000,000 (equivalent to approximately HK$468,571,000) (2021: US$60,000,000 (equivalent to approximately HK$467,909,000)) senior notes issued by a subsidiary of the Company, which are unsecured and not convertible or exchangeable. Mr. Ho and his controlled entity purchased the senior notes at their face values.

During the year ended 31 December 2022, total interest expenses of US$3,300,000 (equivalent to approximately HK$25,850,000) (2021: US$4,494,000 (equivalent to approximately HK$34,924,000) in relation to the senior notes issued by the subsidiary were paid or payable to Mr. Ho and his controlled entity.

(c) Intercompany credit facility

On 28 March 2022, the Company entered into a facility agreement (the "Facility Agreement") with Melco Resorts pursuant to which a US$250,000,000 (equivalent to approximately HK$1,952,500,000) revolving loan facility was granted by Melco Resorts as lender to the Company as borrower for a period of 12 months after the first utilization date (the last day of such period being the "Final Repayment Date"). The Company could request utilization of all or part of the loan from the date of the Facility Agreement until one month prior to the Final Repayment Date for general corporate purposes of the Company and its subsidiaries (excluding Melco Resorts and its subsidiaries). Principal amounts outstanding under the Facility Agreement bore interest at an annual rate of 11%, with outstanding principal amounts and accrued interest payable by the Company on the Final Repayment Date. The Company drew down US$200,000,000 (equivalent to approximately HK$1,569,403,000) on 7 April 2022. On 31 December 2022, the Company and Melco Resorts agreed to amend the Final Repayment Date to 30 June 2024, subject to certain conditions. As at 31 December 2022, the outstanding principal amount due from the Company to Melco Resorts was US$200,000,000 (equivalent to approximately HK$1,561,902,000) and the amount of which was eliminated in these consolidated financial statements.

In March 2023, the Facility Agreement was terminated following the settlement of all outstanding amounts under the Facility Agreement due by the Company to Melco Resorts in January and March 2023 as disclosed in note 49(b).

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

2022

	Financial assets at fair value through profit or loss	Financial assets at amortized cost
	HK$'000	HK$'000
Trade receivables	–	437,273
Financial assets included in prepayments, deposits and other receivables	–	331,180
Cash and bank balances	–	14,317,506
Other financial assets	21,168	–
Restricted cash	–	4,006,631
	21,168	19,092,590

2021

	Financial assets at fair value through profit or loss	Financial assets at amortized cost
	HK$'000	HK$'000
Trade receivables	–	425,098
Financial assets included in prepayments, deposits and other receivables	–	362,162
Cash and bank balances	–	13,452,432
Other financial assets	20,320	–
Restricted cash	–	53,863
	20,320	14,293,555

Financial liabilities

	Financial liabilities at amortized cost	
	2022	2021
	HK$'000	HK$'000
Trade payables	52,557	46,779
Financial liabilities included in other payables, accruals and deposits received	4,063,525	4,611,062
Interest-bearing borrowings	72,211,007	57,876,601
Lease liabilities	2,359,575	3,711,393
	78,686,664	66,245,835

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, 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, deposits, 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 2022 and 2021. 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**	
	2022	**2021**	**2022**	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000
US$	22,882,665	9,145,658	(35,470,712)	(9,657,840)

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 positive number below indicates a decrease in loss where the HK$ strengthens 1% against US$ and all other variables were held constant. For a 1% weakening of the HK$ against the relevant US$ and all other variables were held constant, there would be an equal and opposite impact on the loss.

	US$ Impact (note) HK$'000
2022: Loss for the year	125,880
2021: Loss for the year	5,122

Note: This is mainly attributable to the exposure on outstanding US$-denominated cash and bank balances, receivables, payables and other financial assets at the end of the reporting period.

46. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to borrowings which carried interest at floating rate (see note 34 for details). The Group attempts to manage interest rate risk by managing the mix of long-term fixed-rate borrowings and variable-rate borrowings and mitigate the effects of fluctuations in cash flows.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for variable-rate borrowings. The analysis is prepared by assuming the amount of variable-rate borrowings at the end of the reporting period was outstanding for the whole year. 50 basis points is the sensitivity rate used for variable-rate borrowings, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The following analysis details the Group's sensitivity to a 50 basis points increase or decrease on its variable-rate borrowings.

A negative number below indicates an increase in loss if the interest rate had been 50 basis points higher and all other variables were held constant. If the interest rate had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the loss.

	Borrowings HK$'000
2022: Loss for the year	(106,871)
2021: Loss for the year	(49,323)

46. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades only with recognized and creditworthy third parties. In order to minimize the credit risk on trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness. Credit is also given to its gaming promoters in the Philippines, and historically, to gaming promoters in Macau, which receivables can be offset against commissions payable and front money deposits held by the Group to the respective customers and for which the Group intends to set-off when required. In this regard, the management of the Group considers that the Group's credit risk is adequately monitored.

As at 31 December 2022, the Group has concentration of credit risk as 64% (2021: 63%) 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, 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 and restricted cash was limited because they were deposited with several banks with high credit ratings assigned by international credit-rating agencies. Trade receivables, deposits and other receivables and other financial assets were considered as high grade as the Group only trades with recognized and creditworthy parties.

The Group applies the general approach for impairment of these financial assets except for trade receivables and other financial assets. For the years ended 31 December 2022 and 2021, 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 34. As at 31 December 2022, the Group had available unused banking facilities of HK$561,019,000 (2021: HK$13,380,737,000), subject to the satisfaction of certain conditions precedent.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual repayment date or the earliest date that the Group is required to pay. The amounts disclosed are based on undiscounted cash flows that include principal and interest payments.

To the extent that interest flows are at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	On demand or less than one year	**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
2022					
Trade and other payables	3,887,945	195,412	18,274	14,451	4,116,082
Borrowings	5,905,811	19,356,347	34,514,632	29,710,962	89,487,752
Lease liabilities	392,033	361,718	1,024,694	2,197,462	3,975,907
	10,185,789	19,913,477	35,557,600	31,922,875	97,579,741
2021					
Trade and other payables	4,457,390	180,442	12,867	7,142	4,657,841
Borrowings	7,542,473	3,249,770	27,505,784	36,036,641	74,334,668
Lease liabilities	527,407	454,813	1,327,951	3,252,992	5,563,163
	12,527,270	3,885,025	28,846,602	39,296,775	84,555,672

Other price risk

The Group is exposed to price risk through its investment in the Convertible Note included as financial assets at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments.

Sensitivity analysis is disclosed at note 30.

46. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines the fair values of the financial instruments.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the financial assets are determined.

Fair value hierarchy as at 31 December

	2022 HK$'000	**2021** HK$'000
Financial assets at fair value through profit or loss		
Level 3		
Convertible Note	21,168	20,320

The fair values of the Convertible Note as at 31 December 2022 and 2021 were determined based on the discounted cash flow method as detailed in note 30 and were classified as Level 3 of the fair value hierarchy.

(ii) Fair values of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The fair values of the financial assets and liabilities that are not measured at fair value on a recurring basis have been assessed by the management of the Group based on a discounted cash flow analysis.

Based on the results of the assessment, the Group considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements that are not measured at fair value on a recurring basis approximate their fair values.

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 the prior year.

The capital structure of the Group consists of debt, which is the interest-bearing borrowings disclosed in note 34, and equity attributable to owners of the Company, comprised of issued share capital, reserves and retained profits.

	2022	**2021**
	HK$'000	HK$'000
Debt – interest-bearing borrowings (note 34)	72,211,007	57,876,601
Equity attributable to owners of the Company	1,791,305	6,862,667

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 allocated to non-controlling interests**		**Accumulated non-controlling interests**	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
				HK$'000	HK$'000	HK$'000	HK$'000
Melco Resorts Group	Cayman Islands/Macau/ the Philippines/Cyprus	45.50%	42.90%	(4,871,955)	(4,141,711)	11,562,727	15,548,377
Individually immaterial subsidiaries with non-controlling interests				(2,235)	7,418	32,033	56,964
				(4,874,190)	(4,134,293)	11,594,760	15,605,341

48. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

The summarized financial information of Melco Resorts Group below represents amounts before intragroup eliminations.

Melco Resorts Group

	2022 HK$'000	2021 HK$'000
Current assets	16,209,194	14,577,468
Non-current assets	79,457,298	78,664,694
Current liabilities	6,732,897	11,004,764
Non-current liabilities	70,410,516	53,976,962

	2022 HK$'000	2021 HK$'000
Revenue	10,582,797	15,643,589
Expenses	19,469,663	23,751,470
Loss for the year	(8,886,866)	(8,107,881)
Other comprehensive loss for the year	(272,221)	(551,193)
Total comprehensive loss for the year	(9,159,087)	(8,659,074)
Dividend to non-controlling shareholders	2,262	536

	2022 HK$'000	2021 HK$'000
Net cash outflow from operating activities	(2,042,418)	(2,089,649)
Net cash outflow from investing activities	(5,691,753)	(5,244,461)
Net cash inflow from financing activities	9,152,878	6,388,857
Effect of foreign exchange rate changes	(152,227)	226,523
Net cash inflow/(outflow)	1,266,480	(718,730)

49. SUBSEQUENT EVENTS

(a) On 5 January 2023, the Group repaid the outstanding principal amount of HK$5,311,047,000 along with accrued interest under the 2020 Credit Facilities. On 10 January 2023, the Group drew down US$300,000,000 (equivalent to approximately HK$2,342,853,000) under the 2020 Credit Facilities for working capital purposes. On 30 January 2023, the Group repaid the outstanding principal amount of US$170,000,000 (equivalent to approximately HK$1,327,617,000) along with accrued interest under the 2020 Credit Facilities.

(b) On 8 March 2023, the Company, Melco Resorts and Melco Leisure entered into a share repurchase agreement, pursuant to which Melco Resorts agreed to repurchase 40,373,076 ordinary shares of Melco Resorts from Melco Leisure (the "2023 Share Repurchase"). On 10 March 2023, the 2023 Share Repurchase was completed for an aggregate consideration of US$169,836,000 (equivalent to approximately HK$1,332,319,000), which represents an average price of US$4.2067 per share or US$12.62 per ADS and 40,373,076 ordinary shares of Melco Resorts repurchased from Melco Leisure were cancelled on the same date. The outstanding principal amount of US$200,000,000 (equivalent to approximately HK$1,561,902,000) under the Facility Agreement (as defined in note 45(c)) was fully repaid by the Company on 18 January 2023. The Facility Agreement was terminated on 10 March 2023 following the settlement of the related accrued loan interest under the Facility Agreement due by the Company to Melco Resorts on the same date. After the completion of the 2023 Share Repurchase and cancellation of the repurchased shares by Melco Resorts, the Group's ownership interest in Melco Resorts has decreased and Melco Resorts continues to be a subsidiary of the Company.

50. 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:

	2022 HK$'000	**2021** HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	6,583,465	6,245,348
Other intangible assets	5,580	5,580
Prepayments, deposits and other receivables	1,563	–
Amount due from a subsidiary	5,512,260	6,502,807
Total non-current assets	12,102,868	12,753,735
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,129	16,324
Amounts due from subsidiaries	2,367,934	1,216,506
Loan to a subsidiary	1,561,902	–
Amount due from a joint venture	–	835
Cash and bank balances	98,604	126,795
Total current assets	4,029,569	1,360,460
CURRENT LIABILITIES		
Other payables, accruals and deposits received	47,208	37,338
Amounts due to subsidiaries	886,866	866,320
Loans from subsidiaries	1,559,283	1,380,332
Total current liabilities	2,493,357	2,283,990
NET CURRENT ASSETS/(LIABILITIES)	1,536,212	(923,530)
TOTAL ASSETS LESS CURRENT LIABILITIES	13,639,080	11,830,205
NON-CURRENT LIABILITIES		
Other payables, accruals and deposits received	6,112	132
Amount due to a subsidiary	127,555	28,903
Loan from a subsidiary	1,561,902	–
Total non-current liabilities	1,695,569	29,035
Net assets	11,943,511	11,801,170

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	2022 HK$'000	**2021** HK$'000
EQUITY		
Share capital	5,701,853	5,696,445
Reserves (note)	6,241,658	6,104,725
Total equity	11,943,511	11,801,170

The Company's statement of financial position was approved and authorized for issue by the board of Directors on 31 March 2023 and are signed on its behalf by:

Ho, Lawrence Yau Lung
Director

Evan Andrew Winkler
Director

50. 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 2021	7,053	240,062	(3,021)	61,165	5,441,506	5,746,765
Profit for the year	–	–	–	–	349,318	349,318
Exercise of share options	–	(1,490)	–	–	–	(1,490)
Recognition of share-based payments	–	29,142	–	102,301	–	131,443
Transfer of share option reserve upon expiry of share options	–	(1,793)	–	–	1,793	–
Shares vested under the share award schemes	–	–	16,370	(25,706)	9,336	–
Purchase of shares for unvested shares under the share award schemes (note 37)	–	–	(120,596)	–	–	(120,596)
Modification of awarded shares (note 38(I))	–	–	–	(715)	–	(715)
At 31 December 2021	7,053	265,921	(107,247)	137,045	5,801,953	6,104,725
Profit for the year	–	–	–	–	76,584	76,584
Exercise of share options	–	(2,014)	–	–	–	(2,014)
Recognition of share-based payments	–	7,112	–	70,571	–	77,683
Transfer of share option reserve upon expiry of share options	–	(1,411)	–	–	1,411	–
Shares vested under the share award schemes	–	–	13,726	(24,441)	10,715	–
Purchase of shares for unvested shares under the share award schemes (note 37)	–	–	(15,242)	–	–	(15,242)
Modification of share options and awarded shares (note 38(I))	–	(241,130)	–	241,052	–	(78)
At 31 December 2022	7,053	28,478	(108,763)	424,227	5,890,663	6,241,658

FIVE-YEAR FINANCIAL SUMMARY

31 December 2022

RESULTS

	For the year ended 31 December				
	2018	2019	2020	2021	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net revenues	40,724,673	44,987,768	13,424,435	15,638,846	10,565,657
Profit/(loss) for the year	1,600,168	1,768,158	(12,377,928)	(7,943,261)	(9,987,317)
Attributable to:					
Owners of the Company	522,571	689,772	(6,339,887)	(3,808,968)	(5,113,127)
Non-controlling interests	1,077,597	1,078,386	(6,038,041)	(4,134,293)	(4,874,190)
	1,600,168	1,768,158	(12,377,928)	(7,943,261)	(9,987,317)

ASSETS AND LIABILITIES

	At 31 December				
	2018	2019	2020	2021	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	98,026,241	100,361,573	95,534,733	94,193,277	97,091,618
Total liabilities	(57,323,215)	(58,693,881)	(64,757,437)	(71,725,269)	(83,705,553)
	40,703,026	41,667,692	30,777,296	22,468,008	13,386,065
Equity attributable to owners of the Company	16,232,230	16,950,323	10,764,187	6,862,667	1,791,305
Non-controlling interests	24,470,796	24,717,369	20,013,109	15,605,341	11,594,760
	40,703,026	41,667,692	30,777,296	22,468,008	13,386,065

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 AND CORPORATE GOVERNANCE COMMITTEE
Mr. Tsui Che Yin, Frank *(Chairman)*
Mr. John William Crawford
Mr. Ng Ching Wo
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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Certified Public Accountants
Registered Public Interest Entity Auditor

* non-voting co-opted member

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Election of Language or Means of Receipt of Corporate Communications

This annual report is printed in English and Chinese, and is available in the "Investor Relations" section of the Company's website at www.melco-group.com.

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