Melco Resorts and Entertainment (Philippines) Corporation and Subsidiaries

Consolidated Financial Statements
For The Years Ended December 31, 2021 and 2020

and

Independent Auditor's Report

SyCip Gorres Velayo & Co.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Melco Resorts and Entertainment (Philippines) Corporation

Opinion

We have audited the consolidated financial statements of Melco Resorts and Entertainment (Philippines) Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit in accordance with PSAs, 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 management.

- Conclude on the appropriateness of management's 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 audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

SYCIP GORRES VELAYO & CO.

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December 17, 2019, valid until December 16, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-136-2020, February 20, 2020, valid until February 19, 2023
PTR No. 8854355, January 3, 2022, Makati City

May 30, 2022

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	December 31, 2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5, 25 and 26	**₱9,769,634**	₱7,789,936
Accounts receivable, net	7, 25 and 26	**259,019**	894,027
Inventories		**284,638**	365,293
Prepayments and other current assets	8	**341,046**	741,271
Amounts due from related parties	18, 25 and 26	**6,441**	1,753
Income tax recoverable		**135**	37
Total Current Assets		**10,660,913**	9,792,317
Non-current Assets			
Property and equipment, net	9	**6,903,216**	8,517,728
Right-of-use assets, net	20	**11,813,630**	12,858,633
Contract acquisition costs, net	10	**603,408**	655,501
Other intangible assets, net	11	**65,799**	91,429
Other non-current assets	12	**577,995**	1,022,128
Total Non-current Assets		**19,964,048**	23,145,419
		₱30,624,961	₱32,937,736
LIABILITIES AND (CAPITAL DEFICIENCY) EQUITY			
Current Liabilities			
Accounts payable	25 and 26	**₱62,746**	₱48,274
Accrued expenses, other payables and other current liabilities	13, 25 and 26	**3,071,697**	3,468,997
Current portion of lease liabilities	20, 25 and 26	**2,674,988**	888,431
Amounts due to related parties	18, 25 and 26	**4,802,659**	2,840,467
Total Current Liabilities		**10,612,090**	7,246,169
Non-current Liabilities			
Non-current portion of lease liabilities	20, 25 and 26	**20,174,051**	21,404,015
Retirement liabilities	22	**169,940**	186,264
Other non-current liabilities		**11,982**	13,982
Deferred tax liability, net	19	**3**	2
Total Non-current Liabilities		**₱20,355,976**	₱21,604,263

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – continued
DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	December 31, 2021	2020
(Capital Deficiency) Equity			
Capital stock	14	**₱5,689,765**	₱5,689,765
Additional paid-in capital		**22,145,907**	22,145,826
Share-based compensation reserve		**103,707**	27,228
Equity reserve	2 and 14	**(3,613,990)**	(3,613,990)
Accumulated deficit		**(24,668,494)**	(20,161,525)
Total (Capital Deficiency) Equity		**(343,105)**	4,087,304
		₱30,624,961	₱32,937,736

See accompanying Notes to Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	Year Ended December 31, 2021	2020
NET OPERATING REVENUES			
Casino		**₱10,431,919**	₱8,688,664
Rooms		**1,582,685**	1,389,329
Food and beverage		**1,098,576**	972,382
Entertainment, retail and other		**202,327**	204,287
Total Net Operating Revenues		**13,315,507**	11,254,662
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees		**(3,496,553)**	(3,034,814)
Inventories consumed		**(328,962)**	(359,529)
Employee benefit expenses	16	**(2,865,395)**	(3,789,828)
Depreciation and amortization	9, 10, 11 and 20	**(3,793,750)**	(3,452,209)
Other expenses	17	**(3,168,101)**	(3,701,968)
Payments to the Philippine Parties		**(1,294,112)**	(639,833)
Total Operating Costs and Expenses		**(14,946,873)**	(14,978,181)
OPERATING LOSS		**(1,631,366)**	(3,723,519)
NON-OPERATING INCOME (EXPENSES)			
Interest income		**20,905**	63,895
Interest expenses	20	**(1,335,768)**	(2,180,740)
Foreign exchange (losses) gains, net		**(86,304)**	30,936
Total Non-operating Expenses, Net		**(1,401,167)**	(2,085,909)
LOSS BEFORE INCOME TAX		**(3,032,533)**	(5,809,428)
INCOME TAX CREDIT	19	**2,975**	169,403
NET LOSS		**(3,029,558)**	(5,640,025)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss in subsequent period			
Remeasurement gain on defined benefit obligations	22	**19,589**	5,492
TOTAL COMPREHENSIVE LOSS		**(₱3,009,969)**	(₱5,634,533)

See accompanying Notes to Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	Capital Stock (Note 14)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Cumulative Remeasurement Gain	Accumulated Deficit	Total
Balance as of January 1, 2021		**₱5,689,765**	**₱22,145,826**	**₱27,228**	**(₱3,613,990)**	**₱–**	**(₱20,161,525)**	**₱4,087,304**
Net loss		–	–	–	–	–	**(3,029,558)**	**(3,029,558)**
Other comprehensive income	22	–	–	–	–	**19,589**	–	**19,589**
Total comprehensive loss		–	–	–	–	**19,589**	**(3,029,558)**	**(3,009,969)**
Share-based compensation		–	**81**	**76,479**	–	–	–	**76,560**
Transfer of remeasurement gain on defined benefit obligations		–	–	–	–	**(19,589)**	**19,589**	–
Dividends declared	15	–	–	–	–	–	**(1,497,000)**	**(1,497,000)**
Balance as of December 31, 2021		**₱5,689,765**	**₱22,145,907**	**₱103,707**	**(₱3,613,990)**	**₱–**	**(₱24,668,494)**	**(₱343,105)**
Balance as of January 1, 2020		₱5,688,765	₱22,143,394	₱–	(₱3,613,990)	₱–	(₱14,526,992)	₱9,691,177
Net loss		–	–	–	–	–	(5,640,025)	(5,640,025)
Other comprehensive income	22	–	–	–	–	5,492	–	5,492
Total comprehensive loss		–	–	–	–	5,492	(5,640,025)	(5,634,533)
Shares issued	14	1,000	–	–	–	–	–	1,000
Share-based compensation		–	2,432	27,228	–	–	–	29,660
Transfer of remeasurement gain on defined benefit obligations		–	–	–	–	(5,492)	5,492	–
Balance as of December 31, 2020		₱5,689,765	₱22,145,826	₱27,228	(₱3,613,990)	₱–	(₱20,161,525)	₱4,087,304

See accompanying Notes to Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	Year Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱3,032,533)**	(₱5,809,428)
Adjustments for:			
(Reversal of) provisions for credit losses		**(250,247)**	352,843
Interest income		**(20,905)**	(63,895)
Depreciation and amortization	9, 10, 11 and 20	**3,793,750**	3,452,209
Interest expenses	20	**1,335,768**	2,180,740
Provisions for input value-added tax (“VAT”) and other tax claims	12	**295,160**	263,024
Unrealized foreign exchange losses (gains), net		**97,286**	(52,704)
Share-based compensation		**76,560**	29,660
Retirement costs – defined benefit obligations	22	**70,205**	(2,700)
Net loss on disposals of property and equipment	17	**52,170**	602
Impairment losses recognized on property and equipment	9 and 17	**38,488**	34,925
Losses on lease modification	17	**6,662**	–
Operating profit before working capital changes		**2,462,364**	385,276
Changes in assets and liabilities:			
Decrease in accrued expenses, other payables and other current liabilities		**(666,134)**	(3,673,198)
Increase in other non-current assets		**(311,529)**	(298,691)
Decrease in retirement liabilities		**(66,940)**	(1,477)
Increase in amounts due from related parties		**(4,578)**	(1,661)
Decrease in other non-current liabilities		**(2,000)**	(14,125)
Decrease (increase) in accounts receivable		**861,885**	(431,043)
Increase in amounts due to related parties		**443,873**	1,142,130
Decrease (increase) in prepayments and other current assets		**402,473**	(142,226)
Decrease (increase) in inventories		**80,655**	(6,105)
Increase (decrease) in accounts payable		**14,445**	(107,053)
Net cash generated from (used in) operations		**3,214,514**	(3,148,173)
Interest received		**10,359**	57,670
Net cash provided by (used in) operating activities		**3,224,873**	(3,090,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment		**(544,059)**	(770,382)
Acquisitions of other intangible assets		**(26,251)**	(55,562)
Proceeds from disposals of property and equipment		**1,105**	1,632
Payments for right-of-use assets		–	(21,945)
Payments for other non-current assets		–	(15,350)
Decrease in restricted cash		–	489,956
Net cash used in investing activities		**(₱569,205)**	(₱371,651)

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Philippine peso, except share and per share data)

	Notes	Year Ended December 31, 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities (including associated interest)	20	**(₱793,213)**	(₱613,702)
Proceeds from issuance of common shares	14	**–**	1,000
Net cash used in financing activities		**(793,213)**	(612,702)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		**117,243**	(66,468)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,979,698**	(4,141,324)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,789,936**	11,931,260
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱9,769,634**	₱7,789,936

See accompanying Notes to Consolidated Financial Statements.

1. **Organization and Business**

(a) Company Information

Melco Resorts and Entertainment (Philippines) Corporation (herein referred to as “MRP” or the “Parent Company”) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the “SEC”).

The Parent Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment resort facilities in the Philippines. The Group currently operates and manages City of Dreams Manila, an integrated resort in the Entertainment City complex in Manila.

On June 24, 2019, at the Annual Stockholders Meeting of MRP, the stockholders of the Parent Company approved an amendment to the Amended Articles of Incorporation of MRP to increase the par value of its shares from ₱1 per share to ₱500,000 per share (“Reverse Stock Split”). The Reverse Stock Split was approved by the SEC on May 12, 2020. Further information is included in Note 14.

The Parent Company’s principal place of business is the Philippines and its registered office address is Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701.

As of December 31, 2021 and 2020, the Parent Company’s ultimate holding company is Melco International Development Limited (“Melco International”), a company incorporated in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”) and listed on the main board of The Stock Exchange of Hong Kong Limited. Melco Resorts & Entertainment Limited (“Melco”) is one of the Parent Company’s intermediate holding companies. Melco is a company incorporated in the Cayman Islands with its American depositary shares (“ADSs”) listed on the Nasdaq Global Select Market in the United States of America.

As of December 31, 2020, the immediate holding company of the Parent Company was MCO (Philippines) Investments Limited (“MCO Investments”), a company incorporated in the British Virgin Islands. On February 4, 2021, MCO Investments distributed all its assets, including the shares of MRP that it owned, to MCO Europe Holdings (NL) B.V. (“MCO Europe”), a subsidiary of Melco and is incorporated in the Netherlands, subject to the terms and conditions set forth in a deed of distribution of assets. Accordingly, the immediate holding company of the Parent Company is MCO Europe as of December 31, 2021.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors on May 30, 2022.

1. **Organization and Business** – continued

(b) Subsidiaries of MRP

As of December 31, 2021 and 2020, MRP's wholly-owned subsidiaries included MPHIL Holdings No. 1 Corporation ("MPHIL Holdings No. 1"), MPHIL Holdings No. 2 Corporation ("MPHIL Holdings No. 2") and Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure") (collectively referred to as "MPHIL Holdings Group"). MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure were all incorporated in the Philippines. The primary purpose of both MPHIL Holdings No. 1 and MPHIL Holdings No. 2 is investment holding and the primary purpose of Melco Resorts Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

(c) Regular License

On April 29, 2015, the Philippine Amusement and Gaming Corporation ("PAGCOR") issued a regular casino gaming license, as amended (the "Regular License") in replacement of a provisional license granted by PAGCOR as of March 13, 2013, to the co-licensees (the "Licensees") namely, 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 July 11, 2033.

(d) Recent Developments Related to COVID-19

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

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

1. **Organization and Business** – continued

(d) Recent Developments Related to COVID-19 – continued

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

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

(e) Going Concern

As of December 31, 2021, the Group had a capital deficiency of ₱343,105. The Group believes that this was caused by the COVID-19 outbreak which disrupted the Group's business in 2020 and 2021 as disclosed in Note 1(d).

The Group believes that the use of going concern assumption is still appropriate taking into account the following:

- As of December 31, 2021, the Group had cash and cash equivalents of ₱9,769,634 and available borrowing capacity under the Shareholder Loan Facility (as disclosed in Note 21(a)) of US$340,000,000 (equivalent to ₱17,263,265) and the Credit Facility (as disclosed in Note 21(b)) of ₱2,350,000, subject to the satisfaction of certain conditions precedent.

- Melco has agreed to provide continuing financial support to enable MPHIL Holdings No. 2 and Melco Resorts Leisure to meet in full their financial obligations as they fall due for a period of twelve months from February 28, 2022, the date of the letter of financial support.

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

- The Group expects that its business will improve with the easing of COVID-19 restrictions in the Philippines with Metro Manila transitioning to Alert Level 1 on March 1, 2022 which allows casinos to operate at 100% capacity, subject to certain guidelines.

The Group believes it will be able to support continuing operations and capital expenditures for at least twelve months after the date that these consolidated financial statements are issued.

On May 25, 2022, the Group received the approval from the SEC Commissioner to exempt its external auditor from the technical requirement under Part I, Section 3 (E)(v) of the Revised SRC Rule 68 to include a Material Uncertainty Related to Going Concern section in the Auditor's Report after consideration of the factors discussed above.

2. Basis of Preparation

The Group's consolidated financial statements have been prepared in conformity with the Philippine Financial Reporting Standards ("PFRSs"). PFRSs include all PFRSs, Philippine Accounting Standards ("PASs") and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee ("IFRIC") as issued by the Financial Reporting Standards Council ("FRSC"). The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company and its subsidiaries. All values are rounded off to the nearest thousand, unless otherwise indicated.

On March 20, 2013, MRP completed the acquisition of a 100% ownership interest in MPHIL Holdings Group from MCO Investments. Because MRP did not meet the definition of a business, MPHIL Holdings Group was deemed to be the accounting acquirer for accounting purposes. The acquisition was accounted for similar to a reverse acquisition following guidance provided by the PFRS. In a reverse acquisition, the legal parent, MRP is identified as the acquiree for accounting purposes based on the substance of the transaction, the legal subsidiary, MPHIL Holdings Group is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of MRP have been prepared as a continuation of the financial statements of MPHIL Holdings Group. MPHIL Holdings Group has accounted for the acquisition of MRP on December 19, 2012 which was the date when Melco, through its indirect subsidiaries including MCO Investments and MPHIL Corporation ("MPHIL"), acquired control of MRP.

Reverse acquisition applies only to the consolidated financial statements of MRP. The Parent Company financial statements continue to represent MRP as a standalone entity as of December 31, 2021 and 2020.

3. Summary of Significant Accounting Policies

<u>Changes in Accounting Policies and Disclosures</u>
The Group has adopted the following new and amended PFRSs as of January 1, 2021 and the adoption of these new and amended PFRSs had no material impact on the consolidated financial statements.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021* (early adopted)

3. **Summary of Significant Accounting Policies** – continued

Standards Issued But Not Yet Effective
Standards issued but not yet effective up to the date of issuance of the consolidated financial statements which are relevant to the Group are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when adopted at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs to have significant impacts on the Group's financial position or performance.

- **Amendments to PFRS 3, *Reference to the Conceptual Framework***

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations,* to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- **Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use***

  The amendments prohibit entities 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 such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- **Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract***

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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.

3. **Summary of Significant Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*** – continued

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- **Annual Improvements to PFRSs (2018-2020 Cycle)**

  - **Amendments to PFRS 1, *First-time Adoption of PFRSs, Subsidiary as a First-time Adopter***

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - **Amendments to PFRS 9, *Financial Instruments*, *Fees in the "10 per cent" Test for Derecognition of Financial Liabilities***

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - **Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements***

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

3. **Summary of Significant Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies***

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted as long as this fact is disclosed.

- **Amendments to PAS 8, *Definition of Accounting Estimates***

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- **Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

3. **Summary of Significant Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PAS 1, *Classification of Liabilities as Current or Non-current***

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board ("IASB") tentatively decided to defer the effective date to no earlier than January 1, 2024.

- **PFRS 17, *Insurance Contracts***

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach); and
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

  PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early adoption is permitted.

3. **Summary of Significant Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The SEC and FRSC have deferred the effectivity of the amendments.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and cash in banks including short-term deposits with a maturity of three months or less, which are unrestricted as to withdrawal and use.

Restricted Cash
Restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use.

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 accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, 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. Accounts receivable 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 PFRS 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.

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.

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.

3. **Summary of Significant Accounting Policies** – continued

Financial Assets – continued

Subsequent Measurement

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

- financial assets at amortized cost (debt instruments);
- financial assets at fair value through other comprehensive income (debt instruments);
- financial assets designated at fair value through other comprehensive income (equity instruments); and
- financial assets at fair value through profit or loss.

Financial Assets at Amortized Cost (Debt Instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the consolidated statements of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents (see Note 5), accounts receivable (see Note 7), deposits and receivables (including security deposits) included under prepayments and other current assets (see Note 8) and other non-current assets (see Note 12) and amounts due from related parties (see Note 18).

The Group has no financial assets at fair value through other comprehensive income (debt instruments), financial assets designated at fair value through other comprehensive income (equity instruments) and financial assets at fair value through profit or loss as of December 31, 2021 and 2020.

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 derecognized when:

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

3. **Summary of Significant Accounting Policies** – continued

Derecognition of Financial Assets – continued
Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial assets at amortized cost are subject to impairment under the general approach for measurement of ECLs except for accounts receivable 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.

3. **Summary of Significant Accounting Policies** – continued

Impairment of Financial Assets – continued

General Approach – continued

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

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

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

Simplified Approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed using a provision matrix that is based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. For accounts receivable that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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, 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.

3. **Summary of Significant Accounting Policies** – continued

Financial Liabilities – continued

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. Gains and losses are recognized in the consolidated statements of comprehensive income 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 as interest expenses in the consolidated statements of comprehensive income.

Loans and Borrowings and Payables

The Group's loans and borrowings and payables includes accounts payable, accrued expenses, other payables and other current liabilities (see Note 13), lease liabilities (see Note 20), amounts due to related parties (see Note 18) and other non-current liabilities.

The Group has no financial liabilities at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as of December 31, 2021 and 2020.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Determination of Fair Values of Financial Assets and Liabilities

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 i) in the principal market for the asset or liability; or ii) 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 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.

3. **Summary of Significant Accounting Policies** – continued

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only 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 asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Inventories
Inventories consist of retail merchandise, food and beverage items and certain operating supplies, which are stated at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out, weighted average and specific identification methods. Write-downs of potentially obsolete or slow-moving inventories are recorded based on management's specific analysis of inventory items.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Property and equipment are depreciated or amortized on a straight-line basis to write-off their costs over the following estimated useful lives:

Leasehold improvements	5 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 7 years
Motor vehicles	5 years
Plant and gaming machinery	3 to 5 years

An asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

Residual values, useful lives and depreciation and amortization methods of the property and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

3. **Summary of Significant Accounting Policies** – continued

Property and Equipment – continued
Construction in progress represents property and equipment under construction and is stated at cost, less accumulated impairment losses, if any. This includes the direct cost of purchase, construction and capitalized borrowing costs during the period of construction. Construction in progress are not depreciated and are reclassified to the appropriate category of property and equipment when completed and ready for use.

Intangible Assets
Contract Acquisition Costs
Certain costs incurred by Melco Resorts Leisure to obtain various agreements in its capacity as the sole and exclusive operator and manager of City of Dreams Manila have been capitalized in contract acquisition costs. The contract acquisition costs are carried at costs less any accumulated amortization and accumulated impairment losses. The contract acquisition costs are amortized over the term of the Operating Agreement (as disclosed in Note 23(b)) and tested for impairment if there is an indication that the asset may be impaired.

Other Intangible Assets
Other intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, other intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. An intangible asset is amortized over the shorter of the contractual terms and its estimated useful life unless its life is determined to be indefinite in which case it is not amortized. The Group's finite-life other intangible assets are amortized over the estimated useful lives of three years on a straight-line basis and tested for impairment if there is an indication that such intangible assets may be impaired.

Gains or losses arising from derecognitions of intangible assets are measured as the difference between the net disposal proceeds and the carrying amounts of the assets and are recognized in the consolidated statements of comprehensive income when the assets are derecognized.

VAT
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the tax authority is included under other non-current assets as of December 31, 2021 and 2020 in the consolidated balance sheets.

Creditable Withholding Taxes ("CWTs")
CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on the Philippine income taxation. The net amount of CWTs is included under other non-current assets and prepayments and other current assets as of December 31, 2021 and 2020, respectively, in the consolidated balance sheets.

3. **Summary of Significant Accounting Policies** – continued

Impairment of Non-financial Assets
The carrying values of non-financial assets, including property and equipment, right-of-use assets, contract acquisition costs, other intangible assets and other non-current assets, are reviewed for impairments whenever events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written-down to their recoverable amounts. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present values using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is an indication that previously recognized impairment losses, if any, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount which would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Capital Stock
Capital stock is measured at par value for all shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity (capital deficiency) as a deduction from proceeds, net of tax. Proceeds and/or fair values of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Equity Reserve
Equity reserve account pertains to the effect of the reverse acquisition when MRP acquired MPHIL Holdings Group from MCO Investments in 2013 as discussed in Note 2 under basis of preparation.

3. **Summary of Significant Accounting Policies** – continued

Accumulated Deficit

The accumulated deficit represents the Group's cumulative net losses. Remeasurements, comprising actuarial gains and losses, excluding amounts included in interest on the defined benefit obligations, are also included in accumulated deficit in the period in which they occur. Such deficit may also include the effects of changes in any accounting policies as may be required by standard transitional provisions or amendments to the standards.

Dividends

The Parent Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Parent Company. As per the Amended By-Laws of the Parent Company, a distribution is authorized when it is approved by the Board of Directors.

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 paid to gaming promoters and cash discounts and other cash incentives earned by customers are recorded as reductions of 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 operating expenses.

The Group operates different non-discretionary incentive programs 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.

3. **Summary of Significant Accounting Policies** – continued

Revenue Recognition – continued
Revenue from Contracts with Customers – continued

(a) Casino Revenues – continued

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) Rooms, Food and Beverage, Entertainment, Retail and Other Revenues

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 advance tickets sales are recorded as customer deposits until services are provided to the customers. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or service based on its relative standalone selling price.

(c) Management Fee Income

Revenue from the provision of management services is recognized when the services are provided and are included in entertainment, retail and other revenues.

Revenue from Other Sources
Interest Income
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.

Rental Income
Rental income is included in entertainment, retail and other revenues and is recognized in accordance with PFRS 16. See *Leases* for the accounting policy of rental income.

Contract Liabilities
A contract 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 liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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

(In thousands of Philippine peso, except share and per share data)

3. **Summary of Significant Accounting Policies** – continued

Contract Liabilities – continued
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 incentive earned from the 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 as accrued expenses, other payables and other current liabilities in the consolidated balance sheets. 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.

The following table summarizes the activities related to contract and contract-related liabilities:

	Outstanding Gaming Chips		Loyalty Program Liabilities		Advance Customer Deposits and Ticket Sales	
	2021	2020	**2021**	2020	**2021**	2020
Balance at January 1	**₱933,796**	₱2,732,006	**₱189,588**	₱219,322	**₱1,102,019**	₱1,202,820
Balance at December 31	**591,411**	933,796	**177,603**	189,588	**870,166**	1,102,019
Decrease	**(₱342,385)**	(₱1,798,210)	**(₱11,985)**	(₱29,734)	**(₱231,853)**	(₱100,801)

Expenses Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity or increases in capital deficiency, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statements of comprehensive income in the year these are incurred.

Employee Benefit Expenses
Retirement Costs
Employees of the Group are members of a government-managed social security system scheme (the "SSS Scheme") operated by the Philippine government and the Group is required to pay a certain percentage of employee relevant income and meet the minimum mandatory requirements of the SSS Scheme to fund the benefits. The obligation of the Group with respect to the SSS Scheme operated by the Philippine government is to make the required contributions specified therein.

The Group also has defined benefit obligations covering substantially all of its regular employees in the Philippines. A non-contributory defined benefit plan (the "Defined Benefit Plan") was adopted by Melco Resorts Leisure on July 1, 2019. Retirement expenses are determined according to the terms of the Defined Benefit Plan that meets the minimum retirement benefit specified under Republic Act No. 7641. The Group does not maintain a fund for its retirement benefit obligations, which are determined by using the projected unit credit actuarial cost method.

3. **Summary of Significant Accounting Policies** – continued

Employee Benefit Expenses – continued
Retirement Costs – continued
Current service costs represent the change in retirement liabilities resulting from employee services provided in the current period.

Remeasurements, comprising actuarial gains and losses, excluding amounts included in interest on the defined benefit obligations, are recognized immediately in other comprehensive income in the period in which they occur with a corresponding debit or credit to retained earnings (accumulated deficit).

Past service costs are recognized in the consolidated statements of comprehensive income on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes related restructuring costs.

Interest is calculated by applying discount rates to the defined benefit obligations. The Group recognizes current service costs, past service costs and interest costs as employee benefit expenses in the consolidated statements of comprehensive income.

Annual Leave and Other Paid Leave
Employee entitlements to annual leave and other paid leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and other paid leave as a result of services rendered by employees for the year.

Bonus Plans
The Group recognizes a liability and an expense for bonuses when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based Compensation
For equity-settled share-based compensation, the Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award, while an award of equity instruments issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the equity instruments granted. The costs of services received are recognized over the service period. Compensation is attributed to the periods of associate service and such expense is recognized on an accelerated basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. Each portion is treated as a separate grant, as each portion has a different vesting period.

For cash-settled share-based compensation, a liability is recognized for the employee services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, the liability is accrued for the outstanding awards as they become vested at the settlement amount, with a corresponding share-based compensation expense recognized in profit or loss for the period.

3. **Summary of Significant Accounting Policies** – continued

Employee Benefit Expenses – continued

Share-based Compensation – continued

Forfeitures are estimated at the time of grant, and adjusted for actual forfeitures to the extent they differ from the estimate. When the equity-settled share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share-based compensation reserve will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, no share-based compensation expense is recognized.

Further information on the Group's share-based compensation arrangement for the years ended December 31, 2021 and 2020 for restricted shares and share options granted under the share incentive plans is included in Note 28.

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.

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 the straight-line basis over the shorter of these estimated useful lives and the lease terms. Right-of-use assets are subject to impairment, if applicable.

(b) Lease Liabilities

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

3. **Summary of Significant Accounting Policies** – continued

Leases – continued
As a Lessee – continued

(b) Lease Liabilities – continued

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

(c) Short-term Leases

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

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. 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.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine peso, the functional currency of the Parent Company and its subsidiaries. Transactions in foreign currencies are initially recorded at the functional currency rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange at the balance sheet date. All differences are taken to the consolidated statements of comprehensive income. All exchange rate differences including those arising on the settlement of monetary items at rates different from those at which these were recorded are recognized in the consolidated statements of comprehensive income in the year in which the differences arise.

For income tax reporting purposes, exchange gains or losses are treated as taxable income or deductible expense in the year these are realized.

3. **Summary of Significant Accounting Policies** – continued

Income Tax

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date 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:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 profits nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where 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, carryforward benefits of unused tax credits from excess minimum corporate income tax over regular corporate income tax and unused net operating loss carryovers ("NOLCO") to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference 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 profits nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. **Summary of Significant Accounting Policies** – continued

Income Tax – continued
Deferred Tax – continued
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity (capital deficiency).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Gaming Tax and License Fees
The Licensees are required to pay license fees to PAGCOR ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. Such license fees include the 5% franchise tax on actual gross gaming revenues generated by the casino. The Group is also subject to fees based on 5% of certain non-gaming revenue and 2% of casino revenues generated from non-junket operation tables as further discussed in Note 24(b). These expenses are included in the accompanying consolidated statements of comprehensive income.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Subsequent Events
Post period-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Judgments – continued

Functional Currency

Based on the economic substance of underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and its subsidiaries operate and it is the currency that mainly influences the revenues and expenses for management and operation of City of Dreams Manila.

Determining the 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.

Reporting Revenue Gross as a Principal or Net as an Agent

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for the operations of one of the hotels and concluded that it is the controlling entity and is the principal to this arrangement. For the operations of one of the hotels, the Group is the owner of the hotel property, and the hotel manager operates the hotel under certain management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotel business, it is the principal and the transactions of the hotel are, therefore, recognized on a gross basis.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provisions for ECLs of Accounts Receivable

The Group applies PFRS 9 simplified approach to measure ECLs, using a lifetime expected loss allowance for accounts receivable. The Group determines the allowance based on specific customer information, historical write-off experience, current industry and economic data and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. A provision of ECL for accounts receivable is recorded when the Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts. Account balances are written-off against the allowance when the Group considers the receivables to be uncollectible. Management believes there are no concentrations of credit risk for which an allowance has not been established. Although management believes the allowance is adequate, it is possible the estimated amount of cash collections with respect to accounts receivable could change.

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Estimates and Assumptions – continued

Provisions for ECLs of Accounts Receivable – continued

The (reversal of) provisions for credit losses of accounts receivable for the years ended December 31, 2021 and 2020 amounted to (₱250,974) and ₱342,327, respectively. As of December 31, 2021, the carrying amount of current accounts receivable, gross amounted to ₱969,465 (2020: ₱1,856,380), with allowances for credit losses of ₱710,446 (2020: ₱962,353) (see Note 7).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for operational use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimations of the useful lives of property and equipment are based on collective assessments of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property and equipment would increase the recorded expenses and decrease non-current assets.

There were no changes made to the estimated useful lives of the Group's property and equipment. The carrying values of property and equipment amounted to ₱6,903,216 and ₱8,517,728 as of December 31, 2021 and 2020, respectively (see Note 9).

Estimating Retirement Benefits

The Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increases and turnover rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the retirement benefit obligations. The amount of retirement benefit obligations and expenses and an analysis of the movements in the estimated present values and assumptions used are disclosed in Note 22.

Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable value of property and equipment, right-of-use assets, contract acquisition costs, other intangible assets and other non-current assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operation of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Estimates and Assumptions – continued
Impairment of Non-financial Assets – continued
For the years ended December 31, 2021 and 2020, aggregate impairment losses of ₱38,488 and ₱34,925, respectively, were recognized in full against the carrying values of certain property and equipment due to the reconfigurations at the Group's operating properties. The impairment losses were recognized and included in other expenses in the consolidated statements of comprehensive income (Note 17).

Provisions for input VAT and other tax claims expected to be non-recoverable of ₱295,160 and ₱263,024 were recognized for the years ended December 31, 2021 and 2020, respectively (see Note 17). Gross amounts of input VAT considered to be uncollectible amounting to ₱2,636,504 and nil were written-off against the allowances for input VAT for the years ended December 31, 2021 and 2020, respectively (see Note 12).

Except for the impairment losses on property and equipment and provisions for input VAT and other tax claims as mentioned above, no other impairment losses were recognized for the years ended December 31, 2021 and 2020. The carrying values of property and equipment amounted to ₱6,903,216 and ₱8,517,728 as of December 31, 2021 and 2020, respectively (see Note 9); the carrying values of right-of-use assets amounted to ₱11,813,630 and ₱12,858,633 as of December 31, 2021 and 2020, respectively (see Note 20); the carrying values of contract acquisition costs amounted to ₱603,408 and ₱655,501 as of December 31, 2021 and 2020, respectively (see Note 10); the carrying values of other intangible assets amounted to ₱65,799 and ₱91,429 as of December 31, 2021 and 2020, respectively (see Note 11); and the carrying values of other non-current assets amounted to ₱ 577,995 and ₱ 1,022,128 as of December 31, 2021 and 2020, respectively (see Note 12).

Recognition of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduces these to the extent it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits is based on the level and timing of forecasted taxable income of subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized.

Deferred tax assets on lease liabilities amounting to ₱1,299,987 and ₱1,702,522 and NOLCO amounting to ₱102,193 and ₱151,826 were recognized as of December 31, 2021 and 2020, respectively, to the extent of the amount of the reversing deductible temporary difference arising from right-of-use assets, unrealized foreign exchange gains, net and capitalized interest expenses.

Certain deferred tax assets were not recognized because management believes future taxable profits may not be available against which the deferred tax assets can be utilized.

Unrecognized deferred tax assets amounted to ₱3,744,673 and ₱4,651,413 as of December 31, 2021 and 2020, respectively (see Note 19).

(In thousands of Philippine peso, except share and per share data)

5. Cash and Cash Equivalents

	December 31, 2021	2020
Cash on hand	**₱1,105,388**	₱1,218,040
Cash in banks	**8,664,246**	6,571,896
	₱9,769,634	₱7,789,936

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱10,371 and ₱58,926 for the years ended December 31, 2021 and 2020, respectively.

6. Restricted Cash

Restricted cash represented an escrow account that was restricted for foundation fees payable in accordance with the terms of the Regular License. The funds were fully released and the escrow account was closed during the year ended December 31, 2020. Interest income earned from restricted cash amounted to ₱953 for the year ended December 31, 2020.

7. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	December 31, 2021	2020
Casino	**₱953,469**	₱1,850,935
Hotel	**14,790**	4,644
Other	**1,206**	801
	969,465	1,856,380
Less: Allowances for credit losses	**(710,446)**	(962,353)
	₱259,019	₱894,027

(In thousands of Philippine peso, except share and per share data)

7. **Accounts Receivable, Net** – continued

Movement in the allowances for credit losses were as follows:

	Note	Year Ended December 31, 2021	2020
Balance at beginning of year		**₱962,353**	₱391,923
(Reversal of) provisions		**(250,974)**	342,327
Write-offs		**(30,295)**	–
Reclassified from long-term receivables, net	12	**–**	258,497
Effect of exchange rate		**29,362**	(30,394)
Balance at end of year		**₱710,446**	₱962,353

The Group grants unsecured credit lines to gaming promoters based on pre-approved credit limits. The Group typically issues markers to gaming promoters with a credit period of 30 days. There are some gaming promoters for whom credit is granted on a revolving basis based on the Group's monthly credit risk assessment of these gaming promoters. Credit lines granted to all gaming promoters are subject to monthly review and settlement procedures. For certain approved casino customers, the Group typically allows a credit period of 14 days to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of up to 90 days may be offered to casino customers with large gaming losses and established credit history.

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables where it intends to settle on a net basis. As of December 31, 2021 and 2020, the gross amounts of current casino receivables of ₱1,610,280 and ₱2,290,121 were offset by commissions payable and front money deposits in aggregate amounts of ₱656,811 and ₱439,186, respectively.

The Group applies a simplified approach in calculating ECLs for its accounts receivable. 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.

(In thousands of Philippine peso, except share and per share data)

7. **Accounts Receivable, Net** – continued

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

		December 31, 2021	
	Expected Credit Loss Rate	Gross Carrying Amount	Expected Credit Losses
Current	**2.9%**	**₱265,932**	**₱7,655**
Past due:			
1 – 30 days	**–**	**742**	**–**
Over 90 days	**100%**	**702,791**	**702,791**
	73.3%	**₱969,465**	**₱710,446**

		December 31, 2020	
	Expected Credit Loss Rate	Gross Carrying Amount	Expected Credit Losses
Current	–	₱890,741	₱–
Past due:			
1 – 30 days	–	2,197	–
Over 90 days	99.9%	963,442	962,353
	51.8%	₱1,856,380	₱962,353

8. **Prepayments and Other Current Assets**

	December 31,	
	2021	2020
Prepaid payments to the Philippine Parties	**₱208,629**	₱133,642
Prepaid facilities and supplies expenses	**59,670**	60,475
Deposits for acquisitions of inventories	**29,864**	34,365
Deferred rent assets	**10,888**	19,315
Rental and other receivables, net	**9,437**	5,974
Prepaid office and administrative expenses	**7,824**	6,174
Overpayment of lease liabilities	**–**	318,636
CWTs	**–**	143,103
Other prepayments and current assets	**14,734**	19,587
	₱341,046	₱741,271

(In thousands of Philippine peso, except share and per share data)

9. Property and Equipment, Net

	December 31, 2021					
	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:						
Balance at beginning of year	**₱15,482,346**	**₱91,617**	**₱7,981,187**	**₱4,681,654**	**₱1,696**	**₱28,238,500**
Adjustments to costs	**(11,438)**	**–**	**(3,846)**	**(357)**	**–**	**(15,641)**
Additions	**692,572**	**298**	**338,355**	**101,676**	**–**	**1,132,901**
Disposals and write-off	**(201,928)**	**–**	**(108,012)**	**(117,938)**	**(1,696)**	**(429,574)**
Transfer	**(79,170)**	**–**	**13,228**	**65,942**	**–**	**–**
Balance at end of year	**15,882,382**	**91,915**	**8,220,912**	**4,730,977**	**–**	**28,926,186**
Accumulated depreciation, amortization and impairment:						
Balance at beginning of year	**(8,994,781)**	**(86,714)**	**(7,262,696)**	**(3,376,581)**	**–**	**(19,720,772)**
Depreciation and amortization	**(1,724,572)**	**(3,615)**	**(383,535)**	**(528,190)**	**–**	**(2,639,912)**
Impairment	**(36,792)**	**–**	**–**	**–**	**(1,696)**	**(38,488)**
Disposals and write-off	**152,943**	**–**	**105,796**	**115,767**	**1,696**	**376,202**
Balance at end of year	**(10,603,202)**	**(90,329)**	**(7,540,435)**	**(3,789,004)**	**–**	**(22,022,970)**
Net book value	**₱5,279,180**	**₱1,586**	**₱680,477**	**₱941,973**	**₱–**	**₱6,903,216**

	December 31, 2020					
	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:						
Balance at beginning of year	₱15,348,380	₱96,618	₱7,757,798	₱4,413,402	₱1,696	₱27,617,894
Adjustments to costs	(48,574)	–	(3,017)	(5)	–	(51,596)
Additions	226,066	–	268,550	274,114	–	768,730
Disposals and write-off	(33,611)	(5,001)	(51,631)	(6,285)	–	(96,528)
Transfer	(9,915)	–	9,487	428	–	–
Balance at end of year	15,482,346	91,617	7,981,187	4,681,654	1,696	28,238,500
Accumulated depreciation, amortization and impairment:						
Balance at beginning of year	(7,301,832)	(84,503)	(6,967,265)	(2,831,286)	–	(17,184,886)
Depreciation and amortization	(1,693,437)	(5,528)	(346,198)	(550,092)	–	(2,595,255)
Impairment	(33,611)	–	–	(1,314)	–	(34,925)
Disposals and write-off	33,611	3,317	51,238	6,128	–	94,294
Transfer	488	–	(471)	(17)	–	–
Balance at end of year	(8,994,781)	(86,714)	(7,262,696)	(3,376,581)	–	(19,720,772)
Net book value	₱6,487,565	₱4,903	₱718,491	₱1,305,073	₱1,696	₱8,517,728

(In thousands of Philippine peso, except share and per share data)

10. **Contract Acquisition Costs, Net**

	December 31, 2021	2020
Costs:		
Balance at beginning and at end of year	**₱1,063,561**	₱1,063,561
Accumulated amortization:		
Balance at beginning of year	**(408,060)**	(355,967)
Amortization	**(52,093)**	(52,093)
Balance at end of year	**(460,153)**	(408,060)
Net book value	**₱603,408**	₱655,501

11. **Other Intangible Assets, Net**

	December 31, 2021	2020
Costs:		
Balance at beginning of year	**₱120,441**	₱–
Additions	**26,251**	120,441
Balance at end of year	**146,692**	120,441
Accumulated amortization:		
Balance at beginning of year	**(29,012)**	–
Amortization	**(51,881)**	(29,012)
Balance at end of year	**(80,893)**	(29,012)
Net book value	**₱65,799**	₱91,429

(In thousands of Philippine peso, except share and per share data)

12. Other Non-current Assets

	December 31, 2021	2020
Security and rental deposits	**₱219,165**	₱208,703
CWTs	**136,210**	–
Input VAT, net	**98,750**	632,714
Deposits for acquisitions of property and equipment	**58,418**	110,224
Other non-current assets and deposits[(1)]	**65,452**	70,487
	₱577,995	₱1,022,128

(1) The balance included operating deposits and prepayments for various operating services.

Input VAT, net represents the VAT expected to be recoverable from the tax authority in the Philippines. Certain input VAT incurred on purchase of assets of ₱421,745 and nil was considered non-refundable, and, therefore, recognized as property and equipment for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, provisions for input VAT and other tax claims expected to be non-recoverable amounting to ₱295,160 and ₱263,024, respectively, were recognized and included in other expenses in the consolidated statements of comprehensive income (Note 17). For the years ended December 31, 2021 and 2020, gross amounts of input VAT considered to be uncollectible amounting to ₱2,636,504 and nil, respectively, were written-off against the allowances for input VAT. As of December 31, 2021 and 2020, provisions for input VAT and other tax claims were ₱172,054 and ₱2,513,398, respectively.

Melco Resorts Leisure received from the Bureau of Internal Revenue (the "BIR") a letter of authority ("LOA") for the audit of the VAT for 2015 ("2015 VAT") and the VAT for 2017 ("2017 VAT") in June 2016 and April 2018, respectively, and the audit of the VAT for 2016 was included under a LOA received by Melco Resorts Leisure from the BIR in August 2017 for the review of all internal revenue taxes for 2016. No final assessment pertaining to the LOAs on the 2015 VAT and 2017 VAT has been issued by the BIR as of the date of this report.

In June 2017 and February 2019, Melco Resorts Leisure received from the BIR a final assessment notice ("FAN") relating to an alleged deficiency of VAT for 2014 ("2014 VAT") and 2015 VAT on gaming revenues, respectively, after the BIR audit. Melco Resorts Leisure believes the legal basis for the FANs on gaming revenues is without merit and has filed protest letters with the BIR in July 2017 and March 2019 requesting the cancellation of the FAN of 2014 VAT and 2015 VAT, respectively. There is no reply from the BIR on the protest letters as of the date of this report.

The audit of the VAT for 2018 ("2018 VAT") was included under a LOA received by Melco Resorts Leisure from the BIR in December 2019 for the review of all internal revenue taxes for 2018. In July 2020, Melco Resorts Leisure received from the BIR a LOA for the audit of the VAT for 2019 ("2019 VAT"). No final assessment pertaining to the LOAs on 2018 VAT and 2019 VAT has been issued by the BIR as of the date of this report.

In April 2020, Melco Resorts Leisure received from the BIR a preliminary assessment notice ("PAN") which included a deficiency of the 2017 VAT for non-gaming operations, and Melco Resorts Leisure subsequently settled the deficiency of 2017 VAT related to the non-gaming operations in April 2020.

(In thousands of Philippine peso, except share and per share data)

12. **Other Non-current Assets** – continued

Long-term receivables, net represent casino receivables from casino customers where settlements are not expected within the next financial year. For the years ended December 31, 2021 and 2020, net amount of non-current accounts receivable of nil and ₱258,497, and net amount of allowances for credit losses of nil and ₱258,497, was reclassified to current accounts receivable and allowances for credit losses, respectively. As of December 31, 2021 and 2020, the balance of long-term receivables, net was nil for each of those periods.

Movement in the allowances for credit losses for long-term receivables were as follows:

	Year Ended December 31, 2020
Balance at beginning of year	₱258,497
Reversal of provision	(257,595)
Effect of exchange rate	(902)
Balance at end of year	₱–

13. **Accrued Expenses, Other Payables and Other Current Liabilities**

	December 31, **2021**	2020
Advance customer deposits and ticket sales	**₱870,166**	₱1,102,019
Outstanding gaming chips	**591,411**	933,796
Accruals for:		
Gaming tax and license fees	**343,774**	251,079
Employee benefit expenses	**230,260**	302,687
Other gaming operations expenses	**152,261**	140,245
Property and equipment	**150,579**	50,065
Facilities and supplies expenses	**115,610**	135,087
Advertising, marketing, promotional and entertainment expenses	**48,988**	28,208
Legal and other professional fees	**26,175**	49,716
Taxes and licenses	**4,693**	29,056
Operating and other expenses	**103,034**	110,611
Withholding taxes payable	**209,382**	88,177
Loyalty program liabilities	**177,603**	189,588
Dividends payable	**11,653**	–
Other payables and liabilities	**36,108**	58,663
	₱3,071,697	₱3,468,997

Accrued expenses, other payables and other current liabilities are due for payment within one year.

(In thousands of Philippine peso, except share and per share data)

14. **(Capital Deficiency) Equity**

	Number of Shares	Capital Stock
Ordinary shares		
Authorized:		
As of January 1, 2020 (₱1 per share)	5,900,000,000	₱5,900,000
Decrease in number of shares as a result of Reverse Stock Split	(5,899,988,200)	–
As of December 31, 2020, January 1, 2021 and December 31, 2021 (₱500,000 per share)	**11,800**	**₱5,900,000**
Issued and fully paid:		
As of January 1, 2020 (₱1 per share)	5,688,764,700.0000	5,688,765
Decrease in number of shares as a result of Reverse Stock Split	(5,688,753,322.4706)	–
Shares issued (₱500,000 per share)	2.0000	1,000
As of December 31, 2020, January 1, 2021 and December 31, 2021 (₱500,000 per share)	**11,379.5294**	**₱5,689,765**

On June 26, 2017, the Board of Directors and the stockholders of MRP approved an increase in the authorized capital stock of up to ₱11,900,000 divided into 11.9 billion shares with a par value of ₱1 per share from the authorized capital stock of ₱5,900,000 divided into 5.9 billion shares with a par value of ₱1 per share, subject to the SEC's approval.

On April 24, 2019 and June 24, 2019, the Board of Directors and the stockholders of the Parent Company approved the Reverse Stock Split as disclosed in Note 1(a), respectively, whereby, without changing the total amount of the authorized capital stock, the par value per ordinary share was increased from ₱1 per share to ₱500,000 per share, thereby decreasing the total number of ordinary shares on a pro-rata basis. The Reverse Stock Split was approved by the SEC on May 12, 2020. All share and per share data relating to the transactions carried out before May 12, 2020 as disclosed in the accompanying consolidated financial statements, including the movements of outstanding options and restricted shares as disclosed in Note 28 for the years ended December 31, 2021 and 2020, represent the number of shares or value per share before the Reverse Stock Split.

As a result of the Reverse Stock Split, only those stockholders of MRP who originally owned 500,000 ordinary shares with a par value of ₱1 per share (each an "Original Share") and in multiples thereof immediately prior to the Reverse Stock Split would now own whole shares (each a "MRP Whole Share") of stock of MRP. Other holders of the Original Shares could now only hold a fractional share of MRP ("MRP Fractional Share").

(In thousands of Philippine peso, except share and per share data)

14. **(Capital Deficiency) Equity** – continued

To facilitate the elimination of MRP Fractional Shares held by other stockholders of MRP, MPHIL, a stockholder of MRP, offered to purchase the resulting MRP Fractional Shares at the purchase price to be calculated by multiplying the number of Original Shares represented by the relevant MRP Fractional Shares (which were equal to the number of Original Shares held by the relevant stockholder immediately prior to the Reverse Stock Split) by the price of ₱7.25 per Original Share ("Fractional Share Elimination Plan"). A stockholder could also sell any MRP Whole Shares to MPHIL under the Fractional Share Elimination Plan. Any holder of MRP Fractional Shares and/or MRP Whole Shares may accept this offer during the two-year period commencing from June 5, 2020.

Following the Reverse Stock Split, MRP currently has less than 200 stockholders holding at least 100 shares each. On June 17, 2020, MRP filed with the SEC a petition for Voluntary Revocation of Order of Registration and Permit to Sell Securities to the Public and Exemption from Reportorial Requirements under the Securities Regulations Code (the "Petition"). The Petition was approved by the SEC on October 22, 2020.

Pursuant to the approval of the Board of Directors on December 4, 2020, the Parent Company issued and the independent directors subscribed for 2 common shares of the Parent Company with a par value of ₱500,000 per share, for a total consideration of approximately ₱1,000 on December 10, 2020.

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of MRP to acquire MPHIL Holdings Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition plus the retained earnings of MRP as of December 19, 2012, the date when MRP was acquired by Melco through MCO Investments and MPHIL.

The equity reserve is accounted for as follows:

	December 31,	
	2021	2020
Retained earnings of MRP as of December 19, 2012	**₱732,453**	₱732,453
Consideration to MRP for the acquisition of MPHIL Holdings Group	**(7,198,590)**	(7,198,590)
Legal capital of MPHIL Holdings Group as of March 20, 2013	**2,852,147**	2,852,147
	(₱3,613,990)	(₱3,613,990)

As of December 31, 2021 and 2020, the Parent Company had 31 and 43 stockholders (representing stockholders of MRP Whole Shares after the Reverse Stock Split), respectively.

15. **Dividends**

On December 28, 2021, the Board of Directors approved the declaration of cash dividends of ₱131,552.02 per share for a total amount of ₱1,497,000 to stockholders on record as of December 28, 2021. No cash payment was made for the year ended December 31, 2021 and was subsequently settled in January 2022. Such amount was recorded as distributions against retained earnings of the Parent Company.

(In thousands of Philippine peso, except share and per share data)

16. Employee Benefit Expenses

	Notes	Year Ended December 31, 2021	2020
Basic salaries, allowances, bonuses and other amenities		**₱2,201,409**	₱3,018,632
Annual leave and other paid leave		**194,068**	285,495
Retirement costs – defined contribution plans		**94,989**	107,563
Share-based compensation – equity-settled	18 and 28	**86,739**	69,578
Retirement costs – defined benefit obligations	22	**70,205**	(2,700)
Share-based compensation – cash-settled	28	**1,958**	21,264
Other employee benefits[1]		**216,027**	289,996
		₱2,865,395	₱3,789,828

(1) The amount included staff insurance expenses and other staff expenses.

17. Other Expenses

	Notes	Year Ended December 31, 2021	2020
Facilities and supplies expenses		**₱1,003,238**	₱954,716
Management fee expenses		**888,298**	1,078,222
Provisions for input VAT and other tax claims	12	**295,160**	263,024
Advertising, marketing, promotional and entertainment expenses		**248,554**	168,769
Office and administrative expenses		**230,559**	239,625
Trademark license fees	18	**78,540**	70,014
Taxes and licenses		**54,733**	51,624
Net loss on disposals of property and equipment		**52,170**	602
Legal and other professional fees		**51,820**	52,396
Other gaming operations expenses		**51,482**	618,714
Impairment losses recognized on property and equipment	9	**38,488**	34,925
Travel agents and other commissions		**30,686**	30,411
Losses on lease modification		**6,662**	–
Rental expenses	20	**2,222**	1,631
Operating and other expenses		**135,489**	137,295
		₱3,168,101	₱3,701,968

(In thousands of Philippine peso, except share and per share data)

18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties for the years:

	Amount of Transactions Year Ended December 31,		Amounts Due From Related Parties[1] December 31,		Amounts Due To Related Parties[2] December 31,	
	2021	2020	**2021**	2020	**2021**	2020
Intermediate holding companies						
Melco						
Management fee income[3]	**₱30,706**	₱41,904	**₱–**	₱–	**₱–**	₱–
Management fee expenses	**300,791**	352,388	**–**	–	**–**	–
Share-based compensation – equity-settled[4]	**86,739**	69,578	**–**	–	**–**	–
Amount due to Melco	**–**	–	**–**	–	**872,500**	553,613
Other intermediate holding company						
Management fee income	**₱5,597**	₱–	**–**	–	**–**	–
Management fee expenses	**139,750**	–	**–**	–	**–**	–
Amount due to other intermediate holding company	**–**	–	**–**	–	**390,068**	–
Immediate holding company						
MCO Europe						
Trademark license fees	**₱78,540**	₱–	**–**	–	**–**	–
Other expenses[5]	**25,911**	–	**–**	–	**–**	–
Dividends declared	**1,437,382**	–	**–**	–	**–**	–
Amount due to MCO Europe	**–**	–	**–**	–	**1,387,174**	–
A stockholder						
MPHIL						
Dividends declared	**₱47,965**	₱–	**–**	–	**–**	–
Amount due from/to MPHIL	**–**	–	**–**	20	**44,149**	–
Affiliated companies						
Melco International's subsidiaries (other than Melco, other intermediate holding company, MCO Europe and MPHIL)						
Acquisitions of other intangible assets	**₱–**	₱64,879	**–**	–	**–**	–
Management fee income	**3,739**	8,511	**–**	–	**–**	–
Management fees and other expenses[5]	**448,051**	765,848	**–**	–	**–**	–
Trademark license fees	**–**	70,014	**–**	–	**–**	–
Purchases of goods and services	**–**	2,407	**–**	–	**–**	–
Amounts due from/to Melco International's subsidiaries	**–**	–	**6,441**	1,733	**2,108,768**	2,286,854
			₱6,441	₱1,753	**₱4,802,659**	₱2,840,467

(In thousands of Philippine peso, except share and per share data)

18. **Related Party Transactions** – continued

Notes:
(1) The balances are unsecured, non-interest bearing and repayable on demand. No impairment losses are recognized for these balances.
(2) The balances are unsecured, non-interest bearing and repayable on demand.
(3) The amount represents the recharge of share-based compensation for certain directors of MRP for the years ended December 31, 2021 and 2020.
(4) The amount represents the share-based compensation related to the grant of certain share-based awards under the Melco Share Incentive Plan (as defined in Note 28) to certain directors and employees of the Group. Further information on the share-based compensation arrangements is included in Note 28.
(5) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses, gaming operations support and gaming software license and support fees for the Group.

Directors' Remuneration

For the years ended December 31, 2021 and 2020, the remuneration of certain directors of the Group was borne by Melco.

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year Ended December 31, 2021	2020
Basic salaries, allowances and benefits in kind	**₱77,954**	₱99,826
Performance bonuses	**735**	–
Retirement costs – defined contribution plans	**1,583**	219
Share-based compensation	**66,690**	24,264
	₱146,962	₱124,309

For the years ended December 31, 2021 and 2020, part of the compensation of key management personnel of the Group was borne by Melco.

19. **Income Tax**

The income tax credit for the years ended December 31, 2021 and 2020 consisted of:

	Year Ended December 31, 2021	2020
Provision for current income tax	**₱20**	₱2,996
Over-provision of income tax in prior year	**(2,996)**	(271)
Deferred tax charge (credit)	**1**	(172,128)
	(₱2,975)	(₱169,403)

(In thousands of Philippine peso, except share and per share data)

19. **Income Tax** – continued

A reconciliation of income tax benefit computed at the statutory income tax rate to income tax credit is as follows:

	Year Ended December 31,	
	2021	2020
Income tax benefit computed at statutory income tax rate	**(₱758,133)**	(₱1,742,828)
Income tax effects of:		
Over-provision of income tax in prior year	**(2,996)**	(271)
Change in income tax rate	**773,933**	–
Change in unrecognized deferred tax assets	**(901,041)**	(1,590,710)
Change in unrecognized deferred tax assets in prior year	**2,998**	1,414,136
Expenses not deductible for tax purposes	**293,174**	686,088
Expired NOLCO	**1,164,532**	1,255,211
Effect of profits generated by gaming operations exempted from corporate income tax	**(570,215)**	(171,861)
Interest income subject to final tax	**(2,593)**	(16,184)
Interest income not taxable	**(2,634)**	(2,984)
	(₱2,975)	(₱169,403)

The components of the Group's net deferred tax liabilities as of December 31, 2021 and 2020 were as follows:

	December 31,	
	2021	2020
Deferred tax assets:		
Lease liabilities	**₱1,299,987**	₱1,702,522
NOLCO	**102,193**	151,826
	1,402,180	1,854,348
Deferred tax liabilities:		
Right-of-use assets	**(1,212,636)**	(1,572,083)
Unrealized foreign exchange gains, net	**(102,196)**	(151,828)
Capitalized interest expenses	**(87,351)**	(130,439)
	(1,402,183)	(1,854,350)
	(₱3)	(₱2)

The Group has not recognized the following deferred tax assets on deductible temporary differences since management believes the Group may not be able to realize the benefits from these deferred tax assets in the future.

(In thousands of Philippine peso, except share and per share data)

19. **Income Tax** – continued

	December 31, **2021**	2020
NOLCO	**₱2,577,289**	₱3,493,266
Lease liabilities	**1,070,823**	1,052,468
Share-based compensation	**36,848**	26,607
Others	**59,713**	79,072
	₱3,744,673	₱4,651,413

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group's NOLCO before taxable year 2020 which can be carried forward and claimed as deductions from regular taxable income for the next three consecutive taxable years is analyzed as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2019	2022	**₱4,421,156**	**₱–**	**₱–**	**₱4,421,156**
2018	2021	**4,658,126**	**–**	**(4,658,126)**	**–**
		₱9,079,282	**₱–**	**(₱4,658,126)**	**₱4,421,156**

As of December 31, 2021, the Group's NOLCO in taxable years 2021 and 2020 which can be carried forward and claimed as deductions from regular taxable income for the next five consecutive taxable years is analyzed as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2021	2026	**₱3,225,744**	**₱–**	**₱–**	**₱3,225,744**
2020	2025	**3,071,026**	**–**	**–**	**3,071,026**
		₱6,296,770	**₱–**	**₱–**	**₱6,296,770**

19. **Income Tax** – continued

Section 13(2)(a) of Presidential Decree No. 1869 (the "PAGCOR Charter") grants PAGCOR an exemption from tax, income or otherwise, as well as exemption from any form of charges, fees, levies of whatever nature, whether national or local, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations under the franchise. Such tax shall be in lieu of all taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. Section 13(2)(a) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or the operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under the franchise and to those receiving compensation of other remuneration from PAGCOR or the operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or the operator. Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to corporations, associations and agencies, and individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter.

Melco Resorts Leisure's gaming operations are subject to license fees which are inclusive of the 5% franchise tax payable to PAGCOR based on gross gaming revenues, in lieu of all other taxes; thus, exempt from corporate income tax, among other taxes, pursuant to the PAGCOR Charter.

As of December 31, 2021 and 2020, Melco Resorts Leisure was registered with Philippine Economic Zone Authority ("PEZA") as a tourism economic zone enterprise ("Tourism Economic Zone Enterprise") for the development and operation of tourist facilities. As a Tourism Economic Zone Enterprise, Melco Resorts Leisure was granted the following fiscal incentives: (a) tax and duty-free importation of certain eligible capital equipment to be used as part of its registered activities; and (b) VAT-zero rating on local purchases of certain eligible capital equipment in accordance with the PEZA rules and regulations.

On March 26, 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 April 11, 2021. CREATE reduced the minimum corporate income tax rate in the Philippines from 2% to 1% starting July 1, 2020 until June 30, 2023 and the corporate income tax rate in the Philippines from 30% to 25% starting July 1, 2020.

In August 2017, Melco Resorts Leisure received from the BIR two separate LOAs for the review of all internal revenue taxes for 2015 (excluding VAT) and 2016 (including VAT). In August 2020, Melco Resorts Leisure received the PAN for the internal revenue taxes of 2015 and 2016 and subsequently settled the deficiency in August 2020.

In December 2019, Melco Resorts Leisure received from the BIR a LOA for the review of all internal revenue taxes for 2017 (excluding VAT). In September 2020, Melco Resorts Leisure received the PAN for the internal revenue taxes of 2017 (excluding VAT) and subsequently settled the deficiency in February 2021.

19. **Income Tax** – continued

In December 2019 and September 2020, Melco Resorts Leisure received from the BIR a LOA for the review of all internal revenue taxes for 2018 (including VAT) and for 2019 (excluding VAT), respectively. No final assessment pertaining to the LOA of all internal revenue taxes of 2018 (including VAT) and 2019 (excluding VAT) has been issued by the BIR as of the date of this report.

In July 2018, MRP received from the BIR a LOA for the audit of all internal revenue taxes for 2010 to 2016. In August 2019, MRP received from the BIR a PAN for the audit of all internal revenue taxes including VAT for 2010 to 2016. MRP believes that the legal basis of the PAN is without merit and filed protest letters with the BIR in September 2019 requesting the cancellation of the PAN. In April 2022, MRP received from the BIR a FAN for the audit of all internal revenue taxes including VAT for 2010 to 2016. MRP believes that the legal basis of the FAN is without merit and has filed protest letters with the BIR in May 2022 requesting the cancellation of the FAN. There is no reply from the BIR on the protest letters as of the date of this report.

20. **Leases**

As a Lessee

The Group leased the land and certain of the building structures for City of Dreams Manila under the Lease Agreement (as defined in Note 23(c)) and various assets under lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on general inflation rates once agreed by the Group and its lessors or 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.

(In thousands of Philippine peso, except share and per share data)

20. **Leases** – continued

As a Lessee – continued

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements for the years ended December 31, 2021 and 2020:

	Land	Buildings	Motor Vehicles	Furniture, Fixtures and Equipment	Total
As of January 1, 2020	₱1,260,340	₱8,615,486	₱–	₱24,824	₱9,900,650
Additions	21,945	–	61,241	–	83,186
Modification[1]	(79,342)	3,729,988	–	–	3,650,646
Depreciation	(94,823)	(638,014)	(27,732)	(15,280)	(775,849)
As of December 31, 2020	1,108,120	11,707,460	33,509	9,544	12,858,633
Modification	–	–	**7,247**	**(2,386)**	**4,861**
Depreciation	**(88,433)**	**(934,386)**	**(19,887)**	**(7,158)**	**(1,049,864)**
As of December 31, 2021	**₱1,019,687**	**₱10,773,074**	**₱20,869**	**₱–**	**₱11,813,630**

(1) As a result of the disruptions caused by the COVID-19 outbreak, Melco Resorts Leisure and Belle discussed the rent modification during 2020, and the principal terms and conditions on the modified rent were discussed and general parameters were broadly agreed as of December 31, 2020 by both parties. The supplemental agreement to the Lease Agreement to make certain adjustments to the rental payments paid and payable by Melco Resorts Leisure for 2020 and 2021 was only formalized and signed on March 22, 2021. Accordingly, Melco Resorts Leisure was entitled to rent concession of approximately ₱2.0 billion for 2020 and a maximum rent concession of approximately ₱1.7 billion for 2021. The carrying amount of lease liabilities associated with the Lease Agreement was remeasured by discounting the revised lease payments using a revised discount rate as of December 31, 2020. The difference between the carrying amount of the modified liabilities and the lease liabilities immediately before the modification was recognized as an adjustment to the right-of-use asset as of December 31, 2020.

Set out below, are the carrying amounts of the Group's lease liabilities and the movements for the years ended December 31, 2021 and 2020:

	December 31,	
	2021	2020
Balance at beginning of year	**₱22,292,446**	₱16,726,445
Additions	–	46,142
Modification	**14,038**	3,952,821
Interest expenses	**1,335,768**	2,180,740
Payments	**(793,213)**	(613,702)
Balance at end of year	**₱22,849,039**	₱22,292,446
Current	**₱2,674,988**	₱888,431
Non-current	**₱20,174,051**	₱21,404,015

(In thousands of Philippine peso, except share and per share data)

20. **Leases** – continued

As a Lessee – continued

The maturity analysis of lease liabilities is disclosed in Note 25.

The following are the amounts recognized in the consolidated statements of comprehensive income:

	Year Ended December 31,	
	2021	2020
Depreciation of right-of-use assets	**₱1,049,864**	₱775,849
Interest expenses on lease liabilities	**1,335,768**	2,180,740
Rental expenses relating to short-term leases	**2,222**	1,631
	₱2,387,854	₱2,958,220

No variable lease payments were recognized for the years ended December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, the total cash outflow for leases was ₱795,710 and ₱615,011, including ₱2,497 and ₱1,309 for short-term leases, respectively.

As a Lessor

The Group entered into non-cancellable operating lease agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through November 2026. Certain of the operating lease agreements include minimum base fees with escalated contingent fee clauses.

For the years ended December 31, 2021 and 2020, the Group earned minimum operating lease income of ₱6,340 and ₱42,451, respectively, and variable lease income of ₱8,080 and ₱3,093, respectively.

As of December 31, 2021, future minimum fees to be received under non-cancellable operating lease were as follows:

	December 31, 2021
Within one year	**₱35,567**
In more than one year and not more than five years	**68,406**
	₱103,973

The total future minimum fees do not include the escalated contingent fee clauses.

21. **Long-term Debt**

(a) Shareholder Loan Facility

On December 23, 2013, Melco Resorts Leisure, as borrower (the "Borrower"), signed the definitive agreement of the senior secured shareholder loan facility (the "Shareholder Loan Facility") in an aggregate amount of up to US$340,000,000 (equivalent to ₱14,927,765) (the "Shareholder Loan") with MCO Investments as lender (the "Lender"). The Shareholder Loan Facility is a term loan facility denominated in United States dollars ("US$"). MRP, MPHIL Holdings No. 1, MPHIL Holdings No. 2 (together with the Borrower, the "Obligors") have provided a guarantee under the Shareholder Loan Facility in favor of the Lender in relation to the obligations of the Obligors under the Shareholder Loan. The Lender may require such security as notified by the Lender to the Borrower, including a pledge of shares (legally and beneficially held) over each of the present and future direct and indirect subsidiaries of MRP to be provided as a condition precedent to the initial utilization of the Shareholder Loan.

The Shareholder Loan Facility availability period is to be notified by the Lender prior to the initial utilization of the Shareholder Loan, and is subject to quarterly amortization payments. The individual drawdowns under the Shareholder Loan Facility are subject to certain conditions precedent, including completion of a utilization request for proposed drawdowns and issuance of promissory notes in favor of the Lender with the same amount of proposed drawdowns. Borrowings under the Shareholder Loan Facility bear interest at a fixed rate of 5% per annum, accrued prior to the first interest payment date. The Shareholder Loan Facility includes a tax gross-up provision requiring Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

On March 23, 2021, the Lender assigned the Shareholder Loan Facility to Melco Resorts Services Limited, a subsidiary of Melco, with other terms and conditions unchanged.

As of December 31, 2021 and 2020, the Shareholder Loan Facility had not yet been drawn and the available borrowing capacity under the Shareholder Loan Facility was US$340,000,000 (equivalent to ₱17,263,265 and ₱16,332,020 as of December 31, 2021 and 2020, respectively).

21. **Long-term Debt** – continued

(b) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000, as amended from time to time (the "Credit Facility") with a lender to finance advances to Melco Resorts Leisure. The available drawdown currency under the Credit Facility is Philippine peso. As of December 31, 2021, the Credit Facility availability period, as amended from time to time, is up to January 31, 2022, and the maturity date of each individual drawdown, as amended from time to time, 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. The individual drawdowns under the Credit Facility are subject to certain conditions precedent, including issuance of a promissory note in favor of the lender evidencing such drawdown. As of December 31, 2021, borrowings under the Credit Facility bear interest, as amended from time to time, at the higher of: (i) the PHP BVAL Reference Rate of the selected interest period plus the applicable margin to be mutually agreed by the bank and the borrower at the time of drawdown, and (ii) Philippines Term Deposit Facility Rate of the selected interest period plus the applicable margin to be mutually agreed by the bank and the borrower at the time of drawdown, such rate to be set one business day prior to the relevant interest period. The Credit Facility includes a tax gross-up provision requiring the Parent Company to pay without any deduction or withholding for or on account of tax.

In January 2022, the Credit Facility availability period was extended to May 1, 2022, with other terms and conditions unchanged.

In April 2022, the Credit Facility availability period was further extended to January 31, 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 Philippine peso and US$.

As of December 31, 2021 and 2020, the Credit Facility had not yet been drawn and the available borrowing capacity under the Credit Facility was ₱2,350,000.

22. **Retirement Costs – Defined Benefit Obligations**

The Group has defined benefit obligations covering substantially all of its regular employees. The costs of providing benefits are valued every year by a professional qualified independent actuary in compliance with PAS 19R, *Employee Benefits*. Benefits are dependent on the years of service and the respective employees' compensation, and are determined using the projected unit credit actuarial cost method.

(In thousands of Philippine peso, except share and per share data)

22. **Retirement Costs – Defined Benefit Obligations** – continued

The following tables summarize the components of retirement costs of defined benefit obligations recognized in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020 and the retirement liabilities of defined benefit obligations recognized in the consolidated balance sheets as of December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Retirement costs – defined benefit obligations:		
Current service costs	**₱36,024**	₱45,154
Past service costs	**27,162**	(57,217)
Interest costs	**7,019**	9,363
	₱70,205	(₱2,700)

	December 31,	
	2021	2020
Retirement liabilities – defined benefit obligations (at present value):		
Balance at beginning of year	**₱186,264**	₱195,933
Current service costs	**36,024**	45,154
Past service costs	**27,162**	(57,217)
Interest costs	**7,019**	9,363
Benefits paid	**(66,940)**	(1,477)
Remeasurement (gain) loss due to:		
Experience adjustments	**(2,848)**	9,167
Changes in demographic assumptions	**11,862**	(14,880)
Changes in financial assumptions	**(28,603)**	221
Balance at end of year	**₱169,940**	₱186,264

The principal assumptions used in determining the Group's retirement liabilities for defined benefit obligations as of December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
Discount rate	**5.38%**	3.87%
Salary increase rate	**2.00%**	2.00%
Mortality rate	**2017 PICM**	2017 PICM
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 26% at age 18 to 0% at age 60**	A scale ranging from 25% at age 18 to 0% at age 60

(In thousands of Philippine peso, except share and per share data)

22. **Retirement Costs – Defined Benefit Obligations** – continued

As of December 31, 2021 and 2020, the expected maturity of undiscounted expected benefit payments are as follows:

	December 31, 2021	2020
Plan year:		
Less than 1 year	**₱16,007**	₱9,780
More than 1 year but less than 5 years	**64,656**	38,023
More than 5 years but less than 10 years	**139,244**	137,595
More than 10 years but less than 15 years	**235,099**	246,024
More than 15 years but less than 20 years	**200,532**	266,166
More than 20 years	**385,279**	616,460

As of December 31, 2021 and 2020, the average duration of the expected benefit payments were 16.51 and 18.66 years, respectively.

As above, the retirement benefit obligations are subject to several key assumptions. The following sensitivity analysis summarizes the impact of key assumptions which have been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligations as of December 31, 2021 and 2020, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

	December 31, 2021 Effect on Present Value of Obligations
Discount rate:	
6.38% (Actual + 1.00%)	**₱155,660**
5.38% (Actual)	**169,940**
4.38% (Actual – 1.00%)	**189,367**
Salary increase rate:	
3.00% (Actual + 1.00%)	**₱190,687**
2.00% (Actual)	**169,940**
1.00% (Actual – 1.00%)	**154,328**
Turnover rate:	
120% of actual	**₱155,510**
Actual	**169,940**
80% of actual	**189,452**

(In thousands of Philippine peso, except share and per share data)

22. **Retirement Costs – Defined Benefit Obligations** – continued

	December 31, 2020 Effect on Present Value of Obligations
Discount rate:	
4.87% (Actual + 1.00%)	₱165,103
3.87% (Actual)	186,264
2.87% (Actual – 1.00%)	211,546
Salary increase rate:	
3.00% (Actual + 1.00%)	₱212,750
2.00% (Actual)	186,264
1.00% (Actual – 1.00%)	163,799
Turnover rate:	
120% of actual	₱164,848
Actual	186,264
80% of actual	211,560

23. **Cooperation Agreement, Operating Agreement and Lease Agreement**

Pursuant to a memorandum of agreement entered into by a Melco's subsidiary 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 March 13, 2013 and end on the date of expiry of the Regular License, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements.

(a) 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.

23. **Cooperation Agreement, Operating Agreement and Lease Agreement** – continued

(b) 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 statements of 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 March 22, 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.

(c) Lease Agreement

Melco Resorts Leisure and Belle entered into a lease agreement, as amended from time to time (the "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.

24. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2021, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱385,811.

(b) Other Commitments

Regular License

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

(i) To secure a surety bond in favor of PAGCOR in the amount of ₱100 million to ensure prompt and punctual remittances/payments of all license fees.

24. **Commitments and Contingencies** – continued

(b) Other Commitments – continued

Regular License – continued

(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 PAGCOR Charter. In October 2021, certain terms under the Regular License were amended to include the monthly minimum guarantee fee of ₱300 on certain games under the 25% non-high roller tables with effective on March 15, 2022.

(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 from hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

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

As of December 31, 2021 and 2020, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under the definition as agreed with PAGCOR. For further details refer to Note 25 under capital risk management.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any losses suffered or incurred by that Licensee arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranties.

(c) Guarantee

Melco Resorts Leisure has issued a corporate guarantee of ₱100 million to a bank in respect of the surety bond issued to PAGCOR as disclosed in Note 24(b)(i).

24. **Commitments and Contingencies** – continued

(d) Litigation

As of December 31, 2021, the Group was a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcomes of such proceedings have been adequately provided for or have no material impacts on the Group's consolidated financial statements as a whole.

25. **Financial Risk Management Objectives and Policies**

The Group has financial assets and liabilities including cash and cash equivalents, accounts receivable, security deposits, other deposits and receivables, amounts due from/to related parties, accounts payable, accrued expenses, other payables and other current liabilities, lease liabilities and other non-current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk
Other than the bank balances which carry interest at market rates, the Group has no other significant interest-bearing assets and liabilities and its operating cash flows are substantially independent of changes in market interest rates. Accordingly, management is of the opinion that the Group does not have significant interest rate risks.

Credit Risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group trades only with recognized and creditworthy third parties. It is the policy of the Group that all third parties who wish to trade on credit terms are subjected to credit verification procedures. Other current and non-current assets are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. The Group does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, accounts receivable, security deposits, other deposits and receivables and amounts due from related parties, the exposure of the Group to credit risk arises from the default of a bank where the Group's cash and cash equivalents are deposited, the default of the counterparties for which accounts receivable, security deposits and other deposits and receivables are held and the default in repayments from the related parties, with a maximum exposure equal to the carrying amount of these instruments.

25. **Financial Risk Management Objectives and Policies** – continued

Credit Risk – continued

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. 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, which receivables can be offset against commissions payable and any other items of value held by the Group on behalf of the respective customers and for which the Group intends to set off such amounts when such right exists. As of December 31, 2021 and 2020, a substantial portion of the Group's markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries. Should there be any change in circumstances pertaining to one of these gaming promoters, it could have a material effect to the carrying amount of casino receivables.

The Group believes that the concentration of its credit risk in casino receivables is mitigated substantially by its credit evaluation processes, credit policies, credit controls and collection procedures, and also believes that no significant credit risk is inherent in the Group's accounts receivable not provided with allowances for credit losses as of December 31, 2021 and 2020. Other than casino receivables, there are no other concentrations of credit risk.

Credit Risk Exposures

The carrying values of the Group's financial assets represent the maximum exposure to credit risk and the Group did not hold any collateral or credit enhancements to cover its credit risk associated with its financial assets as of December 31, 2021 and 2020.

Credit Quality per Class of Financial Assets

Cash and cash equivalents are considered as high grade and include deposits made to reputable banks in the Philippines. Accounts receivable and other deposits and receivables (excluding amounts past due but not impaired) are considered as high grade as the Group only trades with recognized and creditworthy third parties. Amounts due from related parties are considered as high grade as Melco will provide financial support to the related parties of the Group to meet in full its financial obligations as they fall due. Security deposits are also classified as high grade since the security deposits in relation to the Lease Agreement are placed with Belle, a company listed on The Philippine Stock Exchange, Inc. with positive financial performances to date. The credit risks for these financial assets have not increased significantly since initial recognition and for which the loss allowances are measured at an amount equal to 12-months ECLs.

The Group applies the simplified approach for impairment of accounts receivable, see Note 7 to the consolidated financial statements.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Group will not be able to meet its obligations associated with financial difficulties.

(In thousands of Philippine peso, except share and per share data)

25. **Financial Risk Management Objectives and Policies** – continued

Liquidity Risk – continued
The Group uses historical data and forecasts on its collections and disbursements to ensure it has sufficient cash to meet capital expenditures and operational needs and manages its liquid funds through cash planning on a monthly basis. The forecast takes into consideration the Group's issuance of new shares, debt financing plans and covenant compliance requirements and funding from intermediate holding companies.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2021 and 2020 based on undiscounted contractual cash flows.

	December 31, 2021				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	**₱9,769,634**	**₱–**	**₱–**	**₱–**	**₱9,769,634**
Accounts receivable, net	**259,019**	**–**	**–**	**–**	**259,019**
Deposits and receivables, net	**15,023**	**24,906**	**–**	**417,427**	**457,356**
Amounts due from related parties	**6,441**	**–**	**–**	**–**	**6,441**
Financial Liabilities					
Accounts payable	**₱62,746**	**₱–**	**₱–**	**₱–**	**₱62,746**
Accrued expenses, other payables and other current liabilities[(1)]	**1,340,859**	**–**	**–**	**–**	**1,340,859**
Amounts due to related parties	**4,802,659**	**–**	**–**	**–**	**4,802,659**
Current portion of lease liabilities	**2,757,491**	**–**	**–**	**–**	**2,757,491**
Non-current portion of lease liabilities	**–**	**5,427,791**	**5,495,234**	**17,941,675**	**28,864,700**
Other non-current liabilities	**–**	**4,411**	**5,867**	**–**	**10,278**

(In thousands of Philippine peso, except share and per share data)

25. **Financial Risk Management Objectives and Policies** – continued

Liquidity Risk – continued

	December 31, 2020				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱7,789,936	₱–	₱–	₱–	₱7,789,936
Accounts receivable, net	894,027	–	–	–	894,027
Deposits and receivables, net	335,300	22,391	–	417,355	775,046
Amounts due from related parties	1,753	–	–	–	1,753
Financial Liabilities					
Accounts payable	₱48,274	₱–	₱–	₱–	₱48,274
Accrued expenses, other payables and other current liabilities[(1)]	1,480,261	–	–	–	1,480,261
Amounts due to related parties	2,840,467	–	–	–	2,840,467
Current portion of lease liabilities	917,040	–	–	–	917,040
Non-current portion of lease liabilities	–	5,299,036	5,495,235	20,689,292	31,483,563
Other non-current liabilities	–	9,549	2,682	–	12,231

(1) The balance included certain outstanding gaming chips and advance customer deposits that are part of the contract liabilities as disclosed in Note 3.

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of monetary assets and monetary liabilities will fluctuate due to changes in foreign exchange rates.

The Group has foreign currency exposures arising from translation of certain monetary assets and monetary liabilities denominated in foreign currencies, which are primarily denominated in Hong Kong dollars ("HK$"), US$ and Macau Patacas ("MOP"). Foreign exchange risks of the Group are regularly reviewed by management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposures.

(In thousands of Philippine peso, except share and per share data)

25. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued
Foreign currency denominated monetary assets and monetary liabilities, translated into Philippine peso equivalents, are as follows:

	December 31, 2021					
	HK$ (In Unit)	Philippine Peso	US$ (In Unit)	Philippine Peso	MOP (In Unit)	Philippine Peso
Monetary Assets	**61,860,767**	**402,760**	**24,553,334**	**1,246,679**	**7,406**	**47**
Monetary Liabilities	**(122,390,710)**	**(796,856)**	**(26,631,539)**	**(1,352,198)**	**(313,216,733)**	**(1,979,878)**
	(60,529,943)	**(394,096)**	**(2,078,205)**	**(105,519)**	**(313,209,327)**	**(1,979,831)**

	December 31, 2020					
	HK$ (In Unit)	Philippine Peso	US$ (In Unit)	Philippine Peso	MOP (In Unit)	Philippine Peso
Monetary Assets	65,279,238	404,469	16,661,856	800,358	7,406	45
Monetary Liabilities	(80,868,806)	(501,061)	(19,867,863)	(954,360)	(236,564,810)	(1,423,058)
	(15,589,568)	(96,592)	(3,206,007)	(154,002)	(236,557,404)	(1,423,013)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Group used the following rates of exchange as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Philippine peso to 1 unit of foreign currency:		
HK$	**6.51**	6.20
US$	**50.77**	48.04
MOP	**6.32**	6.02

The sensitivity of the loss before income tax with regard to the Group’s monetary assets and monetary liabilities in HK$, US$ and MOP translated into Philippine peso with +/-1.0% and +/-0.6% changes in exchange rates for each of the foreign currencies as mentioned above for the years ended December 31, 2021 and 2020, respectively. The changes in currency rates are based on the Group’s best estimate of expected changes considering historical trends and experience.

If the Philippine peso had strengthened against HK$, US$ and MOP, with all other variables held constant, loss before income tax would have decreased by ₱3,941, ₱1,055 and ₱19,798 for the year ended December 31, 2021, respectively, mainly as a result of the translation of HK$, US$ and MOP denominated amounts due to related parties. If the Philippine peso had strengthened against HK$, US$ and MOP, with all other variables held constant, loss before income tax would have decreased by ₱580, ₱924 and ₱8,538 for the year ended December 31, 2020, respectively, mainly as a result of the translation of HK$, US$ and MOP denominated amounts due to related parties.

25. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued
However, if the Philippine peso had weakened against HK$, US$ and MOP by the same percentages, loss before income tax would have changed in the opposite direction by the same amounts.

Capital Risk Management
The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain funding from issuance of new shares, debt financing and from intermediate holding companies.

The Group considers total equity as its capital which amounted to a deficiency of ₱343,105 and an equity of ₱4,087,304 as of December 31, 2021 and 2020, respectively.

Under the terms of the Regular License, it requires each of the Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR (the "D/E Ratio") of not more than 70:30. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements. As of December 31, 2021 and 2020, MPHIL Holdings Group, as one of the Licensee parties, has complied with the D/E Ratio as required by PAGCOR.

26. **Financial Instruments**

Fair Value of Financial Instruments
Cash and cash equivalents, Accounts receivable, Deposits and receivables, Amounts due from/to related parties, Accounts payable and Accrued expenses, other payables and other current liabilities
As of December 31, 2021 and 2020, the carrying values approximate their fair values at the reporting dates due to the relatively short-term maturities of the transactions.

Security deposits and Lease liabilities
As of December 31, 2021 and 2020, the carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(In thousands of Philippine peso, except share and per share data)

26. **Financial Instruments** – continued

Fair Value Hierarchy – continued
As of December 31, 2021 and 2020, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27. **Notes to Consolidated Statements of Cash Flows**

Major Non-cash Transactions

(a) For the year ended December 31, 2021, costs of property and equipment totaling ₱107,097 were funded through accrued expenses, other payables and other current liabilities and amounts due to related parties (For the year ended December 31, 2020: ₱35,538).

(b) For the year ended December 31, 2021, accruals for property and equipment of ₱15,641 were reversed for costs adjustments (For the year ended December 31, 2020: ₱51,596).

(c) For the year ended December 31, 2021, change in input VAT of ₱421,745 was related to acquisitions of property and equipment (For the year ended December 31, 2020: nil).

(d) For the year ended December 31, 2021, dividends declared of ₱1,341,609 and ₱155,391 were funded through amounts due to related parties and accrued expenses, other payables and other current liabilities, respectively (For the year ended December 31, 2020: nil and nil, respectively).

(e) For the year ended December 31, 2020, costs of other intangible assets totaling ₱64,879 were funded through amounts due to related parties.

Changes in Liabilities arising from Financing Activities

	Note	Lease Liabilities	Dividends Payable[(1)]
As of January 1, 2020		₱16,726,445	₱–
New leases	20	46,142	–
Net change of cash flows from financing activities		(613,702)	–
Others[(2)]		6,133,561	–
As of December 31, 2020		22,292,446	–
Net change of cash flows from financing activities		**(793,213)**	**–**
Others[(2)]		**1,349,806**	**1,497,000**
As of December 31, 2021		**₱22,849,039**	**₱1,497,000**

(1) Dividends payable was recognized and included in amounts due to related parties and accrued expenses, other payables and other current liabilities in the consolidated balance sheet as of December 31, 2021.
(2) Others represent the effect of lease modification, interest incurred on lease liabilities and dividends declared.

28. Share Incentive Plans

MRP Share Incentive Plan

The Group adopted a share incentive plan (the "MRP Share Incentive Plan"), effective on June 24, 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Parent Company's common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group 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 the Parent Company from time to time over 10 years. As of December 31, 2021, there were 305 common shares available for grants of various share-based awards under the MRP Share Incentive Plan.

On May 22, 2019, the Parent Company 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 the Parent Company. The acquiescence of such SIP Retirement Arrangements was obtained from the SEC on May 17, 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 May 31, 2019 (the "SIP Modification").

Under the SIP Retirement Arrangements, the Parent Company will pay the eligible participants a fixed amount in cash ("Settlement Amount") according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions. The Settlement Amount of the outstanding restricted shares is ₱7.25 per share, based on the offer price of a voluntary tender offer in 2018 and the Settlement Amount of the outstanding share options was determined using the Black-Scholes valuation model. The weighted average fair value of the outstanding share options at the modification date was ₱4.23 per option.

As of December 31, 2021 and 2020, the accrued liability associated with the Outstanding Awards under the SIP Modification was nil and ₱19,111, respectively. No fair value gain or loss on remeasurement of the liability associated with the Outstanding Awards under the SIP Modification was recognized for the years ended December 31, 2021 and 2020.

Share Options

There were no share options granted under the MRP Share Incentive Plan for the years ended December 31, 2021 and 2020.

(In thousands of Philippine peso, except share and per share data)

28. **Share Incentive Plans** – continued

MRP Share Incentive Plan – continued

Share Options – continued

A summary of the share options activity under the MRP Share Incentive Plan as of December 31, 2021, and changes for the years ended December 31, 2021 and 2020 are presented as follows:

	Number of Share Options
Cash-settled	
Outstanding as of January 1, 2020	7,383,408
Vested	(6,357,751)
Outstanding as of December 31, 2020	1,025,657
Vested	**(1,025,657)**
Outstanding as of December 31, 2021	–

Restricted Shares

There were no restricted shares granted under the MRP Share Incentive Plan for the years ended December 31, 2021 and 2020.

A summary of the restricted shares activity under the MRP Share Incentive Plan as of December 31, 2021, and changes for the years ended December 31, 2021 and 2020 are presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Cash-settled		
Unvested as of January 1, 2020	8,235,686	₱8.08
Vested	(5,922,184)	8.35
Unvested as of December 31, 2020	2,313,502	7.37
Vested	**(2,313,502)**	**7.37**
Unvested as of December 31, 2021	–	₱–

28. **Share Incentive Plans** – continued

Melco Share Incentive Plan

For the years ended December 31, 2021 and 2020, certain share-based awards under Melco's share incentive plan adopted on December 7, 2011 (the "Melco 2011 Share Incentive Plan"), which had been subsequently amended and restated, were granted by Melco to eligible directors and employees of the Group.

The Melco 2011 Share Incentive Plan expired ten years after December 7, 2011. In view of the impending expiry of the Melco 2011 Share Incentive Plan, Melco adopted a new 2021 share incentive plan (the "Melco 2021 Share Incentive Plan", together with Melco 2011 Share Incentive Plan be referred as "Melco Share Incentive Plan") which was effective on December 6, 2021 (also the termination date of the Melco 2011 Share Incentive Plan). Upon the termination of the Melco 2011 Share Incentive Plan, no further awards can be granted under the Melco 2011 Share Incentive Plan but the provisions of such plan shall remain in full force and effect in all other respects for any awards granted prior to the date of the termination of such plan.

Share Options

For the years ended December 31, 2021 and 2020, the exercise prices for share options granted under the Melco Share Incentive Plan were determined at the market closing prices of Melco's ADS trading on the Nasdaq Global Select Market on the dates of grant. These share options became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

Melco 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's ADS trading on the Nasdaq Global Select Market. Expected term is based upon the vesting term or the historical expected term 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 term. The fair values of the share options at the date of grant were charged to the accompanying consolidated statements of comprehensive income over the vesting period, with a corresponding increase in share-based compensation reserve as a contribution from Melco.

(In thousands of Philippine peso, except share and per share data)

28. **Share Incentive Plans** – continued

Melco Share Incentive Plan – continued

Share Options – continued

The fair values of share options granted under the Melco Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions:

	Year Ended December 31, **2021**	2020
Expected dividend yield	**2.50%**	3.10%
Expected stock price volatility	**44.92%**	43.50%
Risk-free interest rate	**0.89%**	0.43%
Expected average term (years)	**5.6**	5.6
Weighted average share price per share (US$)	**5.94**	4.13
Weighted average exercise price per share (US$)	**5.94**	4.13
Weighted average fair value per share option (US$)	**1.95**	1.21

A summary of the share options activity under the Melco Share Incentive Plan as of December 31, 2021, and changes for the years ended December 31, 2021 and 2020 are presented as follows:

	Number of Share Options	Weighted Average Exercise Price per Share US$
Equity-settled		
Outstanding as of January 1, 2020	–	–
Granted	443,556	4.13
Forfeited	(37,341)	4.13
Transfer from Melco, net	359,073	4.13
Outstanding as of December 31, 2020	765,288	4.13
Granted	**261,024**	**5.94**
Forfeited	**(85,701)**	**4.56**
Transfer to Melco, net	**(5,670)**	**4.13**
Outstanding as of December 31, 2021	**934,941**	**4.60**
Exercisable as of December 31, 2021	**–**	**–**

(In thousands of Philippine peso, except share and per share data)

28. **Share Incentive Plans** – continued

Melco Share Incentive Plan – continued

Share Options – continued

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

	December 31,			
	2021		2020	
Exercise Price per Share (US$):	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term (Years)	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term (Years)
4.13	**695,547**	**8.25**	765,288	9.25
5.83	**210,834**	**9.45**	–	–
6.89	**28,560**	**9.27**	–	–
	934,941	**8.55**	765,288	9.25

Restricted Shares

Certain restricted shares were approved by Melco to be granted under the Melco Share Incentive Plan to the eligible employees of the Group in lieu of the 2021 and 2020 bonuses for their services performed during 2021 and 2020 (the "Bonus Restricted Shares"). Share-based compensation expenses of ₱10,260 and ₱42,350 were recognized for such grant for the years ended December 31, 2021 and 2020, respectively, based on the estimated bonus amounts, with a corresponding increase in payables to Melco as the amounts were charged to the Group by Melco. The Bonus Restricted Shares for 2021 were granted in April 2022 and the Bonus Restricted Shares for 2020 were granted in June 2021. The Bonus Restricted Shares vested immediately on the grant dates.

Other than the Bonus Restricted Shares, the grant date fair values for restricted shares granted under the Melco Share Incentive Plan for the years ended December 31, 2021 and 2020 were determined with reference to the market closing prices of Melco's ADS trading on the Nasdaq Global Select Market on the dates of grant and were charged to the accompanying consolidated statements of comprehensive income over the vesting period, with a corresponding increase in share-based compensation reserve as a contribution from Melco. These restricted shares have vesting periods of three months to three years.

(In thousands of Philippine peso, except share and per share data)

28. **Share Incentive Plans** – continued

Melco Share Incentive Plan – continued

Restricted Shares – continued

A summary of the restricted shares activity under the Melco Share Incentive Plan as of December 31, 2021, and changes for the years ended December 31, 2021 and 2020 are presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value US$
Equity-settled		
Unvested as of January 1, 2020	–	–
Granted	236,475	4.13
Forfeited	(8,298)	4.13
Transfer from Melco, net	25,356	4.13
Unvested as of December 31, 2020	253,533	4.13
Granted	**308,907**	**5.76**
Vested	**(109,440)**	**5.25**
Forfeited	**(45,396)**	**5.03**
Transfer to Melco, net	**(1,260)**	**4.13**
Unvested as of December 31, 2021	**406,344**	**4.97**

The share-based compensation expenses for the Group were recognized as follows:

	Year Ended December 31, **2021**	2020
MRP Share Incentive Plan	**₱1,958**	₱21,264
Melco Share Incentive Plan	**86,739**	69,578
Total share-based compensation	**₱88,697**	₱90,842

29. **Subsequent Events**

In January 2022, the Credit Facility availability period was extended to May 1, 2022, with other terms and conditions unchanged.

In April 2022, the Credit Facility availability period was further extended to January 31, 2023, with changes in certain terms and conditions as disclosed in Note 21(b).