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This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

This announcement is for informational purposes only and is not an offer to sell or the solicitation of an offer to buy securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Neither this announcement nor anything herein forms the basis for any contract or commitment whatsoever. Neither this announcement nor any copy hereof may be taken into or distributed in the United States. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. No public offer of securities is to be made by the Issuer in the United States.

Notice to Hong Kong investors: *the Issuer (as defined below) confirm that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong or elsewhere. Investors should carefully consider the risks involved.*



MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司

MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2282 and Debt Stock Codes: 6026, 6028, 40258)
(the “Issuer” or the “Company”)

PUBLICATION OF OFFERING CIRCULAR

US\$750,000,000 4.75% Senior Notes due 2027
(Note Stock Code: 40634)
(the “Notes”)

Joint Global Coordinators and Joint Bookrunners

BofA Securities

**Bank of China Macau
Branch**

ICBC (Macau)

Joint Bookrunners

**Bank of
Communications
Macau**

BNP PARIBAS

SMBC Nikko

UBS

Barclays

**Banco Nacional
Ultramarino, S.A.**

Deutsche Bank

J.P. Morgan

Scotiabank

**China Construction
Bank
Corporation Macau
Branch**

**China International
Capital
Corporation**

Union Gaming

Reference is made to the announcements (the “**Announcements**”) of the Issuer dated March 24, 2021 and March 26, 2021 in respect of the offering and issuance of the Notes. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Please refer to the offering memorandum dated March 25, 2021 (the “**Offering Memorandum**”) appended herein in relation to the issuance of the Notes. The Offering Memorandum is published in English only. No Chinese version of the Offering Memorandum has been published.

The Offering Memorandum is for information purposes only and does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Memorandum.

By Order of the Board
MGM China Holdings Limited
Antonio MENANO
Company Secretary

Hong Kong, April 1, 2021

As at the date of this announcement, our Directors are William Joseph HORNBUCKLE, Pansy Catilina Chiu King HO, Chen Yau WONG and John M. MCMANUS as executive directors, Kenneth Xiaofeng FENG, James Armin FREEMAN, Daniel J. TAYLOR and Ayesha Khanna MOLINO as non-executive directors and Zhe SUN, Sze Wan Patricia LAM, Russell Francis BANHAM and Simon MENG as independent non-executive directors

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers ("QIBs") (within the meaning of Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")), or (2) non-U.S. persons outside the United States (as defined under Regulation S under the Securities Act); provided that any investor resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Regulation (EU) No 2017/1129 and any relevant implementing measure in each Member State of the European Economic Area). By accepting this e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States (and if you are resident in a Member State of the European Economic Area, you are a qualified investor) and (2) you consent to delivery of such offering memorandum by electronic transmission. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, neither the Initial Purchasers (as defined herein) nor any person who controls any Initial Purchaser nor MGM China Holdings Limited nor any director, officer, employer, employee or agent of theirs or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The attached offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorized to deliver this offering memorandum to any other person. You will not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers.

Restrictions: Nothing on this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction. Recipients of this offering memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this offering memorandum. The securities have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered, sold or otherwise transferred within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

EEA PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area ("EEA"). For these purposes an "EEA Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "EU Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom ("UK"). For these purposes, a "UK Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in the EU Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

The offering memorandum has not been approved by an authorized person in the United Kingdom. The securities may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the securities would otherwise constitute a contravention of Section 19 of the FSMA by us. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

Notification under Section 309B(1)(c) of the Securities and Futures Act ("SFA"): In connection with Section 309B(1)(c) of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations"), the Company has determined and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MGM China Holdings Limited



(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 2282)

US\$750,000,000 4.75% Senior Notes due 2027**Issue Price: 99.97%**

MGM China Holdings Limited (the “Company”) is offering US\$750,000,000 in aggregate principal amount of 4.75% Senior Notes due 2027 (the “Notes”). The Company will pay interest on the Notes semi-annually in arrears on February 1 and August 1 of each year, except that the first payment of interest, to be made on February 1, 2022, will be in respect of the period from and including March 31, 2021 to but excluding February 1, 2022. The Notes will mature on February 1, 2027.

At its option, the Company may redeem the Notes, in whole or in part, at any time prior to February 1, 2024 at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) a “make-whole” amount described elsewhere in this offering memorandum, plus in either case accrued and unpaid interest to, but not including, the redemption date. Prior to February 1, 2024 the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. On or after February 1, 2024 the Company may redeem the Notes, in whole or in part, at a premium declining ratably to zero, plus accrued and unpaid interest to, but not including, the redemption date. In addition, the Company may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued interest, in the event of certain changes in withholding tax laws. In the event of a change of control triggering event or an investor put option triggering event, the Company will be required to offer to repurchase the Notes at 101% or 100% of the principal amount, respectively, plus accrued and unpaid interest to but not including the repurchase date.

The Notes will be senior unsecured obligations of the Company and will rank equally in right of payment with all of its existing and future senior unsecured debt and will rank senior in right of payment to all of the Company’s future subordinated debt, if any. The Notes will be effectively subordinated in right of payment to all of the Company’s future secured debt (to the extent of the value of the collateral securing such debt), and will be structurally subordinated to all of the liabilities of the Company’s subsidiaries. None of the Company’s subsidiaries will guarantee the Notes.

Application will be made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Professional Investors”)) only. A confirmation of eligibility for listing of the Notes has been received from the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Company confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

See “Risk Factors” beginning on page 18 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction, and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. Prospective purchasers who are qualified institutional buyers as defined under Rule 144A are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under “Transfer Restrictions.”

The initial purchasers of the Notes (collectively, the “Initial Purchasers”) expect to deliver the Notes to purchasers on or about March 31, 2021, solely in book-entry form through the facilities of Cede & Co. as nominee of The Depository Trust Company.

*Joint Global Coordinators and Joint Bookrunners***BofA Securities****Bank of China Macau Branch****ICBC (Macau)***Joint Bookrunners***Bank of Communications Macau****BNP PARIBAS****SMBC Nikko****UBS****Barclays****Banco Nacional Ultramarino, S.A.****Deutsche Bank****J.P. Morgan****Scotiabank****China Construction Bank
Corporation Macau Branch****China International Capital
Corporation****Union Gaming**

The date of this offering memorandum is March 25, 2021.

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NOTICE TO INVESTORS

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Notes described in this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

In connection with the offering of the Notes, BofA Securities, Inc., Bank of China Limited, Macau Branch, Industrial and Commercial Bank of China (Macau) Limited, Bank of Communications Co., Ltd. Macau Branch, BNP Paribas, SMBC Nikko Securities America, Inc., UBS AG Hong Kong Branch¹, Barclays Capital Inc., Banco Nacional Ultramarino, SA, Deutsche Bank AG, Singapore Branch, J.P. Morgan Securities PLC, Scotia Capital (USA) Inc., China Construction Bank Corporation Macau Branch, China International Capital Corporation Hong Kong Securities Limited and Union Gaming Securities Asia Limited (the “Initial Purchasers”) may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time. In addition, the Initial Purchasers may bid for and purchase the Notes in the open market to stabilize the price of the Notes and may impose “penalty bids” under contractual arrangements whereby they may reclaim from dealers participating in this offering for the account of such Initial Purchaser the selling concession with respect to the Notes that are distributed in this offering but subsequently purchased for the account of such Initial Purchaser.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Company accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Initial Purchasers and the Company reserve the right to withdraw this offering at any time before closing, to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of the Notes offered by this offering memorandum. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of this offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the U.S. federal income tax treatment of this offering.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain

¹ UBS AG is incorporated in Switzerland with limited liability.

acknowledgements, representations and agreements as set forth under the section headed “*Transfer Restrictions*” herein.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Initial Purchasers or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers have not independently verified any of such information and assume no responsibility for such information and assume no responsibility for its accuracy or completeness.

The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has not been a change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof. The Initial Purchasers expressly do not undertake to review our financial condition or affairs during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

Each prospective purchaser of Notes receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of the Company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The Company is not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the sections headed “*Transfer Restrictions*” and “*Plan of Distribution*” below.

EEA PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (“EEA”). For these purposes an “EEA Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “EU Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “EU PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (“UK”). For these purposes, a “UK Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); (ii) a customer within the

meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (iii) not a qualified investor as defined in the EU Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act (“SFA”): In connection with Section 309B(1)(c) of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations”), the Company has determined and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Cayman Data Protection: Under the Cayman Islands Data Protection Act, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the “Data Protection Legislation”), individual data subjects have rights and the Company as data controller has obligations with respect to the processing of personal data by the Company and its affiliates and delegates. Breach of the Data Protection Legislation by the Company could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Company in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Notes or to redeem the Notes.

The Company has published a privacy notice (the “Data Privacy Notice”), which provides prospective investors with information on the Issuer’s use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the “Plan of Distribution” Section of this offering memorandum.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of any such holder or beneficial owner.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, which differ in certain respects from generally accepted accounting principles in the United States and in certain other countries. We have made no attempt to describe or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the Notes and the financial information we present herein. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and accounting principles generally accepted in other countries, including the United States, and how those differences might affect the financial information presented herein.

This offering memorandum contains non-IFRS financial measures and ratios that are not required by, or presented in accordance with, IFRS, including Adjusted EBITDA, Adjusted EBITDA margin, total liquidity, gearing ratio, net debt and total capital. We present non-IFRS financial measures so that investors have the same financial data that management uses in evaluating financial performance with the belief that it will assist the investment community in properly assessing the underlying financial performance of the Company on a year-over-year and a quarter sequential basis. The non-IFRS financial measures may not be comparable to other similarly titled measures of other companies, since they are not uniformly defined, and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results reported under IFRS. Non-IFRS financial measures and ratios are not measurements of our performance under IFRS and should not be considered as alternatives to operating revenue or profit for the year attributable to owners of the Company or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles.

In addition, this offering memorandum contains certain financial information for the Company for the three months ended December 31, 2020 and 2019. This financial information has not been audited or reviewed. Prospective investors should exercise caution in relying on this information.

Our controlling Shareholder, MGM Resorts International, includes financial information and results of operations for the Company in its consolidated quarterly and annual earnings announcements and periodic reports. The financial information and results of operations of the Company are reported by MGM Resorts International under Generally Accepted Accounting Principles of the United States (“U.S. GAAP”). U.S. GAAP is different from IFRS, which, as a company listed on the Main Board of HKSE, we use to prepare and present our financial information, and accordingly, the financial results for the Company included in MGM Resorts International’s releases and reports differ from the Company’s results included in this offering memorandum.

CERTAIN CONVENTIONS AND CURRENCY PRESENTATION

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial

Purchasers or our or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

In this offering memorandum, the terms “the Company” or “MGM China” refer to MGM China Holdings Limited, “we,” “us,” “our,” or “the Group” refers to MGM China Holdings Limited and its subsidiaries, unless otherwise indicated or the context otherwise requires. In this offering memorandum, references to “China,” “mainland China” or “PRC” refer to The People’s Republic of China; “HK\$” and “Hong Kong dollars” refer to the lawful currency of Hong Kong; “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC; “Macau” refers to the Macau Special Administrative Region of the PRC; “Macau patacas” and “MOP” refer to the lawful currency of Macau; “RMB” or “Renminbi” refer to the lawful currency of China and “US\$” and “U.S. dollars” refer to the lawful currency of the United States.

We record and publish our financial statements in Hong Kong dollars. Unless otherwise stated in this offering memorandum, all translations between Hong Kong dollars and U.S. dollars for figures were made at the rate of HK\$7.7534 to US\$1.00, which was the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York for cable transfers for Hong Kong dollars on December 31, 2020. The noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York for Hong Kong dollars to US dollars was HK\$7.7646 to US\$1.00 as at March 19, 2021. The Macau pataca is pegged to the Hong Kong dollar at a rate of HK\$1.00 = MOP1.03. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Hong Kong dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars or Macau patacas, or vice versa, or that the Macau pataca amounts referred to herein have been, could have been or could be converted into U.S. dollars or Hong Kong dollars, or vice versa, at any particular rate or at all on such date or any other date. For further information relating to the exchange rates, see “*Exchange Rate Information.*”

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Totals of columns or rows in tables may not equal the sum of the individual items, and actual numbers may differ from those contained in this offering memorandum due to rounding.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this offering memorandum. These forward-looking statements include, but are not limited to, statements relating to our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation (including gaming and tax regulations), expectations concerning future operations, margins, profitability and competition.

Any statements contained in this offering memorandum that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue” or the negative of these terms or other comparable terminology. Such forward-looking information involves important risks and uncertainties. These risks and uncertainties include, but are not limited to:

- the uncertainty of the extent, duration and impact of the COVID-19 pandemic and the response of governments, including government-mandated property closures, increased operational regulatory requirements, such as occupancy limitations, and travel restrictions;
- restrictions or conditions on visitation by citizens of other countries, including mainland China, to Macau, such as the visa restrictions in place for entry into Macau as a result of the COVID-19 pandemic;

- the ability of the Macau Government to terminate MGM Grand Paradise's Subconcession under certain circumstances without compensating MGM Grand Paradise, exercise its redemption right with respect to the Subconcession, or refuse to grant MGM Grand Paradise an extension of the Subconcession in 2022;
- the reduced access to our target markets due to travel restrictions, and the potential long term impact on customer retention;
- the adverse effect of current and future economic, capital and credit market conditions could adversely affect our ability to service our indebtedness and significant financial commitments, and to make planned expenditures;
- the dependence of MGM Grand Paradise upon gaming promoters for a significant portion of gaming revenues in Macau;
- general domestic or global political and economic conditions, including in China and Hong Kong, which may impact levels of travel, leisure and consumer spending;
- the uncertainty of consumer behavior related to discretionary spending and vacationing at our integrated resorts;
- the impact on the travel and leisure industry from factors such as an outbreak of an infectious disease, such as COVID-19 pandemic, extreme weather patterns or natural disasters, military conflicts and any future security alerts and/or terrorist attacks or other acts of violence;
- the risks associated with Macau's gaming regulatory framework;
- our ability to maintain our customer relationships and collect and enforce gaming receivables;
- our relationships with Macau gaming promoters;
- our dependence on two resorts in Macau for all of our cash flow;
- competition in the casino/hotel and resort industries and actions taken by our competitors, including new development and construction activities of our competitors;
- factors affecting the development and success of new gaming and resort properties (including limited labor resources, government labor and gaming policies and transportation infrastructure in Macau);
- legalization of gaming in other jurisdictions;
- extensive regulation of our business (including the impact of the Chinese Government's ongoing anti-corruption campaign) and the cost of compliance or failure to comply with applicable laws and regulations;
- pending or future legal proceedings, regulatory or enforcement actions or probity investigations;
- our ability to maintain our gaming licenses and concessions;
- any violations by us of any applicable anti-money laundering laws or anti-corruption laws;
- changes in gaming laws or regulations;
- continued compliance with all provisions in our debt agreements;

- cybersecurity risks including misappropriation of customer information or other breaches of information security;
- our ability to protect our intellectual property rights;
- our relationships with our Significant Shareholders;
- our current and future insurance coverage levels; and
- other factors described under “Risk Factors.”

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements due to a number of factors, including, without limitation, the factors disclosed in the section headed “Risk Factors” and elsewhere in this offering memorandum.

Subject to the requirements of applicable laws and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this offering memorandum are qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands as an exempted company with limited liability. Some of our directors and officers and the experts named herein reside outside the United States (principally in Hong Kong and Macau). All or a substantial portion of our assets and such persons’ assets are located outside the United States (principally in Macau). As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. As a general matter, and subject to certain conditions, a judgment obtained in a foreign court (other than certain judgments of a superior court of any state of the Commonwealth of Australia) would usually be recognized and enforced in the Courts without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment:

- (a) is final and conclusive;
- (b) is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules;
- (c) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam non-money relief (following *Bandone Sdn Bhd v Sol Properties Inc.* [2008] CILR 301); and
- (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

CAUTIONARY NOTE REGARDING MARKET DATA

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. We have based the market data provided in this offering memorandum with respect to the Macau hotel, entertainment and gaming market on market research, publicly available information and industry publications and subscriptions, including statistics and information from government agencies including DSEC, DICJ and various public database sources. Industry publications, surveys and forecasts generally state that

the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Relevant regulators have different methods of reporting, which may not be consistent with our own. Neither the Company nor any Initial Purchaser has independently verified any such market data, and it is possible that the market data that we have relied upon may not be accurate in all material respects. Neither the Company nor any Initial Purchaser makes any representation or warranty as to the accuracy or completeness of this information.

GLOSSARY

This glossary contains definitions of certain terms used in this offering memorandum as they relate to us. Some of these definitions may not correspond to standard industry definitions.

“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AML”	anti-money laundering
“Board of Directors” or “Board”	the board of Directors of the Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentarys and other incentives and in accordance with IFRS
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Code”	U.S. Internal Revenue Code of 1986, as amended
“Concessionaire(s)”	the holder(s) of a concession for the operation of casino games in Macau
“Consultancy Services Agreement”	the Consultancy Services Agreement dated January 13, 2021, entered into between MGM Grand Paradise and Occasions
“Corporate Support Agreement”	the Corporate Support Agreement, dated May 17, 2011, entered into among the Company, MGM Resorts International and Grand Paradise Macau Limited, as replaced and renewed by the renewed Corporate Support Agreement, dated June 3, 2017
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Ms. Pansy Ho and the Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“DICJ”	The Gaming Inspection and Coordination Bureau (“ <i>Direcção de Inspeção e Coordenação de Jogos</i> ”, in Portuguese), a department of the Public Administration of Macau

“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service (“ <i>Direcção dos Serviços de Estatística e Censos</i> ”, in Portuguese), a department of the Public Administration of Macau
“Existing 2024 Notes”	US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024
“Existing 2025 Notes”	US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“Existing 2026 Notes”	US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“Existing Notes”	the Existing 2024 Notes, the Existing 2025 Notes and the Existing 2026 Notes
“FCPA”	U.S. Foreign Corrupt Practices Act
“Financial Intelligence Office”	Financial Intelligence Office (“ <i>Gabinete de Informação Financeira</i> ,” in Portuguese) of Macau
“First Renewed Branding Agreement”	the first renewed Branding Agreement, dated September 30, 2019, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Deed of Non-compete Undertakings”	the first renewed Deed of Non-compete Undertakings dated September 30, 2019, entered into among MGM Resorts International, Ms. Pansy Ho and the Company
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise
“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the DICJ to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of

	credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly owned by Ms. Pansy Ho
“GGR” or “gross gaming revenue”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from mainland China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“INED”	Independent Non-Executive Director
“Independent Third Parties”	parties which are not connected persons of the Company within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Macau Government”	the local government of Macau

“MGM China Group” or “Macau Group”	collectively, the Company, MGM Grand Paradise and their respective controlled Affiliates (without duplication) which carry on the casino gaming business
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the British Virgin Islands and jointly wholly owned, directly or indirectly, by MGM Resorts International and Ms. Pansy Ho in equal portion
“MGM Cotai”	the integrated casino, hotel and entertainment resort in Cotai owned by MGM Grand Paradise
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM Group”	collectively, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and their controlled affiliates which carry on the casino gaming business but shall not include the MGM China Group
“MGM Holding Company”	any company that achieves control of MGM Resorts International other than by way of a qualifying transaction
“MGM Macau”	the integrated casino, hotel and entertainment resort in Macau owned by MGM Grand Paradise
“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly owned by Ms. Pansy Ho
“NYSE”	New York Stock Exchange

“Occasions”	Occasions Asia Pacific Limited, is a company incorporated in Hong Kong, indirectly 50% owned by Ms. Pansy Ho
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company
“PH Group”	Ms. Pansy Ho and her associates
“Representatives”	BofA Securities, Inc., Bank of China Limited, Macau Branch and Industrial and Commercial Bank of China (Macau) Limited
“Restricted Zone”	the PRC, Macau, Hong Kong and Taiwan
“Revolving Credit Facility”	the revolving credit facility dated August 12, 2019 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion (approximately US\$1.3 billion) with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020 and February 24, 2021
“RFID”	Radio Frequency Identification
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Second Renewed Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise
“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“Second Revolving Credit Facility”	the second revolving credit facility dated May 26, 2020 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility with a final maturity date on May 15, 2024, in an initial aggregate amount of HK\$2.34 billion (approximately US\$301.8 million), increased to HK\$3.12 billion (approximately US\$402.4 million) on June 29, 2020, and with an increase option pursuant to which the Company may increase the amount of the facility to up to HK\$3.9 billion (approximately US\$503.0 million), subject to certain conditions, as amended on October 14, 2020 and February 24, 2021
“Senior Secured Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemprego Limitada, MGM – Security Services, Ltd. and Bank of

America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“Significant Shareholders”	MGM Resorts International Holdings, Ms. Pansy Ho and Grand Paradise Macau Limited
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Subconcession,” “Subconcession Contract” or “Subconcession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Subconcession Extension Contract, dated as of March 15, 2019
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“Third Renewed Development Agreement”	the third renewed Development Agreement dated December 27, 2019 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE

“Third Renewed Master Service Agreement”	the third renewed Master Service Agreement dated December 27, 2019 entered into between Shun Tak and MGM Grand Paradise
“Third Renewed MGM Marketing Agreement”	the third renewed MGM Marketing Agreement dated December 27, 2019 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S. Exchange Act”	U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder
“VIP,” “VIP clients,” “VIP players” or “VIP patrons”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based upon information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day

SUMMARY

This summary does not contain all the information that may be important to you in deciding whether to invest in the Notes. You should read this entire offering memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading developer, owner and operator of gaming and lodging resorts in Macau. We own and operate MGM Macau, which is a Forbes Five-Star luxury integrated resort inspired by the arts with every element of the resort infused with creativity and style. We also own and operate the latest addition to our portfolio, MGM Cotai, which was designed as the “Jewelry Box” of Cotai, and offers a gaming area, 1,390 hotel rooms and suites, meeting space, retail, food and beverage and other non-gaming offerings, as well as The Mansion for the ultimate luxury experience.

Business Overview

We are a leading developer, owner and operator of two integrated casino, hotel and entertainment resorts in Macau, MGM Macau and MGM Cotai, where we offer high-quality gaming, hospitality and entertainment experiences to attract and retain our customers. MGM Grand Paradise, our subsidiary, holds one of the six gaming concessions/subconcessions permitted by the Macau Government to operate casinos or gaming areas in Macau.

The Company’s Shares have been listed on the Hong Kong Stock Exchange since June 3, 2011. The Company’s immediate holding company is MRIH, a company incorporated in the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the NYSE. MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of our issued share capital as of December 31, 2020) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital as of December 31, 2020). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

On March 15, 2019, a Subconcession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Subconcessionaire, pursuant to which the Subconcession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires and Subconcessionaires in Macau. The Macau Government is working on the gaming concessions retender process and announced that the public consultation on the gaming law will be completed in the second half of 2021, the amendment of which will precede the launching of the public tender. The Company awaits the issuance of guidance by the Macau Government with respect to the gaming concessions retender or extension process.

On March 23, 2020, an addendum to the Subconcession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Subconcession Contract on June 26, 2022.

Recent Developments

On January 6, 2021, the board of directors of MGM Resorts International received an open letter issued by Snow Lake Capital, an institutional investor and a holder of approximately 7.5% of the issued and outstanding shares of the Company as of the date of the letter, making recommendations on the shareholding structure and future development of the Company. In response to the open letter, on January 8, 2021, our Board announced that the Company has no plans of restructuring and that it will continue to communicate with the Company’s shareholders to operate the Company in the best interests of its shareholders and stakeholders, enhancing shareholder value and performance of the Company.

On February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive compliance with the covenants with

respect to the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility through the fourth quarter of 2022.

For an update on the impact of COVID-19 on the Company since December 31, 2020, please see “—*Impact of COVID-19—Effect of COVID-19 on Our Financial Results and Liquidity*”.

Impact of COVID-19

The continued spread of COVID-19 and the developments surrounding the global pandemic have had, and we expect that they will likely continue to have, a significant impact on our business, results of operations and financial condition. The COVID-19 pandemic is an unprecedented global public health crisis and we place high importance on the health and safety of our employees, guests and all Macau citizens as we continue to fight this pandemic.

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China’s individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM Macau and MGM Cotai were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM Macau and MGM Cotai resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection, and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system, were put in place to reduce the risk of transmission. While guests entering our casinos are no longer required to present negative COVID-19 test results effective from March 3, 2021, many social distancing and health measures remain in place as of the date of this offering memorandum. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period, provided they obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid ‘green’ code result for the Macau Health Code system and the Guangdong health-declaration system, respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid ‘green’ Macau Health Code. Since July 2020, China has gradually relaxed domestic travel restrictions. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period, and tourist visas issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020, respectively. On February 23, 2021, Macau classified all mainland China cities as low-risk COVID-19 transmission areas, removing the requirement for inbound travelers to quarantine for 14 days upon their arrival in Macau.

As at the date of this offering memorandum, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM Macau and MGM Cotai, which had a significant adverse impact on the Group’s results for the year ended December 31, 2020 and will likely continue to impact the Group’s results given the uncertainty of the length of time of the pandemic. According to the DSEC, total visitor arrivals decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0%, for the year ended December 31, 2020 compared to 2019. According to the DICJ, the Macau gross gaming revenue decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 compared to the year ended December 31, 2019. Visitation to Macau and volume across all operations at MGM Macau and MGM Cotai have steadily improved since the October 2020 Golden Week, which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by

mainland China and Macau Governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. The January 2021 monthly gross gaming revenue of the Macau gaming market was increased by 2.6% to HK\$7.8 billion compared with December 2020. We expect that the rate of business recovery will continue to be gradual, driven by the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture.

Effect of COVID-19 on Our Financial Results and Liquidity

The operational disruptions caused by the pandemic and the various travel and social-distancing restrictions imposed by local and international governmental authorities had a material adverse impact on our business operations and financial position and performance during the year ended December 31, 2020. Our operating revenue for the year ended December 31, 2020, totaled HK\$5.1 billion (approximately US\$657 million) compared to HK\$22.8 billion for the year ended December 31, 2019, representing a decrease of 77.6%. We recorded an operating loss of HK\$4.1 billion (approximately US\$533 million) and a net loss of HK\$5.2 billion (approximately US\$671 million) for the year ended December 31, 2020, as compared to an operating profit of HK\$3.0 billion and a net profit of HK\$1.9 billion for the year ended December 31, 2019. Adjusted EBITDA loss totaled HK\$1.4 billion (approximately US\$177 million) for the year ended December 31, 2020, as compared to Adjusted EBITDA of HK\$6.2 billion for the year ended December 31, 2019.

As of December 31, 2020, the Group had total liquidity of HK\$9.5 billion (approximately US\$1.2 billion), consisting of HK\$2.6 billion (approximately US\$340 million) of cash and cash equivalents and HK\$6.9 billion (approximately US\$890 million) of available borrowing capacity under the Revolving Credit Facility and the Second Revolving Credit Facility. The Company believes it has sufficient liquidity to support its operations, implement the planned new development activities, including the development of the MGM Cotai South Tower suites and enhancement of our properties, including our gaming floors, and respond to the challenges of the pandemic.

Further, to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, the Company undertook a number of initiatives in 2020:

- the Company entered into an amendment to the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, in an aggregate amount of HK\$2.34 billion (approximately US\$301.8 million), with a final maturity date of May 15, 2024, with an option to increase the amount of the facility up to HK\$3.9 billion (approximately US\$503.0 million) subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- on October 14, 2020, the Company entered into an amendment to the Second Revolving Credit Facility, to waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021. On October 15, 2020, the Company entered into a third amendment to the Revolving Credit Facility, to further waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021;

- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year;
- certain capital expenditures that were planned to begin during the year have been deferred;
- negotiations with its vendors in respect of existing contracts in order to reduce or defer costs; and
- on February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility, respectively, through the fourth quarter of 2022.

Following the full resumption of China's individual visa scheme on September 23, 2020, the Company experienced an increase in visitation at our casinos and increased operating revenue in the fourth quarter of 2020. For the three months ended December 31, 2020, we recorded operating revenue of HK\$2,362.4 million, with MGM Macau and MGM Cotai contributing HK\$1,261.4 million and HK\$1,101.0 million, respectively, to our operating revenue for the period. This is in comparison to our operating revenue of HK\$5,691.8 million in the fourth quarter of 2019, with MGM Macau and MGM Cotai contributing HK\$2,982.9 million and HK\$2,708.9 million, respectively, to our operating revenue for the period. The main floor gross table games win for MGM Macau and MGM Cotai for the three months ended December 31, 2020 was HK\$890.0 million and HK\$996.1 million, respectively, as compared to HK\$2,057.6 million and HK\$1,886.7 million, respectively, for the three months ended December 31, 2019.

Further, for the three months ended December 31, 2020, MGM Macau and MGM Cotai recorded Adjusted EBITDA of HK\$247.1 million and HK\$120.1 million, respectively, compared to HK\$917.8 million and HK\$640.0 million for the three months ended December 31, 2019. For more information regarding the Group's Adjusted EBITDA for the three months ended December 31, 2020 and 2019, see "*Selected Consolidated Financial and Other Data—Other Financial and Operational Data (unaudited)—Adjusted EBITDA for the three month periods ended December 31, 2020 and 2019*".

If our casinos and hotels are not permitted to fully resume normal operations, travel restrictions and other global restrictions on inbound travel from other countries and areas including Hong Kong and Taiwan are not lifted or relaxed or the global response to contain the COVID-19 pandemic escalates or is unsuccessful, our operations, cash flows and financial condition will be further materially impacted. The duration and intensity of the global health emergency and related disruptions arising as a result of the pandemic are uncertain. Given the dynamic nature of the situation, the anticipated impact on our results of operations, cash flows and financial condition in 2021 and beyond are currently unknown. See "*Risk Factors—Risks Relating to our Business and Operations—The COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, financial results and liquidity*."

MGM Macau

MGM Macau opened in December 2007. The casino floor offers approximately 28,551 square meters, with 638 slot machines, 279 gaming tables, and multiple VIP and private gaming areas as at December 31, 2020. The hotel comprises a 35-story tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM Macau is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM Cotai

MGM Cotai opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 655 slot machines and 273 gaming tables as at December 31, 2020. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM Cotai allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM Cotai, is enriched with experiential technology elements to entertain our guests. MGM Cotai offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019. Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers, attached to The Mansion was introduced in December 2018. The new gaming area allowed us to expand our gaming operations and enhance our competitiveness.

The Company reached a settlement agreement with the principal contractors in connection with the construction costs of MGM Cotai in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders' work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately HK\$9,971.4 million). The Company agreed to pay to the principal contractors MOP612.5 million (approximately HK\$594.7 million), being the settlement amount of MOP10,270.5 million (approximately HK\$9,971.4 million) less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million (approximately HK\$9,376.7 million). The required amounts had been fully settled as at December 31, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the nominated sub-contracts of the MGM Cotai development.

Our Competitive Strengths

Significant benefits from relationships with MGM Resorts International and Ms. Pansy Ho

As of December 31, 2020, MGM China is 55.95% owned by MGM Resorts International, an S&P 500 Company listed on the NYSE (NYSE: MGM). Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital as of December 31, 2020).

MGM Resorts International is one of the world's largest gaming and hospitality companies featuring best-in-class hotels and casinos, state-of-the-art meetings and conference spaces, incredible live and theatrical entertainment experiences, and an extensive array of restaurant, nightlife and retail offerings. MGM Resorts International provides the Company with access to global expertise, operating and marketing experience and a deep talent pool to support the Company's expansions and operations. MGM Resorts International's expansive loyalty data base with over 30 million Mlife Rewards members offers access to global entertainment offerings which has led to a sizable number of Asian gaming travelers visiting Las Vegas.

Ms. Pansy Ho plays an instrumental role in helping to drive our strategy due to her in-depth experience and familiarity with the entertainment, leisure and government sectors in Macau and throughout the Greater China Region. She is a well-known business leader, providing us with unique Asian access and perspective, as well as her extensive network and experience in branding, leisure and retail concept development.

We believe that the combined strengths of our shareholders and extensive global marketing network, provides a competitive advantage in comparison to other operators of integrated resorts in Asia.

Experienced management team with a proven track record

The Company is managed by a seasoned team of executive officers who collectively have decades of experience in all areas of the gaming and hospitality industry, including casino marketing, table games operations, slot operations, hotel operations, food and beverage, financial planning and analysis, and legal and regulatory

compliance, with many having significant experience at prestigious gaming resorts in Macau, the Asia-Pacific region and the United States. We believe that the industry knowledge and experience of our senior executives is important to our success and provides us with significant competitive advantages in our market.

Diversified resort offerings

MGM Macau and MGM Cotai are two properties strategically located on the Macau Peninsula and Cotai area of Macau, respectively. MGM Macau is a leading property on the peninsula with an ocean front convenient location close to the Macau ferry terminal and the busiest border-crossing point in Macau. MGM Cotai, which opened in February 2018, is a leading integrated resort seeking to redefine how customers experience art and entertainment.

Our amenities include world-class entertainment, dynamic theater offerings, expansive retail and food and beverage offerings and architecturally stunning features such as the Grande Praça at MGM Macau and the Spectacle at MGM Cotai. We believe these attractions and amenities enhance the appeal of our resorts, appeal to a broad base of customers and offer a premium experience to our patrons.

The Company further benefits from its location in one of the world's top-performing gaming markets. The Macau area houses the largest concentration of casinos in Asia and as of year-end 2019, the region generated more than five times the gaming revenues of Las Vegas at HK\$283.9 billion (approximately US\$36.6 billion). We believe this, combined with the appeal of our diversified integrated resort offerings, enables us to capture significant visitation at both MGM Macau and MGM Cotai.

Innovative entertainment and art attractions

Our resorts feature integrated experiences with innovative entertainment and art at the heart of our brand in Macau for over a decade, enhancing the appeal of our two properties, with a greater number of visitors, length of stay and spending. The opening of MGM Theater in MGM Cotai, which is the Asia's first dynamic theater featuring multi-dimensional sensory experience enriched with experiential technology elements, has made the staging of complex and innovative entertainment shows possible in Macau. As an avid supporter of Macau's art and cultural tourism, MGM Cotai housed one of the largest permanent art collections in Macau and MGM Macau featured an art space over 8,000 square feet dedicated specifically for art and cultural exhibitions. These unique entertainment and artistic offerings are the key traffic driver and strength the Company as the key player in reinforcing Macau as a cultural and entertainment destination.

One of the most recognizable resort brands in the industry

The Company and MGM Resorts International are operating a world-renowned portfolio of integrated resorts brands. These brands offer travelers an unrivaled range of experiences in accommodation, restaurants, shows, shopping, gaming, services and attractions and have built a strong brand appeal and identification regionally and worldwide. We believe that the name recognition, reputation and image of the premier international brand "MGM", together with our world-class and non-gaming attractions and amenities, will enable us to attract customers to our MGM Macau and MGM Cotai and strengthen our position in the hospitality, entertainment and gaming sectors.

Unique strategic position towards premium mass

We have consistently led innovation in the Macau market. As one of the first in the region to introduce gaming areas dedicated to the premium mass, including the Supreme and Platinum lounges, we have established a primary focus on the high-margin mass gaming segment. Our proportion of gross gaming revenue from the mass market was 64% for the year ended December 31, 2019. Moreover, given the higher margins from the mass market, our mass market gaming segment accounted for the substantial share of our casino profit for the year ended December 31, 2019. Our mass market gross gaming revenues typically have gross margins that are significantly higher than our typical VIP gross margins. We believe our strategic position in, and pioneering approach, to the premium mass market improves our overall financial position while offering greater earnings stability.

Strong cash flow generation and significant growth potential

The Company generated significant cash flows in 2019 and 2018, experiencing revenue and Adjusted EBITDA growth of approximately 18.6% and 27.8% to HK\$22,765.0 million (approximately US\$2,936.1 million) and HK\$6,183.1 million (approximately US\$797.5 million), respectively, for the year ended December 31, 2019 as compared to the year ended December 31, 2018. As a result of the COVID-19 pandemic, however, our revenue and Adjusted EBITDA fell sharply for the year ended December 31, 2020, decreasing by approximately 77.6% and 122.2% to HK\$5,096.0 million (approximately US\$657.3 million) and an Adjusted EBITDA loss of HK\$1,371.7 million (approximately US\$176.9 million), respectively, as compared to the year ended December 31, 2019.

The growth in revenue and Adjusted EBITDA for the years ended December 31, 2019 and 2018 was driven by the continuing ramp up of MGM Cotai through execution of strategic operational focus to elevate customer experience and its increasing market share in the premium mass segment through product and service enhancement and entertainment programs. MGM Cotai achieved approximately 176.8% year-over-year growth in Adjusted EBITDA during its second year of operation in 2019, benefiting from the launch of Mansion villas and our ultra-luxury gaming area, Mansion One. We believe that MGM Cotai had one of the top mass table yields for its opening quarters among the properties that have opened in Cotai since 2015.

MGM Macau remains one of the leading players in the Macau Peninsula market. MGM Macau continues to reinvest in growth opportunities through mass casino floor renovation, conversion of villas to cater to high end premium mass, food and beverage and retail premium product enhancement. The Macau Peninsula maintains a significant contribution to the overall Macau gaming market, with approximately 76% of Macau's inbound visitation arriving via the Macau Peninsula in 2019, including by way of the border-crossing point and the new Hong Kong-Zhuhai-Macau Bridge. The Company believes that a similar trend will continue following the lifting of regional and global travel restrictions and quarantine requirements. The Macau Peninsula generated approximately 34% of the total GGR in the Macau gaming market in 2019 and approximately 35% in 2020 despite rapid development in Cotai.

Despite the uncertainty in global economic conditions and the potential adverse effects on consumer and corporate spending and tourism trends, especially the negative impact of the COVID-19 pandemic on the economy in general and the gaming industry in Macau, we remain optimistic about the long-term development of the Macau gaming market. The Company has developed strategies to expedite the pace of recovery following the gradual easing of regional travel restrictions and the resumption of ferry services from Hong Kong to Macau with intensive marketing and sales programming in order to optimize the potential of our customers' visits. See "*Our Operating Strategies—Strategies for business recovery from the COVID-19 pandemic.*" We expect the premium mass market, which both MGM Macau and MGM Cotai are focused on and well positioned to benefit from, will continue to be key to our recovery and growth in the future.

Strong balance sheet with significant financial flexibility

The Company has been prudent in maintaining a strong balance sheet with moderate leverage to ensure we meet our financing obligations and operating requirements. After giving effect to the offering of the Notes and the use of proceeds therefrom as set forth in "*Use of Proceeds*," as of December 31, 2020, our total long-term indebtedness would be HK\$22,251 million, or US\$2,870 million, primarily consisting of the Notes, the Existing Notes, and amounts outstanding under our Revolving Credit Facility.

We believe that we are well capitalized to maintain our position in the Macau gaming market and that our liquid assets and available financing will be sufficient to sustain our day-to-day working capital requirements and our recurring expenses for the duration of the COVID-19 pandemic. During 2019, we completed the issuance of the Existing 2024 Notes and the Existing 2026 Notes with an aggregate principal amount of US\$1.50 billion, and entered into agreements to provide for an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion, and the proceeds of such financings were used to replace the Company's then existing Senior Secured Credit Facility. During 2020, we completed the issuance of the Existing 2025 Notes with an aggregate principal amount of US\$500 million, and entered into agreements to provide for an unsecured revolving credit facility in an aggregate amount of HK\$3.12 billion (with an option to increase the amount of the facility to HK\$3.9 billion (approximately US\$503.0 million) subject to certain conditions), and the proceeds of such financings were used to repay a portion of the amounts due under the Company's Revolving Credit Facility without cancelling such commitments. As of

December 31, 2020, the Company had cash and cash equivalents of HK\$2.6 billion (approximately US\$340 million). We also had available capacity of HK\$6.9 billion (approximately US\$890 million) under our Revolving Credit Facility and our Second Revolving Credit Facility as of December 31, 2020. The Company does not have any debt maturing until 2024 and the financial covenants under its Revolving Credit Facilities have been waived through the fourth quarter of 2022. In addition, the Company has closed out substantially all of its construction liabilities related to the MGM Cotai development. The repositioning of our balance sheet composition into a greater diversification of funding sources is intended to provide a more cost effective and flexible mix of financing options. We believe this flexibility in conjunction with our prudent financial management will further strengthen our balance sheet and better position us for future growth.

Our Operating Strategies

To build on our competitive strengths, operationally we are focused on continuously improving the customer experience through product and service enhancement, greater asset utilization and the maximization of our operational efficiencies. These strategic efforts allow us to streamline and expand our organization across several key business segments, including sales and marketing, VIP and mass business development, and entertainment. We conduct business with a holistic strategic approach with a focus on creating economic benefits across our properties on the Macau Peninsula and in Cotai.

Develop and diversify our offerings to cater to different market segments

Our properties, MGM Macau and MGM Cotai, were distinctively designed to offer a wide range of amenities across properties in order to appeal to different customer types and attract a broad range of visitors. MGM Macau is a preferred destination of gaming customers, and its central location on the Macau Peninsula in combination with its focus towards premium mass, offers a competitive advantage in attracting a greater volume of walk-in traffic as well as overnight guests staying at MGM Macau and other nearby resorts. In contrast, MGM Cotai is nestled in the heart of Cotai, which tends to draw greater business from the travel and leisure segment. In an effort to better target this segment, MGM Cotai was designed to showcase exciting and diversified entertainment offerings, including The Spectacle and Asia's first dynamic theater. MGM Cotai also features The Mansion collection of villas, a unique VIP offering designed to attract the highest level of play directly to the property, and Mansion One, the ultra-luxury gaming area for invitation-only premium mass customers. With a vast array of amenities, MGM Cotai and MGM Macau were thoughtfully developed and designed to appeal to a broad range of consumer segments, including leisure, premium mass and high-end gaming allowing the Company to more easily attract market share.

Continuously improve scale of operations to create optimal financial performance

Our management team focuses on effectively utilizing our assets and resources to continuously expand our customer database and leverage our profit margins. This strategy has played a particularly important role when it comes to maximizing the earning potential of MGM Cotai. Our focus on driving higher table yields along with a disciplined approach to asset utilization has allowed us to increase margins significantly at MGM Cotai. With demonstrated improvements in profitability in its two years of operations before the pandemic period, MGM Cotai has showcased its ability to effectively evaluate and leverage its product content with a focus towards maximizing efficiencies and profits.

At MGM Macau, prior to the outbreak of the COVID-19 pandemic, we consistently operated at strong stabilized Adjusted EBITDA margins of nearly 30% for each of the years ended December 31, 2017, 2018 and 2019. We believe this performance reflects management's continuous dedication towards reinvestment and the implementation of strategies specifically designed to increase margins and profitability. For example, we are proactive in addressing customer preferences, and as a result, have updated our food and beverage offerings, expanded our retail business, and created gaming offerings that are more closely aligned with the high-margin premium mass segment. As part of our initiative to drive optimal financial performance, we will continuously evaluate efficiencies across both properties in order to create both new and improved strategies around maximizing the potential of our business, particularly as the COVID-19-related restrictions ease and visitation to our casinos returns to pre-pandemic levels.

Maintain strong business relationships with our gaming promoters and identify potential gaming promoters to further grow our VIP business

A significant amount of our VIP casino play is referred to us by gaming promoters, with whom we have established good business relationships. The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Subconcession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters to partner with while having a particular awareness to their financial performance, reputation and management capability.

Utilize The Mansion and Mansion One to attract ultra-high end customers, while maintaining our focus on the high-margin mass market gaming segment

Launched in late March 2019, the ultra-luxury “The Mansion” collection of villas is Macau’s first VIP enclave featuring 27 lavish residential-style villas. Designed to provide selected high-end guests with an unforgettable and sensational stay with heartfelt, intuitive and personalized service, it is an ultra-exclusive resort within a resort that is only available to our most selective guests. Additionally, each villa comes with butler service and certain villas feature balconies, oversized Jacuzzis and massage rooms. In addition, in December 2018, “Mansion One,” the ultra-luxury gaming area for invitation-only premium mass customers, was launched. The expansive and unique offerings associated with The Mansion villas and Mansion One were designed to better position the Company to acquire high-end customers, helping to further grow our customer database and overall gaming business. We will continue to utilize The Mansion and Mansion One to maintain our focus towards the high-margin premium mass gaming segment in an effort to continuously stabilize and grow Adjusted EBITDA. We believe this combined strategy will allow us to more effectively and efficiently grow profits while also broadening our visitation and overnight guests.

Identify innovative gaming and non-gaming investment opportunities

We continuously invest in our properties and in technology to maintain our competitive advantage and enhance the customer experience. For example, we believe our Cotai property is one of the most innovative integrated resorts in the world, bringing world-class entertainment experiences through the Spectacle and MGM Theater, Asia’s first dynamic theater. We have also introduced innovative dining concepts to further support Macau’s emergence as a world-class tourism destination. We believe it is imperative to continue to enhance and reinvent the customer experience in order to maintain our reputation as a premier brand and operator of choice in the region.

Strategies for business recovery from the COVID-19 pandemic

The COVID-19 pandemic has caused, and is continuing to cause, significant disruption in our operations and has materially impacted our business, results of operations and financial condition. We have taken aggressive efforts to reduce operating expenses and defer non-essential planned capital expenditures in 2020 to improve the Group’s liquidity position and prepare for the economic recovery.

During the pandemic outbreak, we have kept close communication with our customers in order to maintain relationships and also to highlight our efforts to maintain extensive hygiene initiatives and support social distancing. Macau itself has had considerable success in controlling the pandemic, which we have highlighted to our customers in order to address their safety concerns.

The Company has implemented several recovery strategies to attract customer visitations upon the gradual easing of regional travel restrictions and the resumption of ferry services from Hong Kong to Macau. These strategies include:

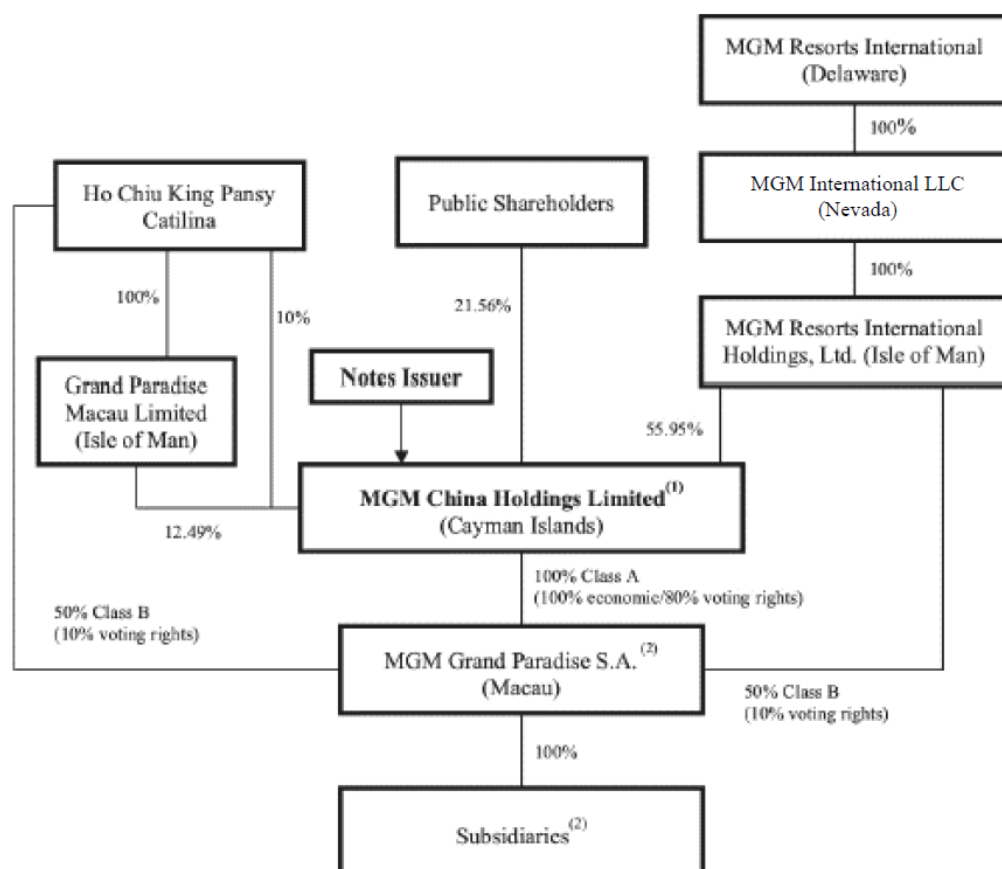
- implementing new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces, resort technology and family and cultural tourism products to drive property visitation and business growth;

- increasing the intensity and scope of our sales and marketing campaigns to drive visitation and business growth, with a prudent approach to reinvestment in order to maintain profit margin;
- introducing new food and beverage concepts and menu offerings throughout the relaunch process;
- continuing to drive social media awareness and sales through e-commerce channels;
- implementing gaming optimization strategies to drive table yield and minimizing the impact of social distancing restriction; and
- developing the MGM Cotai South Tower suites at an expected total capital cost of HK\$677 million to strengthen our position in the premium mass market.

By continuing to pursue these strategies, the Company believes it will be well-positioned to recover from the pandemic by steadily ramping up operations as regional and global economic conditions slowly recover from the COVID-19 fallout and travel restrictions continue to ease, and ultimately return to profitability.

Organizational Chart

The following chart illustrates our simplified corporate structure as of December 31, 2020.



(1) Issuer of our Existing Notes, and borrower under our Revolving Credit Facility and Second Revolving Credit Facility.

(2) Our subsidiaries will not guarantee the Notes, and do not guarantee the Existing Notes, our Revolving Credit Facility or our Second Revolving Credit Facility.

THE OFFERING

The following is a general summary of the terms of the offering. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this offering memorandum, including under “Description of Notes.”

Issuer	MGM China Holdings Limited (the “Company”)
Notes Offered.....	US\$750,000,000 aggregate principal amount of 4.75% Senior Notes due 2027
Issue Date	March 31, 2021
Maturity Date	February 1, 2027
Interest	The Notes will bear interest at a rate of 4.75% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, except that the first payment of interest, to be made on February 1, 2022, will be in respect of the period from and including March 31, 2021 to but excluding February 1, 2022. Interest will accrue from the issue date.
Ranking of Notes	The Notes will be general unsecured obligations of the Company will (1) rank equally in right of payment with all of the Company’s existing and future senior unsecured indebtedness, including our Existing Notes and amounts outstanding under our Revolving Credit Facility and our Second Revolving Credit Facility, (2) rank senior to all of the Company’s future subordinated indebtedness, if any, (3) be effectively subordinated to all of the Company’s future secured indebtedness to the extent of the value of the assets securing such debt, and (4) be structurally subordinated to all existing and future obligations of the Company’s subsidiaries. See “ <i>Description of Notes—Brief Description of the Notes.</i> ” As at December 31, 2020, we had no secured long-term debt. We may incur secured and/or additional unsecured indebtedness and other obligations in the future.
Issue Price	99.97% of the principal amount of the Notes plus accrued interest from and including March 31, 2021, if any
Optional Redemption.....	At its option, the Company may redeem the Notes, in whole or in part, at any time or from time to time prior to their stated maturity. The redemption price for Notes that are redeemed before February 1, 2024 will be equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) a “make-whole” amount described elsewhere in this offering memorandum, plus in either case accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date. Prior to February 1, 2024 we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. On or after February 1, 2024, we may redeem the Notes, in whole or in part, at a premium declining ratably to zero, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date. See “ <i>Description of Notes—Optional Redemption.</i> ”

Redemption for Tax Reasons	All payments under or with respect to the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount received is no less than the amount that would have been received in the absence of such withholding or deduction. See “ <i>Description of Notes—Additional Amounts.</i> ” We may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, we are required to pay additional amounts with respect to such withholding taxes. If we exercise such redemption right, we must pay you a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including the date of redemption. See “ <i>Description of Notes—Redemption for Tax Reasons.</i> ”
Gaming Redemption	The indenture governing the Notes (the “Indenture”) grants the Company the power to redeem the Notes if any Gaming Authority requires that a person who is a holder or the beneficial owner of Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable. See “ <i>Description of Notes—Gaming Redemption.</i> ”
Change of Control	If we experience a Change of Control Triggering Event (as defined under “ <i>Description of Notes—Repurchase at the Option of Holders</i> ”), we will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of such repurchase. See “ <i>Description of Notes—Repurchase at the Option of Holders.</i> ”
Special Put Option.....	Upon the occurrence of (1) any event after which none of the Company or any of its subsidiaries has such licenses, concessions, subconcessions or other permits or authorizations as are necessary for the Company and its subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as the Company and its subsidiaries are entitled to at the Issue Date, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its subsidiaries, taken as a whole; or (2) the termination, rescission, revocation or modification of any gaming license which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its subsidiaries, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any Gaming License; provided that such renewal, tender or other process results in the granting or renewal of the relevant Gaming License, each holder of the Notes will have the right to require the Company to repurchase all or any part of such holder’s Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including the date of repurchase. See “ <i>Description of Notes—Special Put Option.</i> ”

Certain Covenants	<p>The Indenture will partially limit, among other things, our ability to merge or consolidate with another company and require us to provide certain information to the holders of Notes.</p> <p>These covenants are subject to a number of important exceptions and qualifications. See “<i>Description of Notes—Certain Covenants</i>” and the related definitions.</p>		
Transfer Restrictions	<p>The Notes have not been and will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on transfer and resale. See “<i>Transfer Restrictions</i>.”</p>		
Listing	<p>Application will be made for a listing of the Notes on the Hong Kong Stock Exchange and we have received a confirmation from the Hong Kong Stock Exchange of the eligibility of a listing of the Notes by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange.</p>		
Form, Denomination and Registration	<p>The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company.</p>		
Book-Entry Only	<p>The Notes will be issued in book-entry form through the facilities of Cede & Co. as nominee of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. For a description of certain factors relating to clearance and settlement, see “<i>Description of Notes—Book-Entry, Delivery and Form</i>.”</p>		
Delivery of the Notes	<p>The Company expects to make delivery of the Notes, against payment in same-day funds, on or about March 31, 2021, which is the fourth business day after the date of this offering memorandum (such settlement being referred to as “T+4”). Under Rule 15c6-1 under the U.S. Exchange Act trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two business days will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternative settlement arrangement at the time of any such trades to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the day of pricing or the next two business days should consult their advisors. See “<i>Plan of Distribution</i>.”</p>		
Security Codes	Notes sold under	Rule 144A	Regulation S
	CUSIP	55300R AG6	G60744 AG7
	ISIN	US55300RAG65	USG60744AG74
	Common Code	232743930	232743905
No Prior Market	<p>The Notes will be new securities for which there is no existing market. Although we have been advised by certain of the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering, they are under no obligation to do so and may discontinue</p>		

any market-making activities at any time without notice. Accordingly, we cannot assure the liquidity of the trading market for the Notes.

Trustee for the Notes..... Wilmington Savings Fund Society, FSB.

**Registrar, Transfer Agent and
Principal Paying Agent** Wilmington Savings Fund Society, FSB.

Use of Proceeds Subject to compliance with applicable laws and regulations, we intend to use the net proceeds from this offering to repay a portion of the amounts outstanding under our Revolving Credit Facility and for general corporate purposes. See “*Use of Proceeds*.” The Company will be permitted to reborrow such amounts under the Revolving Credit Facility.

**Governing Law of the Notes and the
Indenture** The Notes and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.

Risk Factors Investing in the Notes involves substantial risks. Please see the “*Risk Factors*” section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary consolidated financial information presented below as of and for the years ended December 31, 2020, 2019 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The data below should be read together with our audited consolidated financial statements and the accompanying notes thereto and other financial data included elsewhere in this offering memorandum. Our historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read this section in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those financial statements and the notes to those statements included elsewhere in this offering memorandum. The results for any historical period are not necessarily indicative of the results of operations to be expected in any future period.

Selected Data from Consolidated Statement of Profit or Loss

The following table presents certain of our consolidated statement of profit or loss for the years ended on the dates indicated below.

	For the year ended December 31,			
	2020 (US\$'000)	2020 (HK\$'000)	2019 (HK\$'000)	2018 (HK\$'000)
Casino revenue.....	565,440	4,384,081	20,423,463	17,176,050
Other revenue.....	91,818	711,902	2,341,573	2,024,671
Operating revenue	657,258	5,095,983	22,765,036	19,200,721
Operating (loss)/profit	(533,210)	(4,134,192)	2,963,337	1,434,993
(Loss)/profit before tax	(669,557)	(5,191,345)	1,941,690	772,894
(Loss)/profit for the year attributable to owners of the Company	(670,871)	(5,201,531)	1,931,228	1,068,499

Selected Data from Consolidated Statement of Financial Position

The following table presents our consolidated statement of financial position data as at the dates indicated below.

	As at December 31,			
	2020 (US\$'000)	2020 (HK\$'000)	2019 (HK\$'000)	2018 (HK\$'000)
Assets				
Total non-current assets	3,415,441	26,481,280	28,405,163	30,474,611
Total current assets.....	411,107	3,187,474	4,101,059	4,657,964
Total Assets	3,826,548	29,668,754	32,506,222	35,132,575
Liabilities				
Total non-current liabilities	2,754,792	21,359,008	16,809,559	18,128,762
Total current liabilities	424,599	3,292,082	5,236,529	8,058,034
Total Liabilities	3,179,391	24,651,090	22,046,088	26,186,796
Total Equity	647,157	5,017,664	10,460,134	8,945,779
Total Equity and Liabilities	3,826,548	29,668,754	32,506,222	35,132,575

Other Financial and Operational Data (unaudited)

MGM Macau (in thousands, except for percentage and revenue per available room (“REVPAR”))	For the year ended December 31,			
	2020 (US\$'000, except percentages)	2020 (HK\$'000, except percentages)	2019 (HK\$'000, except percentages)	2018
Adjusted EBITDA ⁽ⁱⁱ⁾	(49,527)	(384,012)	3,819,025	3,983,223
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾	(13.7)%	(13.7)%	30.9%	29.5%
VIP gross table games win	141,545	1,097,452	5,645,079	8,415,507
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	3.41%	3.41%	3.05%	3.00%
Average daily gross win per VIP gaming table	6.1	47.5	193.7	210.5
Main floor gross table games win	233,910	1,813,594	8,040,066	7,004,478
Main floor table games win percentage	20.4%	20.4%	21.6%	17.8%
Average daily gross win per main floor gaming table	3.4	26.3	105.4	83.7
Slot machine gross win	42,243	327,529	1,217,710	1,504,785
Slot hold percentage	3.6%	3.6%	3.9%	4.4%
Average daily win per slot.....	0.2	1.4	3.2	4.0
REVPAR ^(iv)	76	593	1,951	1,941

MGM Cotai	For the year ended December 31,			
	2020	2020	2019	2018 ⁽ⁱ⁾
	(US\$'000, except percentages)	(HK\$'000, except percentages)		
(in thousands, except for percentage and REVPAR)				
Adjusted EBITDA ⁽ⁱⁱ⁾	(127,391)	(987,711)	2,364,106	853,957
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾	(42.9)%	(42.9)%	22.7%	15.0%
VIP gross table games win	71,073	551,059	4,049,296	1,266,838
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	2.48%	2.48%	3.58%	3.35%
Average daily gross win per VIP gaming table	3.9	30.1	201.5	173.6
Main floor gross table games win	233,426	1,809,847	6,898,379	3,901,036
Main floor table games win percentage	26.3%	26.3%	25.2%	19.5%
Average daily gross win per main floor gaming table	3.3	25.8	92.8	72.7
Slot machine gross win	30,074	233,176	1,030,491	728,263
Slot hold percentage	3.1%	3.1%	2.8%	3.1%
Average daily win per slot	0.1	1.0	2.4	1.9
REVPAR ^(iv)	42	327	1,428	1,290

(i) MGM Cotai opened on February 13, 2018.

(ii) “Adjusted EBITDA,” which is a non-IFRS measure, is profit/loss before finance costs, income tax benefit/expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. Adjusted EBITDA is used by management as the primary measure of the Group’s operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this offering memorandum may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors. For a quantitative reconciliation of the Group’s Adjusted EBITDA to its most directly comparable IFRS measurement, see the table below.

(iii) “Adjusted EBITDA margin,” which is a non-IFRS financial measure, is Adjusted EBITDA divided by operating revenue for the applicable period.

(iv) “REVPAR” includes complimentary and other incentives.

Adjusted EBITDA for the years ended December 31, 2020, 2019 and 2018

The financial information presented in the table below for the years ended December 31, 2020, 2019 and 2018 has not been audited or reviewed.

	For the year ended December 31,			
	2020	2020	2019	2018
	(US\$'000)	(HK\$'000)		
(Loss)/profit for the year attributable to owners of the Company	(670,871)	(5,201,531)	1,931,228	1,068,499
<i>Add/(less)</i>				
Income tax expense/(benefit)	1,314	10,186	10,462	(295,605)
Net foreign currency (gain)/loss	(6,710)	(52,024)	(85,190)	6,336
Finance costs	144,248	1,118,409	1,128,075	667,876
Interest income	(1,191)	(9,232)	(21,238)	(12,113)
Operating (loss)/profit	(533,210)	(4,134,192)	2,963,337	1,434,993
Depreciation and amortization	318,269	2,467,666	2,564,457	2,150,305
Loss on disposal/write-off of property and equipment and other assets	1,714	13,287	14,778	194,265
Pre-opening costs ⁽¹⁾ (unaudited)	—	—	20,548	496,945
Corporate expenses (unaudited)	27,463	212,933	549,703	484,033
Share-based payments	8,846	68,583	70,308	76,639
Adjusted EBITDA (unaudited)⁽²⁾	(176,918)	(1,371,723)	6,183,131	4,837,180

(1) Pre-opening costs for the year ended December 31, 2019 primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM Cotai, primarily related to The Mansion and gaming promoter rooms. Pre-opening costs for the year ended December 31, 2018 primarily represented personnel and other cost incurred prior to the opening of MGM Cotai and ongoing development phases of MGM Cotai, primarily related to The Mansion, theater and gaming promoter rooms.

(2) Adjusted EBITDA for the year ended December 31, 2020 includes HK\$175.2 million (approximately US\$22.6 million) of bonus reversal.

Adjusted EBITDA for the three month periods ended December 31, 2020 and 2019

The financial information presented in the table below for the three months ended December 31, 2020 and 2019 has not been audited or reviewed.

	For the three months ended December 31,	
	2020	2019
	(HK\$'000)	
(Loss)/profit for the period attributable to owners of the Company	(633,999)	541,579
<i>Add/(less)</i>		
Income tax expense.....	2,491	3,116
Net foreign currency loss/(gain).....	3,285	(73,203)
Finance costs.....	302,807	254,928
Interest income.....	(1,380)	(4,375)
Operating (loss)/profit	(326,796)	722,045
Depreciation and amortization.....	609,678	656,530
(Gain)/loss on disposal/write-off of property and equipment and other assets	(423)	12,391
Corporate expenses (unaudited)	65,400	149,255
Share-based payments	19,370	17,599
Adjusted EBITDA (unaudited)⁽¹⁾	367,229	1,557,820

- (1) Adjusted EBITDA for the three months ended December 31, 2020 includes HK\$175.2 million (approximately US\$22.6 million) of bonus reversal.

RISK FACTORS

You should carefully consider the risks described below and the other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the events described below should occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to Our Business and Operations

The COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, financial results and liquidity.

The COVID-19 pandemic and measures to prevent the spread of the virus have had, and are expected to continue to have a material negative impact on our business. In response to the outbreak of the pandemic in early 2020, governmental authorities in a number of countries and territories, including China, Hong Kong and Macau, took certain actions to attempt to mitigate the spread of the virus. Such actions included the imposition of regional and nationwide lockdowns and other restrictions, many of which have remained in place or become more stringent since the beginning of 2020. Certain travel restrictions affecting Macau, which remain in place as of the date of this offering memorandum, include the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors.

The inability and unwillingness of consumers to travel since the outbreak of the pandemic has had a significant impact on visitation to Macau and our casinos and hotels, which has had, and which we expect to continue to have, a material adverse effect on our business and results of operations. For the year ended December 31, 2020, our operating revenues decreased by 77.6% to HK\$5,096.0 million (approximately US\$657.3 million), as compared to HK\$22,765.0 million for the year ended December 31, 2019, and our Adjusted EBITDA decreased by 122.2% to an Adjusted EBITDA loss of HK\$1,371.7 million (approximately US\$176.9 million), as compared to Adjusted EBITDA of HK\$6,183.1 million for the year ended December 31, 2019. Our room occupancy rate at MGM Macau and MGM Cotai fell from 96.4% and 91.6%, respectively, for the year ended December 31, 2019 to 35.6% and 22.4%, respectively, for the year ended December 31, 2020. In addition, in order to comply with social distancing regulations, we were required to reduce the operating capacity of our slot machines for the year ended December 31, 2020 by 41% and 43% at MGM Macau and MGM Cotai, respectively, as compared to their operating capacity for the year ended December 31, 2019.

All casino operations in Macau, including at MGM Macau and MGM Cotai, were required to close for a 15-day period commencing on February 5, 2020 to mitigate the risk of COVID-19 transmission in Macau. As a result, all operations at MGM Macau and MGM Cotai were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM Macau and MGM Cotai resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system in order to enter our casinos, were put in place to reduce the risk of transmission. While guests entering our casinos are no longer required to present negative COVID-19 test results effective from March 3, 2021, many social distancing and health measures remain in place as of the date of this offering memorandum. See “—Our casinos and hotels are operating without all amenities and subject to certain occupancy limitations, and we are unable to predict the length of time it will take for operations to return to normal or if such our casinos and hotels will be required to close in the future due to the COVID-19 pandemic.” Further, the numerous travel restrictions and social distancing policies instituted by local and overseas governmental authorities have resulted in a significant reduction in visitation to our casinos and there can be no assurance that our properties will not be forced to close or suspend operations in the future.

While many aspects of these travel restrictions and conditions continue to adversely impact visitations to Macau in general, beginning in July 2020, certain restrictions and conditions have eased to allow for visitation to Macau as certain regions recover from the COVID-19 pandemic. Quarantine-free travel, subject to COVID-19 safeguards, such as testing and the usual visa requirements, was reintroduced between Macau and an increasing number of areas and cities within mainland China in progressive phases from July to September 2020, commencing with an area in Guangdong Province, which is adjacent to Macau, and expanding to additional areas and major cities within Guangdong Province, followed by most other areas of mainland China. On September 23, 2020, Chinese authorities fully resumed the individual visa scheme, which permits Chinese citizens from nearly 50 cities in mainland China to travel to Macau for tourism. As of the date of this offering memorandum, bans on entry or enhanced quarantine requirements remain in place for people attempting to enter Macau, depending on various conditions, such as the usual visa requirements, their COVID-19 test results, the purpose of their visit, and their recent travel history. Quarantine requirements for those traveling between Hong Kong and Macau are expected to remain effective until at least March 31, 2021. See “*—There are currently significant limitations on visas for entry to Macau, and we are unable to predict when all, or any of, such travel restrictions will be eased, whether any additional restrictions will be reintroduced, or the period of time required for tourism to return to pre-pandemic levels, if at all.*” Given the evolving conditions created by and in response to the COVID-19 pandemic, we are currently unable to determine when travel-related restrictions and conditions will be further eased. Measures that have been lifted or are expected to be lifted may be reintroduced if there are adverse developments in the COVID-19 situation in Macau and other regions with access to Macau.

As of the date of this offering memorandum, there are no fully-effective treatments that are broadly approved for COVID-19 and there can be no assurance that a fully-effective treatment will be developed. While several vaccines have been developed and approved for use by certain governmental health agencies, there is considerable uncertainty with regard to how quickly such vaccines can be produced, distributed and deployed to the general public across the globe, whether governments will be willing and able to procure a sufficient supply of vaccinations, how widely-accepted the vaccines will be within different communities, and how effective the vaccines will be at reducing or preventing the spread of COVID-19. The Macau Government has announced that further opening of Macau’s borders will require the prior vaccination of the entire population of Macau. Although Macau commenced a phased vaccination program on February 9, 2021, there is no definitive timeline for the completion of such program.

Even once travel advisories and restrictions have been lifted, demand for casino resorts may remain weak for a significant length of time and inbound tourism to Macau may be slow to recover. We cannot predict when, or even if, operating results at our properties will return to pre-pandemic levels. In particular, consumer behavior related to discretionary spending and traveling, including demand for casino resorts, may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of the COVID-19 pandemic. In addition, we cannot predict the impact that the COVID-19 pandemic will have on our partners, such as tenants, travel agencies, suppliers and other vendors, which may adversely impact our operations.

As a result of these factors, we may be required to raise additional capital in the future and our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects and our credit ratings. On March 4, 2021, Standard & Poor’s downgraded the issuer credit ratings of MGM Resorts International and the Company to B+ with a negative outlook from BB-. If our credit ratings or the credit ratings of MGM Resorts International were to be downgraded further, or general market conditions were to ascribe higher risk to our rating levels, our industry, or us, our access to capital and the cost of any debt financing could be further negatively impacted. In addition, the terms of future debt agreements could include more restrictive covenants, or require incremental credit enhancements such as guarantees and/or collateral, which may further restrict our business operations or be unavailable due to covenant or other restrictions then in effect. There is no guarantee that debt financings will be available in the future to fund our obligations, or that they will be available on terms that are favorable to us.

As at December 31, 2020, we did not have any current portions of long-term debt on our balance sheet and have no long-term debt maturing until 2024. During the year ended December 31, 2020, we generated operating revenues of HK\$5,096.0 million (approximately US\$657.3 million) and incurred cash operating expenses, exclusive of rent, interest, variable gaming taxes and expected capital expenditures, of approximately HK\$6,680.6 million

(approximately US\$861.6 million), which is significantly in excess of amounts being earned at both properties. Our actual level of cash operating expenses in coming periods could be impacted by unanticipated developments or by events beyond our control. As of December 31, 2020, we had cash and cash equivalents of HK\$2.6 billion (approximately US\$340 million). We also had available capacity of HK\$6.9 billion (approximately US\$890 million) under our Revolving Credit Facility and our Second Revolving Credit Facility as of December 31, 2020.

Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of containment measures, the impact on our results of operations, cash flows and financial condition in 2021 and beyond may be material, but cannot be reasonably estimated at this time. The extent of the effects of the outbreak on our business and the casino resort industry more generally is highly uncertain and will ultimately depend on future developments, including the duration and severity of the COVID-19 pandemic; the negative impact it has on global and regional economies and economic activity, including the duration and magnitude of its impact on unemployment rates and consumer discretionary spending; its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence even after travel advisories and restrictions are lifted; the ability of us and our business partners to successfully navigate the impacts of the pandemic; actions governments, businesses and individuals take in response to the pandemic, including limiting or banning travel and limiting or banning leisure, casino and entertainment (including sporting events) activities; and how quickly economies, travel activity, and demand for gaming, entertainment and leisure activities recovers after the pandemic subsides. To the extent the COVID-19 pandemic adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks related to our business, including those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants or other restrictions contained in the agreements that govern our indebtedness.

There are currently a number of travel restrictions and other limitations affecting entry to Macau, and we are unable to predict when all, or any of, such travel restrictions will be eased, whether any additional restrictions will be reintroduced, or the period of time required for tourism to return to pre-pandemic levels, if at all.

In connection with the COVID-19 pandemic, China implemented a temporary suspension of its visa scheme that permits mainland Chinese residents to travel to Macau, and on February 4, 2020, the Hong Kong Government temporarily suspended all ferry services from Hong Kong to Macau and resumed abbreviated service in early May 2020. Additionally, due to an increasing number of confirmed cases globally, the Macau Government imposed certain travel restrictions to prevent the spread of the virus. Currently, all individuals who are not residents of mainland China, Hong Kong or Taiwan are prohibited from entering Macau, however, certain exemptions apply. Residents of mainland China, Hong Kong and Taiwan are prohibited from entering Macau if they have been overseas in the past 14 days, or, if they have been to Hong Kong in the past 14 days, they are subject to medical observation at a designated location for 14 days, followed by a 7-day health self-management period, or if they have been to Taiwan in the past 14 days, they are subject to medical observation at a designated location for 14 days. While certain of the medical observation and health self-management requirements for visitors from mainland China, Taiwan and Hong Kong have started to be lifted in recent weeks, it is possible that these requirements may be reimposed or other requirements introduced in the event of any resurgence in cases of COVID-19. According to the DSEC, total visitor arrivals decreased by 85% and total visitation from mainland China to Macau decreased by 83% for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Our casinos and hotels are operating without all amenities and subject to certain occupancy limitations, and we are unable to predict the length of time it will take for our operations to return to normal or if our casinos and hotels will be required to close in the future due to the COVID-19 pandemic.

Although our casinos remain open following the mandatory 15-day closure in February 2020, our casinos and hotels are operating without all amenities and subject to certain occupancy limitations. To mitigate the risk of transmission of COVID-19, we have been required to implement a number of measures, including limits on the number of gaming tables allowed to operate and on the number of seats at each table game, as well as slot machine spacing, temperature checks, mask protection, the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system in order to enter our casinos, limitations on restaurant capacity, entertainment events and conventions, and other measures to enforce social distancing. While guests

entering our casinos are no longer required to present negative COVID-19 test results effective from March 3, 2021, many social distancing and health measures remain in place as of the date of this offering memorandum. Accordingly, our casinos and hotels are generating revenues that are significantly lower than historical results. While we engaged in aggressive cost reduction efforts to minimize cash outflows during the closure of our casinos in February 2020 and have continued to engage in such cost reduction efforts since our properties re-opened, we still have significant fixed and variable expenses, which has had and we expect will continue to have an adverse effect on our profitability.

If our casinos or hotels are subject to temporary partial or complete shutdowns in the future due to COVID-19-related concerns, our revenue, profitability and cashflows could be adversely affected and there can be no assurance that the impact on our business and financial results would not be materially different than the impact we have experienced previously in connection with the pandemic.

Our casinos, hotels, convention space and other facilities face intense competition in Macau and elsewhere in Asia, as well as from online-based competitors, which may increase in the future.

The casino, hotel and convention businesses in Macau are highly competitive, and we expect to encounter increasing competition as developers and operators complete and open new projects in the future. Through our subsidiary Subconcessionaire, MGM Grand Paradise, we currently compete with five other Concessionaires and Subconcessionaires authorized by the Macau Government to conduct gaming operations in Macau. As at December 31, 2020, MGM Macau and MGM Cotai were among 41 casinos of varying sizes in Macau. The Macau Government has had the ability to grant additional gaming concessions since April 2009. If the Macau Government were to allow additional competitors to operate in Macau through the grant of additional concessions, we would face additional competition, which could have a material adverse effect on our financial condition and results of operations.

Our operations also compete to some extent with casinos located elsewhere in Asia and elsewhere in the world, including Singapore, the Philippines, Cambodia, Vietnam, Saipan, South Korea, Australia and Las Vegas, as well as online gaming and cruise ships that offer gaming. The expansion of online gaming and other types of gaming in these and other jurisdictions may further compete with our operations by reducing customer visitation and spend in our casino resorts. Our operations also face increased competition from new developments in Malaysia, Australia and South Korea. In addition, certain countries or regions have legalized, and others may in the future legalize, casino gaming (or online gaming), including Japan, Taiwan and Thailand.

The proliferation of gaming venues, especially in Southeast Asia and North Asia, could have a significant and adverse effect on our financial condition, results of operations and cash flows.

Our business is particularly sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending.

Our business is particularly sensitive to reductions in discretionary consumer spending and corporate spending on business travel and corporate meetings. Even prior to the onset of the COVID-19 pandemic, the global macroeconomic environment has been facing challenges, including the slowdown of China's economy, the U.S.-China trade disputes, uncertainties over the impact of Brexit and other geopolitical and trade tensions. The United States and China have, in recent years, been involved in disputes over trade policies and practices and each has implemented or proposed to implement tariffs on certain imported products. The declaration by the U.S. State Department that Hong Kong is no longer autonomous, following the enactment of the new National Security Law for Hong Kong could cause further deterioration in the bilateral relations between China and the United States and negatively affect the Chinese economy and its demand for gaming and leisure activities. According to the DICJ, gross gaming revenues in Macau, where our current operating facilities are focused exclusively, declined by 79.3% in 2020 as compared to 2019 and 3.4% in 2019 as compared to 2018. The COVID-19 pandemic and other recent political events have led to additional geopolitical tension, which may further impact the global movement of human resources, capital, goods and services. Economic contraction and uncertainty or the perception by our customers of weak or weakening economic conditions may cause a decline in demand for hotels, casino resorts, and for the type of luxury amenities we offer.

In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as the increased cost of travel, an unstable job market, perceived or actual disposable consumer income and wealth, outbreaks of contagious diseases (such as the ongoing COVID-19 pandemic) or fears of war and acts of terrorism or other acts of violence. For example, the COVID-19 pandemic has significantly impacted the global economy and, unlike other downturns, may have longer term effects on consumer behavior that are not directly tied to economic recovery, such as a reduced willingness to travel and gather in crowded areas.

Consumer preferences also evolve over time due to a variety of factors, including demographic changes, which, for instance, have resulted in recent growth in consumer demand for non-gaming offerings. Our success depends in part on our ability to anticipate the preferences of consumers and timely react to these trends, and any failure to do so may negatively impact our results of operations. A recession, economic slowdown or any other significant economic condition affecting consumers or corporations generally is likely to cause a reduction in visitation to our resorts, which would adversely affect our operating results.

We will stop generating any revenues from our Macau gaming operations if we cannot secure an extension of the Subconcession by June 26, 2022 or if the Macau Government exercises its redemption right.

Our Subconcession Contract expires on June 26, 2022. Unless the Subconcession is extended, or legislation with regard to reversion of casino premises is amended, all of MGM Grand Paradise's casino premises and gaming-related equipment will automatically be transferred to the Macau Government on that date without compensation to us, and we will cease to generate any revenues from such gaming operations. Since April 20, 2017, the Macau Government may redeem the Subconcession Contract by providing us at least one year's prior notice. In the event the Macau Government exercises this redemption right, MGM Grand Paradise is entitled to fair compensation or indemnity. The amount of such compensation or indemnity will be determined based on the amount of gaming and non-gaming revenue generated by us, excluding the convention and exhibition facilities, during the taxable year prior to the redemption, before deducting interest, depreciation and amortization, multiplied by the number of remaining years before expiration of the Subconcession. We cannot assure you that we will be able to renew or extend the Subconcession Contract on terms favorable to us or at all. We also cannot assure you that if the Subconcession is redeemed, the compensation paid to MGM Grand Paradise will be adequate to compensate for the loss of future revenues. Accordingly, we may not have sufficient funds to pay amounts due on the Notes. As a result you may lose a portion of or the entire value of your investment in the Notes.

Certain events relating to the loss, termination, rescission, revocation or modification of our gaming license in Macau may result in a Special Put Option Triggering Event under the Notes. See "*Description of Notes—Special Put Option*" and also "*Risks Relating to the Notes—We may not be able to repurchase the Notes upon the occurrence of certain events.*"

The Macau Government can terminate the Subconcession under certain circumstances without compensating us, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

In March 2002, the Macau Government granted one of three concessions to operate casinos and gaming areas in Macau to SJM pursuant to the terms of the Macau Gaming Law and other related legislation. In April 2005, MGM Grand Paradise entered into a Subconcession Contract with SJM. The Subconcession Contract contains various general covenants, obligations and other provisions as to which determination of compliance is subjective. In many of these instances, the Subconcession Contract does not provide a specific cure period within which a breach of any provision of the Subconcession Contract may be cured and, instead, we would need to rely on consultations and negotiations with the Macau Government to give us an opportunity to remedy any such default. Accordingly, we will be dependent on our continuing communications and good faith negotiations with the Macau Government to ensure that we are performing our obligations in compliance with the Subconcession Contract. Pursuant to the Subconcession, the Macau Government has the right to unilaterally terminate the Subconcession in the event of fundamental non-compliance by MGM Grand Paradise with applicable Macau laws or MGM Grand Paradise's basic obligations under the Subconcession Contract. MGM Grand Paradise has the opportunity to remedy any such non-compliance with its fundamental obligations under the Subconcession Contract within a period to be stipulated by the Macau Government. Upon such termination, all of MGM Grand Paradise's casino area premises and gaming-related equipment would be automatically transferred to the Macau Government without compensation to MGM

Grand Paradise, and we would cease to generate any revenues from these operations. We cannot assure you that MGM Grand Paradise will perform all of its obligations under the Subconcession Contract in a way that satisfies the requirements of the Macau Government. For a more detailed description of these terms, see the section headed “*Regulation—The Subconcession Contract.*”

Furthermore, under the Subconcession Contract, MGM Grand Paradise is obligated to comply with any laws and regulations that the Macau Government might promulgate in the future. We cannot assure you that MGM Grand Paradise will be able to comply with these laws and regulations or that these laws and regulations would not adversely affect our ability to construct or operate our Macau businesses. If any disagreement arises between MGM Grand Paradise and the Macau Government regarding the interpretation of, or our compliance with, a provision of the Subconcession Contract, we will be relying on the consultation process with the Macau Government as described above. During any consultation, we will be obligated to comply with the terms of the Subconcession Contract as interpreted by the Macau Government. Currently, there is no precedent concerning how the Macau Government will treat the termination of a concession or subconcession upon the occurrence of any of the circumstances mentioned above. The loss of the Subconcession would require us to cease conducting gaming operations in Macau, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. Accordingly, we may not have sufficient funds to pay amounts due on the Notes. As a result you may lose a portion of or the entire value of your investment in the Notes.

Conducting business in Macau involves certain economic and political risks.

All of our business operations are in Macau. Conducting business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau, including risks relating to changes in Macau’s and China’s political, economic and social conditions, changes in Macau Governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies.

Current Macau laws and regulations concerning gaming and gaming concessions and licenses are, for the most part, fairly recent and there is little precedent on the interpretation of these laws and regulations. We believe our organizational structure and operations are in compliance in all material respects with all applicable laws and regulations of Macau. These laws and regulations are complex and a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue regulations, which differs from our interpretation and could have a material adverse effect on our financial condition, results of operations and cash flows.

Under Law no. 5/2011 (Smoking Prevention and Control Law), as amended pursuant to Law no. 9/2017, effective January 1, 2018, smoking on casino premises is only permitted in designated rooms used exclusively for smoking purposes, equipped with special ventilation and fume extraction to the building exterior. Such legislation and future changes thereto may deter potential gaming customers who are smokers from frequenting casinos in Macau and disrupt the number of patrons visiting or the amount of time visiting patrons spend at our properties, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

We are currently dependent upon our properties in Macau for all of our cash flows, which subjects us to greater risks than a gaming company with more operating properties.

We are entirely dependent upon our two resorts in Macau for all of our operating cash flow. As a result, we are subject to a greater degree of risk than a gaming company with more operating properties. These risks include, among others:

- changes in local economic and competitive conditions;
- changes in laws and regulations in Macau, China, Hong Kong and other nations or territories, or interpretations thereof, including gaming laws and regulations, anti-smoking legislation and travel and visa

policies (including travel and visa restrictions in response to the COVID-19 pandemic, see “—*There are currently significant limitations on visas for entry to Macau, and we are unable to predict when all, or any of, such travel restrictions will be eased, whether any additional restrictions will be reintroduced, or the period of time required for tourism to return to pre-pandemic levels, if at all*”);

- extensive regulation of our business (including the Chinese Government’s ongoing anti-corruption campaign increasing regulation of its citizens’ participation in offshore gambling activities) and the cost of compliance or failure to comply with applicable laws and regulations;
- increased government oversight with respect to international financial transactions;
- a decrease in gaming and non-gaming activities at our resorts, including as a result of the COVID-19 pandemic;
- failure to maintain or secure an increase in the number of gaming tables that we are permitted to operate by the Macau Government, or a relative increase in the number of gaming tables that our competitors are permitted to operate in Macau;
- failure to achieve or maintain profitability if capacity limits and other restrictions to encourage social distancing following the COVID-19 pandemic remain in place for a significant amount of time;
- shortages of skilled and unskilled labor affecting construction, development and/or operations;
- greater impact of any failure to win regulatory approvals for any future developments;
- liberalization in gaming laws and regulations in other regional economies that would compete with the Macau market;
- willingness of our customers to travel to Macau;
- natural and other disasters, including the risk of typhoons in the South China region;
- the outbreak of an infectious disease (such as the ongoing COVID-19 pandemic); and
- a significant decline in the number of visitors to Macau for any other reason.

Any of the above events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Gaming is a highly regulated industry in Macau, and the gaming and licensing authorities exercise significant control over our operations.

Gaming is a highly regulated industry in Macau. The continuation of our operations is contingent upon our maintaining all necessary regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to Macau law. The laws, regulations and ordinances requiring these licenses, permits and other approvals generally relate to the responsibility, financial stability and character of the owners, their shareholders, directors and key employees of the gaming operations, as well as gaming promoters involved in gaming operations. For example, the Macau Government regulates the number of gaming tables that each casino is permitted to operate in Macau, as well as the overall number of gaming tables that may be in operation across the jurisdiction. Any failure on our part to secure an increase in the number of gaming tables that we are permitted to operate, or a relative increase in the number of gaming tables that our competitors are permitted to operate in Macau, could have a significant impact on our ability to compete.

In addition, our activities in Macau are subject to administrative review and approval by various agencies of the Macau Government, including the DICJ, the Health Department, the Labor Bureau, the Public Works Bureau, the Fire Department, the Economic Services Bureau (including the Tax Department), the Municipal Affairs Bureau, the Macau Monetary Authority, the Financial Intelligence Office and the Macao Government Tourism Office. We cannot assure you that we will be able to obtain all necessary approvals and licenses, and our failure to do so may materially affect our business and operations. Macau law permits redress to the courts with respect to administrative actions; such redress is, however, largely untested in relation to gaming regulatory issues.

Current laws, such as licensing requirements, tax rates and other regulatory obligations, could change or become more stringent, resulting in additional regulations being imposed upon the gaming operations or an increase in competition in the gaming industry. There is little precedent on the interpretation of the current laws and industry regulations. These laws and regulations are complex, and DICJ, the Macau Government and the courts may in the future render an interpretation of these laws and regulations that may differ from our interpretation. For example, certain recent decisions issued by the Macau courts have determined that a gaming operator is not liable for the refund of patron funds deposited with a gaming promoter while other Macau courts determined otherwise. These decisions are not final. The uncertainty caused by these contradictory decisions could have a material adverse effect on our business, financial condition and results of operations.

In June 2017, the Macau Government passed a law establishing a system for the control of cross-border transportation of cash and bearer negotiable instruments that requires all individuals entering Macau with an amount in cash or bearer negotiable instruments equal to or higher than MOP120,000 to declare such amount to the customs authorities, and the Macau Government is now considering proposed regulations that will raise entry requirements for gaming promoters. These changes, and other future regulatory changes, may negatively impact the flow of customers or cash into Macau, and any inability to adapt could have a material adverse effect on our business, financial condition and results of operations.

Failure to adapt to the regulatory and gaming environment in Macau could result in the revocation of the MGM Grand Paradise Subconcession or otherwise negatively affect our operations in Macau.

Our business is affected by economic and market conditions in the locations in which our customers reside and restrictions on their ability to travel to Macau.

As most of our patrons travel to reach our property, the strength and profitability of our business depends on the ability and willingness of our patrons to travel. Only a small percentage of our business is generated by local residents in Macau. Our VIP players, premium players and mass market players typically come from nearby destinations in Asia, including mainland China, Hong Kong, Taiwan, Singapore, the Philippines, South Korea and Japan. Since we expect a significant number of customers to come to MGM Macau and MGM Cotai from mainland China, general economic, social and market conditions in China could impact our financial prospects. For example, the COVID-19 pandemic and related restrictions on travel imposed by governments around the world have led to a significant reduction in the number of visitor arrivals in Macau. See “—*The COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, financial results and liquidity*” and “—*There are currently significant limitations on visas for entry to Macau, and we are unable to predict when all, or any of, such travel restrictions will be eased, whether any additional restrictions will be reintroduced, or the period of time required for tourism to return to pre-pandemic levels, if at all.*”

Any slowdown in economic growth or changes to China’s current restrictions on travel and currency conversion or movements, including continued market impacts of the COVID-19 pandemic and market impacts resulting from China’s anti-corruption campaigns and related tightening of liquidity provided by non-bank lending entities and cross-border currency monitoring (including increased restrictions on union pay withdrawals and other ATM limits on the withdrawal of patacas imposed by the government), could disrupt the number of visitors from mainland China and/or the amounts they are willing to spend in the casino. For example, in December 2014 the Chinese Government tightened the enforcement of visa transit rules for those seeking to enter Macau at the Gongbei border (including requirements to present an airplane ticket to a destination country, a visa issued by such destination country and a valid Chinese passport). However, the Chinese Government recently decided that visas for Macau could be issued from any location, not solely in the relevant Chinese citizen’s place of origin. Further, in July 2017, the Chinese Government, along with Macau authorities, implemented new facial recognition technology on ATM

machines in Macau to strictly enforce the “know your customer” regulations for mainland Chinese bank cardholders. It is unclear whether these and other measures will continue to be in effect, become more restrictive, or be readopted in the future. In addition, in December 2020, China’s criminal law was amended to criminalize the organization of trips for mainland Chinese for the purpose of gambling outside of mainland China, including in Macau. See “*—We depend upon gaming promoters for a significant portion of our casino revenues in Macau.*” These developments have had, and any future policy developments that may be implemented may have, the effect of reducing the number of visitors to Macau from mainland China, which could adversely impact tourism and the gaming industry in Macau.

Other events which could have a negative impact on international travel and leisure expenditure, including for lodging, gaming and tourism, may include natural disasters, inclement weather, acts of terrorism or regional political events. We cannot predict the extent to which travel disruptions as a result of any such events would adversely affect our business, financial condition, results of operations and cash flows.

We depend upon gaming promoters for a significant portion of our casino revenues in Macau.

Gaming promoters, who promote gaming and draw high-end customers to casinos, are responsible for a significant portion of our gaming revenues in Macau. With the rise in gaming in Macau and the recent reduction in the number of licensed gaming promoters in Macau and in the number of VIP rooms operated by licensed gaming promoters, the competition for relationships with gaming promoters has increased. While we are undertaking initiatives to strengthen relationships with gaming promoters, there can be no assurance that we will be able to maintain, or grow, relationships with gaming promoters. In addition, continued reductions in, and new regulations governing, the gaming promoter segment may result in the closure of additional VIP rooms in Macau, including VIP rooms at MGM Macau and MGM Cotai. If we are unable to maintain or grow relationships with gaming promoters, or if gaming promoters are unable to develop or maintain relationships with our high-end customers (or if, as a result of recent market conditions in Macau, gaming promoters encounter difficulties attracting patrons to come to Macau or experience decreased liquidity limiting their ability to grant credit to patrons), our ability to grow gaming revenues will be hampered. Furthermore, if existing VIP rooms at MGM Macau and MGM Cotai are closed there can be no assurance that we will be able to locate acceptable gaming promoters to run such VIP rooms in the future in a timely manner, or at all.

Our casino revenues may also be affected by regulations that impact gaming promoters. In December 2020, the Standing Committee of the China’s National People’s Congress amended China’s criminal laws such that anyone that organizes trips for mainland Chinese for the purpose of gambling outside of mainland China, including in Macau, may be deemed to have conducted a criminal act. Such amendment took effect on March 1, 2021. While the effect of this recent amendment remains unknown, it is expected to have an impact on gaming promoters. As a result, our VIP segment and gross gaming revenue may be negatively affected, which may further amplify the financial impact of the COVID-19 pandemic on our business and affect the pace of recovery and future growth.

We are dependent on the reputation and integrity of the parties with whom we engage in business activities. If they are unable to maintain required standards of probity and integrity, we would cease doing business with them. In addition, we may face consequences from gaming regulators with authority over our operations, including the loss of the Subconcession.

The reputation and integrity of the parties with whom we engage in business activities, in particular the gaming promoters with whom we deal, are important to our own reputation and ability to continue to operate in compliance with the Subconcession and Macau gaming laws. Under Macau gaming laws, MGM Grand Paradise has an obligation to supervise its gaming promoters to ensure compliance with applicable laws and regulations and serious breaches or repeated misconduct by its gaming promoters could result in the termination of its Subconcession. While we endeavor, through contractual protections and otherwise, to ensure that our gaming promoters comply with our high standards of probity and integrity as well as those required by Macau gaming laws, we cannot assure you that they will always maintain these high standards. If we become aware that any of our gaming promoters has failed to meet the requisite standards, we may choose to terminate our business relationship with such gaming promoter, which could adversely affect our VIP revenues. In addition, if we enter into a business relationship with a gaming promoter whose probity was in doubt, this may be considered by regulators or investors to reflect negatively on our own probity. If any of our gaming promoters violate the Macau gaming laws, the Macau Government may, in its

discretion, take enforcement action against us, MGM Grand Paradise, the gaming promoter, or each concurrently, and we may be sanctioned and our reputation harmed.

We are exposed to credit risk on credit extended to our patrons and gaming promoters.

We extend credit to certain in-house VIP patrons and gaming promoters in the ordinary course of our business. We selectively extend credit to those VIP patrons whose level of play and financial resources, in the opinion of management, warrant such an extension. This credit is typically unsecured. For these extensions of credit, we often are provided a certain amount of “front money” as a deposit, or secured by uncertified or personal cheques as collateral. Gaming promoter commissions are earned based upon gross table games win or rolling chip turnover generated in the casino by such gaming promoter’s patrons. We settle each gaming promoter’s account and pay commissions on a monthly basis. These commissions are netted against casino revenues in our financial statements.

Under Macau law, Concessionaires and Subconcessionaires (and gaming promoters upon engagement by Concessionaires or Subconcessionaires) are permitted to extend credit to, and collect gaming debts from, gaming patrons. We may not be able to collect all of our gaming receivables from our credit players. We have in the past experienced and may in the future experience payment defaults by patrons and may be unable to collect fully or partially in respect of such debts. Although we have enhanced our standard operating procedures relating to credit policy for in-house VIP patrons and gaming promoters to address this issue, there is no assurance that we will be able to reduce our risk exposure in respect of credit we have extended to our patrons and gaming promoters, and our business, financial condition and results of operations consequently could be materially and adversely affected. Further, any adverse change in the financial performance of the gaming promoters to whom we extend credit may impact the recoverability of these loans.

We expect that we will be able to enforce credit-related obligations only in a limited number of jurisdictions, including Macau. To the extent that we extend credit to patrons from other jurisdictions, we may not have access to a forum in which we will be able to collect all of our gaming receivables because, among other reasons, courts of many jurisdictions do not enforce gaming debts and we may encounter forums that will refuse to enforce such debts.

The gaming tax in Macau is calculated as a percentage of gross gaming revenue without deduction for bad debt. As a result, if we extend credit to patrons and are unable to collect on the related receivables from them, we must pay taxes on the gross gaming revenue generated by these patrons even though we are unable to collect on the related receivables.

We may incur impairments to long-lived assets which could negatively affect our future profits.

We review our long-lived assets for impairment in accordance with the authoritative guidance. Significant prolonged negative trends, reduced estimates of future cash flows, prolonged disruptions to our business and slower growth rates or lack of growth (all of which are uncertain events and circumstances we are experiencing in connection with the COVID-19 pandemic that could have a material impact on our operating results) could result in write-downs and impairment charges if and when one or more of such events becomes more acute. If we are required to record impairment charges or write-downs, this could have a material adverse impact on our consolidated results of operations.

Certain laws, rules and regulations applicable to MGM Resorts International in other jurisdictions may require MGM Resorts International to curtail or sever its relationship with us or take other actions that are not in our best interests, each of which would have a material adverse effect on us.

MGM Resorts International is subject to the laws, rules and regulations of the various other jurisdictions in which it operates. Gaming laws are based upon declarations of public policy designed to ensure that gaming is conducted honestly, competitively and free of criminal and corruptive elements. Gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, MGM Resorts International to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. MGM Resorts International may be subject to disciplinary action, if it or we:

- knowingly violate any laws applicable to our Macau gaming operations;
- fail to conduct our Macau gaming operations in accordance with the standards of honesty and integrity required with respect to MGM Resorts International's other gaming operations;
- engage in any activity or enter into any association that is unsuitable for MGM Resorts International because it poses a threat to the control of gaming in its United States operations, or tends to reflect discredit or disrepute upon gaming in its United States operations, or is contrary to the gaming policies of the jurisdictions in which MGM Resorts International has gaming operations; or
- employ, contract with or associate with any person in our Macau gaming operations who has been denied a license or a finding of suitability on the ground of personal unsuitability, or who has been found guilty of cheating at gambling.

MGM Resorts International may have to act in its own best interests, even at the expense of the Company, in order to ensure that it is in compliance with its obligations under U.S. or other applicable laws and regulations.

If any of MGM Resorts International's gaming regulatory agencies determines that our activities or associations in Macau are unsuitable or prohibited, MGM Resorts International may be required to terminate such activity or association, or may be prohibited from undertaking such activity or association. MGM Resorts International may also need to curtail or sever its relationship with us, including, but not limited to, divestment of its holdings in us, a termination of the venture between Ms. Pansy Ho and MGM Resorts International, a termination of the Corporate Support Agreement, a termination of the licenses to use certain trademarks, including the "MGM" and "Walking Lion Design" trademarks, which have significant brand recognition, and the resignation of those members of our Board that also hold positions in MGM Resorts International. See the section headed "*Related Party Transactions*" for further details. In particular, if we are no longer able to rely upon the experience of key members of our Board or if we are unable to utilize the "MGM" and "Walking Lion Design" brands, our business, financial condition, results of operations and cash flows will be materially and adversely affected. See the sections headed "*Risks Relating to Our Business and Operations—We may lose our right to use certain MGM trademarks which are sublicensed through MGM Branding*" and "*Risks Relating to Our Business and Operations—We are dependent on MGM Resorts International and its subsidiaries and MGM Branding for the provision of certain services, including corporate support, development, marketing and personnel supply services.*"

In the future, MGM Resorts International may have operations in new jurisdictions. Accordingly, MGM Resorts International will be subject to gaming laws and regulations of those jurisdictions, including laws and regulations that relate to our operations. If any of our activities or associations are deemed to be in violation of the gaming laws and regulations in jurisdictions where MGM Resorts International has, or may in the future have, operations (even if compliant with the laws of the Cayman Islands, Macau and Hong Kong), MGM Resorts International may be deemed to be in violation of such gaming laws and regulations and may be required to curtail or sever its relationship with us.

Should MGM Resorts International terminate its business relationship with Ms. Pansy Ho or sever its ties with us in order to avoid liability as a result of our violation of these gaming laws and regulations or otherwise, our business, financial condition and results of operations will be materially and adversely affected. We have been advised by our Macau advisor that any such divestiture will not constitute a termination event under the Subconcession Contract. However, a complete divestiture by MGM Resorts International of its holdings in us or its failure to maintain 50% control over us, or a complete divestiture by us of our holdings in MGM Grand Paradise, would trigger immediate cancellation of our Revolving Credit Facility and our Second Revolving Credit Facility and mandatory prepayment of any amount outstanding thereunder, which would in turn cause a default under the indentures governing our Existing Notes and the Notes, unless a prior waiver or amendment can be agreed with the lenders.

We may lose our right to use certain MGM trademarks which are sublicensed through MGM Branding.

Our intellectual property rights, especially our sublicensed rights to use the logo versions of “MGM” in the PRC in respect of gaming, hotel and resort operations, are among our most valuable assets. We have sublicensed the right to use these logos and certain other “MGM”-related trademarks and service marks from MGM Branding, which is the beneficiary of head licenses from MRIH and MGM Resorts International. Pursuant to the sublicensing arrangement, MGM Branding has licensed to us the right to use the “MGM” trademark in connection with our operation of hotel casinos within the Restricted Zone which we co-develop with MGM Branding, but excluding internet gaming, in return for a license fee of 1.75% of our consolidated gross monthly revenue. The license fee is subject to an annual license fee cap. We may also, by mutual agreement, obtain the use of other marks owned by MGM Resorts International without any additional fees. The licensing arrangement, as extended, has a term ending on June 26, 2022 and is also terminable on the occurrence of certain events, such as our failure to comply with applicable Macau regulatory requirements or if MGM Resorts International is directed by any regulator to curtail or sever its relationship with us or if we fail to maintain our resorts and casinos in a manner which is consistent with MGM Resorts International’s required quality standards.

If the existing licensing arrangement were to be terminated for these or any other reasons and we were unable to enter into new arrangements with MGM Branding, MRIH or MGM Resorts International, as the case may be, in respect of the “MGM” mark, we would lose our rights to use the “MGM” brand name and “MGM” trademarks and domain names. This would cause severe disruption to our business and have a material and adverse effect on our business, financial condition and results of operations. In addition, we also are exposed to the risk that third parties may use “MGM”-related trademarks without authorization, which may also harm our reputation as well as our business. For details of the intellectual property licensing arrangement, see the section headed “*Related Party Transactions.*”

A failure to establish and protect our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We endeavor to establish, protect and enforce our intellectual property, including our trademarks, copyrights, patents, domain names, trade secrets and other confidential and proprietary information. There can be no assurance, however, that the steps we take to protect our intellectual property will be sufficient. If a third party successfully challenges our trademarks, we could have difficulty maintaining exclusive rights. If a third party claims that we have infringed, currently infringe, or could in the future infringe upon its intellectual property rights, we may need to cease use of such intellectual property, defend our rights or take other steps. In addition, if third parties violate their obligations to us to maintain the confidentiality of our proprietary information or there is a security breach or lapse, or if third parties misappropriate or infringe upon our intellectual property, our business may be affected. Our inability to adequately obtain, maintain or defend our intellectual property rights for any reason could have a material adverse effect on our business, financial condition and results of operations. The defense of any allegations and/or claims may result in substantial expenses, and, if such claims are successfully prosecuted, may have a material adverse impact on our business, financial condition and results of operations.

Our business may be adversely affected by fraudulent websites.

There has been a substantial increase in the international operation of fraudulent online gambling and investment websites attempting to scam and defraud members of the public. These fraudulent websites mainly target PRC citizens and often falsely represent affiliates of one or more Macau casinos and even the Macau government. These fraudulent websites can appear highly professional and will often feature false statements in an attempt to pass off as a legitimate business or purport to be in association with, or be accredited by, a legitimate business or governmental authority. Such websites may also wrongfully display logos and trademarks owned by legitimate businesses or governmental authorities, or use deceptively similar logos and imagery, to appear legitimate. We do not offer online gambling or investment accounts of any kind. Websites offering these or similar activities and opportunities that use our names or similar names or images in likeness to ours, are without our authorization and possibly unlawfully and with criminal intent. We are not responsible for the contents of such websites. We report the fraudulent websites that use our names and trademarks to the appropriate authorities and may bring lawsuits against such websites when we become aware. However, the operation or shutdown of these websites are beyond our control. If our efforts to cause these sites to be shut down are unsuccessful or not timely completed, these

unauthorized activities may continue to harm our reputation and negatively affect our business. Efforts we take to acquire and protect our intellectual property rights against unauthorized use throughout the world, which may include retaining counsel and commencing litigation in various jurisdictions, may be costly and may not be successful in protecting and preserving the status and value of our intellectual property assets.

MGM Resorts International is subject to certain U.S. federal and state laws, which may impose on us greater administrative burdens and costs than we would otherwise incur.

MGM Resorts International is a reporting company pursuant to the U.S. Exchange Act and is subject to the U.S. federal securities laws and regulations. In addition, MGM Resorts International is subject to other laws applicable to U.S. companies, such as the FCPA and AML laws of the Bank Secrecy Act of 1970, as amended, 31 U.S.C. § 5311 et seq., and the regulations of the United States Department of the Treasury, 31 CFR § 103.11 et seq., among others. MGM Resorts International is also listed on the NYSE and must comply with the NYSE's Listed Company Manual rules, including imposing certain on-going reporting obligations relating to its interest in us. MGM Resorts International's on-going compliance obligations with respect to any of the above may impose on us greater administrative burdens and costs than we would otherwise have, as a result of measures we are required to take to monitor such compliance.

We are dependent on MGM Resorts International and its subsidiaries and MGM Branding for the provision of certain services, including corporate support, development, marketing and personnel supply services.

We obtain certain services from MGM Resorts International and its subsidiaries and MGM Branding, including corporate support, accounting, development, marketing, finance and other professional services. For further information on these related party transactions, see the section headed "*Related Party Transactions*."

In addition, we have entered into certain transactions with MGM Resorts International, Ms. Pansy Ho and their respective associates, particularly with respect to marketing, corporate support and branding and development services. For further information on these related party transactions, see the section headed "*Related Party Transactions*."

A termination of any or all of the services that are currently provided to us by MGM Resorts International, MGM Branding, and their subsidiaries could cause significant disruption to our business and could increase future costs to us for such services. If, in the future, MGM Resorts International chooses not to provide such services to us on terms acceptable to us, we will need to seek alternative means of securing comparable services, which may not be available on terms that are as favorable as the current terms or otherwise acceptable to us.

If we fail to retain the services of Ms. Pansy Ho, our business, financial condition and results of operations may be adversely affected.

We operated as a joint venture prior to our listing on the Hong Kong Stock Exchange with Ms. Pansy Ho, both individually and through her operating entity, Grand Paradise Macau Limited, acting as our local partner. The expertise, local market knowledge and marketing efforts of Ms. Pansy Ho have played a significant role in our development and success and if we were to lose the services of Ms. Pansy Ho or if she were unable to devote sufficient time or attention to our business, our business, financial condition and results of operations may be adversely affected. In particular, if Ms. Pansy Ho were to reduce her involvement in the Company, we may no longer be able to benefit from her extensive relationships and business reputation within the greater China region. This may have an adverse effect on our Group's ability to secure future development opportunities and on our regulatory relationships. Our Group may also be adversely affected by the loss of the local market knowledge and experience that Ms. Pansy Ho brings to the Board of the Company and as managing director of MGM Grand Paradise.

The Significant Shareholders may develop and operate additional integrated resorts or casinos outside of the Restricted Zone that may compete with our property.

Pursuant to the First Renewed Deed of Non-compete Undertakings, MGM Resorts International and Ms. Pansy Ho and their associates (as defined therein and excluding the Company) are, subject to limited exceptions, restricted from having any interest or involvement in gaming businesses in the Restricted Zone. However, the First Renewed Deed of Non-compete Undertakings does not impact MGM Resorts International's or Ms. Pansy Ho's ability to continue to develop and operate new gaming projects or engage in existing gaming operations located outside of the Restricted Zone, or non-gaming resorts outside of Macau, which may provide incentives or otherwise attract gaming customers who may otherwise have patronized our property.

The First Renewed Deed of Non-compete Undertakings will terminate on the earlier of (i) June 26, 2022, or (ii) the date on which our Shares cease to be listed on the Hong Kong Stock Exchange, provided that the First Renewed Deed of Non-compete Undertakings shall cease to apply in respect of either of MGM Resorts International and its associates or Ms. Pansy Ho and her associates following the date on which their respective shareholding in the Company represents less than 20% of the then issued share capital of the Company. Upon the expiration or termination of the First Renewed Deed of Non-compete Undertakings, MGM Resorts International and Ms. Pansy Ho may also compete with us in the Restricted Zone. For details of the Deed of Non-compete Undertakings, see the section headed "*Security Ownership of Certain Beneficial Owners—First Renewed Deed of Non-compete Undertakings*."

Our Significant Shareholders are able to exert significant influence over our operations and future direction.

Ms. Pansy Ho and MGM Resorts International together beneficially own the substantial majority of our outstanding shares. Ms. Pansy Ho, Grand Paradise Macau Limited, MRIH and MGM Resorts International have entered into a voting agreement, whereby, as our Significant Shareholders, they have entered into certain mutual undertakings with regard to the exercise of voting rights and dealings in respect of their shares. The voting agreement may be terminated at any time by the written agreement of all the parties to the agreement and shall be terminated automatically without notice on the date that the First Renewed Deed of Non-compete Undertakings is terminated or ceases to bind either MGM Resorts International or Ms. Pansy Ho. The Significant Shareholders may have interests that differ from those of the holders of the Notes and may take actions that are not in the best interests of the holders of the Notes.

As a result of their substantial equity and voting interests, the Significant Shareholders will, when acting together, have the power, among other things, to elect a majority of the directors to our Board, including the collective ability to nominate directors, appoint and change our management, affect our legal and capital structure and our day-to-day operations, approve material mergers, acquisitions, dispositions and other business combinations and approve any other material transactions and financings. These actions may be taken in many cases without the approval of the INEDs or other shareholders and the interests of the Significant Shareholders may conflict with the interests of the public shareholders.

Our Revolving Credit Facility and the Second Revolving Credit Facility contain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

As at December 31, 2020, we had drawn down bank borrowings of HK\$5.97 billion, or US\$0.77 billion, under the Revolving Credit Facility. The Revolving Credit Facility and the Second Revolving Credit Facility entered into on May 26, 2020 contain covenants that restrict our and certain of our subsidiaries' ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions. In particular, the Revolving Credit Facility and the Second Revolving Credit Facility require that we and certain of our subsidiaries to satisfy various financial covenants, including a maximum leverage ratio and minimum interest coverage ratio, and imposes certain operating and financial restrictions on us and our subsidiaries. We anticipate that other credit facilities (if any) incurred by us in the future may contain similar restrictions, which may also be binding upon us and our other subsidiaries.

Our ability to comply with these covenants in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions. As a result, we may not be able to comply with these covenants, including with respect to making our required payments due to insufficient cash flow.

To mitigate the impact of the COVID-19 pandemic, on February 21, 2020, April 9, 2020, October 15, 2020 and February 24, 2021, the Company entered into several amendments to the Revolving Credit Facility to waive the maximum leverage ratio and minimum interest coverage ratio. On June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion and on October 14, 2020 and February 24, 2021, the Company entered into certain amendments to the Second Revolving Credit Facility, to waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2022. We cannot assure you that we will not need to seek further amendments to the Revolving Credit Facility or the Second Revolving Credit Facility to the extent that conditions deteriorate, or that we will be able to obtain such amendments on favorable terms or at all.

Our failure to comply with any of the covenants under the Revolving Credit Facility or the Second Revolving Credit Facility could result in an event of default under such instruments, which could materially and adversely affect our business, operating results and our financial condition. In addition, if MGM Macau and/or MGM Cotai were to cease to produce cash flows sufficient to service our indebtedness, we may be required to sell our assets, refinance all or a portion of our existing debt or obtain additional financing, and any future indebtedness or other contracts could contain financial or other covenants more restrictive than those applicable to our existing credit facilities.

Current and future economic, capital and credit market conditions could adversely affect our ability to service or refinance our indebtedness and to make planned expenditures.

Our ability to make payments on, and to refinance, our indebtedness and to fund planned or committed capital expenditures and investments depends on our ability to generate cash flow in the future, receive distributions from our subsidiaries, borrow under the Revolving Credit Facility and the Second Revolving Credit Facility or incur new indebtedness. If economic conditions in the PRC, Macau or the region more generally deteriorate we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or fail to satisfy the financial and other restrictive covenants in our debt instruments. We cannot assure you that our business will generate sufficient cash flow from operations or continue to receive distributions from our subsidiaries. We cannot assure you that future borrowings will be available to us under the Revolving Credit Facility and the Second Revolving Credit Facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We cannot assure you that we will be able to access the capital markets in the future to borrow additional indebtedness on terms that are favorable to us or at all.

Our ability to timely refinance and replace our indebtedness in the future will depend upon the economic and credit market conditions discussed above. If we are unable to refinance our indebtedness on a timely basis, we might be forced to seek alternate forms of financing, dispose of certain assets or minimize capital expenditures and other investments. There is no assurance that any of these alternatives would be available to us, if at all, on satisfactory terms, on terms that would not be disadvantageous to us, or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements.

Our revenues are based primarily on gaming, which inherently involves elements of chance that are beyond our control. As a result, our revenues may be volatile.

The gaming industry is characterized by the element of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skill and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume of bets placed by our players and the amount of time players spend on gambling. As a result, our actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause our results of operations to be volatile. Further, it is possible for the winnings of our patrons to exceed our casino winnings, in which case we may even record a loss from gaming operations over a specified period.

In addition, a substantial portion of our gaming revenues is earned from our VIP patrons. VIP patrons typically place large individual wagers, which may lead to greater variances in win-loss results that could have a greater relative impact on our revenues and cash flow in a particular quarter.

As a consequence of our reliance on gaming revenues, particularly from our VIP patrons, our casino revenues may experience significant volatility during a particular interim period and may not be indicative of our casino revenues for a full year. These factors, alone or in combination, have the potential to materially and adversely impact our business, financial condition and results of operations.

Our results of operations are significantly dependent on VIP gaming revenues.

A significant portion of our gross casino revenue is derived from VIP gaming, which accounted for 28%, 36% and 42% of our total revenue in 2020, 2019 and 2018, respectively. VIP gaming results are subject to significant short-term volatility because of the amounts wagered and typically generate lower margins than our mass market/main floor operations. Significant deviations from statistical net-win norms in our VIP gaming operations could have an adverse effect on our earnings. In addition, a limited number of VIP gaming patrons could contribute a significant portion of MGM Grand Paradise's VIP gaming revenue during any particular period. The loss of business from key VIP gaming patrons, a reduction in play by VIP gaming patrons or significant gaming wins by VIP gaming patrons could materially and adversely affect our business, financial condition and results of operations. See also *"We depend upon gaming promoters for a significant portion of our casino revenues in Macau."*

Our gaming business is subject to cheating and counterfeiting.

Players in our casinos or gaming areas may attempt to commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit currency, chips or other tactics, possibly in collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers or other casino or gaming area staff. In order to prevent and detect potential fraud, cheating and counterfeiting activities, we employ advanced technology and techniques in our gaming facilities, such as the use of cards and chips with embedded authentication features such as holograms and RFID in cash chips and barcodes on cards, RFID antenna readers, infrared readers, money note scanners, electronic card readers and a 24-hour CCTV system, however, failure to discover such acts or schemes in a timely manner could result in losses in our gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on our reputation, thereby materially and adversely affecting our business, financial condition, results of operations and cash flows. Since 2013, we have detected six instances of counterfeit chip cases, however, in each instance, the total value of the counterfeited chips was not significant.

We conduct regular reviews of our operations to prevent cheating. Each game has a statistical theoretically expected win rate and we also examine our win statistics for any evidence of cheating when our gaming win consistently varies from the theoretical normal win inherent in the games. However, there can be no assurance that our efforts to prevent cheating will be effective and, although we maintain relevant insurance cover, any failure to prevent cheating may adversely affect our business, financial condition, results of operations and cash flows.

We recorded net current liabilities in 2018, 2019 and 2020.

At December 31, 2018, 2019 and 2020, the Company recorded net current liabilities in the amounts of HK\$3.4 billion, HK\$1.1 billion and HK\$105 million (approximately US\$13 million), respectively. This was mainly due to construction, retention and other payables due within the relevant period. We may in the future continue to incur current liabilities that result in the reporting of net liabilities for any given financial period due to factors including but not limited to changes in current assets, such as trade and other receivables, investments in trading securities and cash and fluctuations in items such as trade and other payables, current tax liabilities, and financial guarantee obligations.

Our business depends on our ability to attract and retain a sufficient number of qualified employees to run our operations. A limited supply of qualified managers or labor could cause labor costs to increase.

Our ability to maintain our competitive position is dependent to a large degree on the efforts, skills and continued service of our key management and operating personnel. The loss of our key management and operating personnel would likely have a material adverse effect on our business.

Our business is also labor intensive and, therefore, our success also depends in large part on our ability to attract, train, motivate and retain a sufficient number of qualified and skilled employees to run our operations. Macau has a relatively limited labor market for the supply of employees for the gaming and gaming-related operations at MGM Macau and MGM Cotai.

Given the limited pool of qualified operating, marketing, financial and technical personnel and experienced gaming and other personnel currently available in Macau as well as the large and growing number and scale of casino resort developments and non-casino businesses currently operating in Macau, we face and will continue to face significant competition in the recruitment of appropriately qualified employees.

While we seek employees from other countries to adequately staff our resorts, certain Macau Government policies limit our ability to import labor in certain job positions (for instance, the Macau Government requires that we only hire Macau residents as dealers or supervisors in our casinos) and any government policies that freeze, reduce or cancel our ability to import labor could cause labor costs to increase (including existing limitations on our ability to import labor as part of the COVID-19 mitigation efforts). This could require us to raise the salaries of current employees or to pay higher wages to attract new employees, which could cause our labor costs to increase. If we are unable to attract and retain a sufficient number of qualified employees, or if we encounter a significant increase in labor costs due to salary increases or for any other reason, our ability to compete effectively with the other Concessionaires or Subconcessionaires in Macau and our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may be unable to retain the services of our key management personnel and may not easily be able to replace such personnel if they choose to leave us for any reason. In turn, this could have an adverse effect on our business, financial condition and results of operations. On May 11, 2020, we announced the retirement of our Chief Executive Officer Grant R. Bowie, which took effect on May 31, 2020. On August 6, 2020, Mr. Bowie also resigned as an executive Director of the Company as part of his retirement plans. Mr. Bowie remains as an advisor of the Company for a period up to December 31, 2022. Ms. Pansy Ho continues to act as managing director of MGM Grand Paradise. Certain senior executive roles have been restructured to complement the expertise of the management team, but we cannot assure you that we will not in the future lose additional key personnel and, if we do, that we will be able to find a replacement with equivalent skills and experience in a timely manner.

Currency export restrictions and unfavorable fluctuations in currency exchange rates could negatively impact us.

Currency exchange controls and restrictions on the export of currency by certain countries may negatively impact us. For example, there are currency exchange controls and restrictions in effect on the export of the Renminbi, the currency of China. Gaming operators in Macau are currently prohibited from accepting wagers in Renminbi. There are currently restrictions on the export of the Renminbi outside of mainland China, including to Macau. For example, a Chinese citizen traveling abroad is only allowed to take a total of RMB20,000 plus the equivalent of up to US\$5,000 out of China. Since January 1, 2018, the Chinese Government has imposed an annual limit of RMB100,000 (approximately US\$14,500) in the aggregate amount that can be withdrawn overseas by any person from Chinese bank accounts. In addition, the Chinese Government's ongoing anti-corruption campaign has led to tighter monetary transfer regulations, including real-time monitoring of certain financial channels, reducing the amount that China-issued ATM cardholders can withdraw in each withdrawal, imposing a limit on the annual aggregate amount that may be withdrawn and the launch of facial recognition and identity card checks with respect to certain ATM users, all of which could disrupt the amount of money visitors can bring from mainland China to Macau. Furthermore, a law with respect to the control of cross-border transportation of cash and other negotiable instruments came into effect on November 1, 2017. In accordance with such law, all individuals entering Macau with an amount in cash or negotiable instruments in an amount equal to or higher than MOP120,000 (approximately

US\$15,030), as determined by the Chief Executive of Macau, are required to declare such amount to the customs authorities. Such controls and restrictions may impede the flow of gaming customers to Macau, inhibit the growth of gaming in Macau and negatively impact the success of our business and our results of operations could be adversely affected.

In addition, the value of Renminbi against the U.S. dollar and other currencies may fluctuate and may be affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the Chinese Government. It is difficult to predict how market forces or PRC or U.S. government policy, including the ongoing trade disputes between the PRC and the U.S. governments, may further exacerbate the devaluation of Renminbi against the U.S. dollar and other currencies in the future. Given a significant number of our customers come from, and are expected to continue to come from, mainland China, any further devaluation of the Renminbi against the U.S. dollar and other currencies may affect the visitation and level of spending of gaming customers and could in turn have a material adverse effect on our revenues and financial condition.

Our revenues are mainly denominated in Hong Kong dollar. The Hong Kong dollar is pegged to the U.S. dollar and has remained relatively stable. Although currently permitted, we cannot assure you the Hong Kong dollar will continue to be pegged to the U.S. dollar, which may result in severe fluctuations in the exchange rate for this currency. Any such difficulties with respect to currency conversion or certainty in calculation of such conversion rates could have an impact on our operations and cash flows, and therefore our revenues and financial condition.

Our business is particularly sensitive to energy prices and a rise in energy prices could harm our operating results.

We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations. Accordingly, increases in energy costs may have a negative impact on our operating results.

Our failure to maintain the integrity of our customer, personal or company data, including as a result of breaches of our cybersecurity systems and measures, could degrade our ability to conduct our business operations, delay our ability to recognize revenue, compromise the integrity of our business and services, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties, regulatory fines and penalties, and require us to incur significant costs to maintain the security of our network and data.

We face global cybersecurity threats, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. Cyber-attacks and security breaches may include, but are not limited to, attempts to access information, including customer and company information, computer malware such as viruses, denial of service, ransomware attacks that encrypt, exfiltrate, or otherwise render data unusable or unavailable in an effort to extort money or other consideration as a condition to purportedly returning the data to a usable form, operator errors or misuse, or inadvertent releases of data, and other forms of electronic security breaches.

Our business requires the collection and retention of large volumes of customer and personal data, including credit card numbers and other personally identifiable information in various information systems we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The integrity and protection of customer and company data are important to us. Our collection of such customer and company data is subject to extensive regulation by private groups such as the payment card industry as well as domestic and foreign governmental authorities, including gaming authorities. If a sophisticated cyber event occurs, our systems may be unable to satisfy applicable regulations or employee and customer expectations.

Our third-party information system service providers and other third parties that share data with us pursuant to contractual agreements face risks relating to cybersecurity that may be similar to those that we face, and we do not directly control any of such parties' information security and cybersecurity operations. A significant theft, loss or fraudulent use of customer or company data maintained by us or by a third-party service provider or other third party that shares data with us pursuant to contractual agreement could have an adverse effect on our reputation, cause a

material disruption to our operations and management team and result in remediation expenses (including liability for stolen assets or information, repairing system damage and offering incentives to customers or business partners to maintain their relationships after an attack) and regulatory fines, penalties and corrective actions, or lawsuits by regulators, third-party service providers, third parties that share data with us pursuant to contractual agreement and/or consumers whose data is or may be impacted. Such theft, loss or fraudulent use could also result in litigation by shareholders alleging our protections against cyber-attacks were insufficient, our response to an attack was faulty or insufficient care was taken in ensuring we were able to comply with cybersecurity, privacy or data protection regulations, protect data, identify risks and attacks, or respond to and recover from a cyber-attack, or by customers and other parties whose information was subject to such attacks. In addition, we may incur increased cybersecurity protection costs that may include organizational changes, deploying additional personnel and protection technologies, training employees and engaging third-party experts and consultants. There can be no assurance the insurance the Company has in place relating to cybersecurity risks will be sufficient in the event of a major cybersecurity event. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to risks related to corporate social responsibility and reputation.

Many factors influence our reputation and the value of our brands, including the perception held by our customers, business partners, other key stakeholders and the communities in which we do business. Our business faces increasing scrutiny related to environmental, social and governance activities and risk of damage to our reputation and the value of our brands if we, MGM Resorts International, or any of our respective subsidiaries fail to act responsibly in a number of areas, such as environmental stewardship, supply chain management, climate change, diversity and inclusion, workplace conduct, human rights, philanthropy and support for local communities. Any harm to our reputation could impact employee engagement and retention and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

Unfavorable changes in currency exchange rates may increase MGM Grand Paradise's obligations under the Subconcession Contract and cause fluctuations in the value of our investment in Macau as well as in the Company's liabilities under the U.S. dollar denominated Notes and the Existing Notes.

The vast majority of our revenues are expressed in Hong Kong dollars, and a portion of our revenues are denominated in patacas. The Macau pataca, which is not a freely convertible currency, is linked to the Hong Kong dollar, and in many cases the two are used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, could change in response to changes in Chinese governmental policies and international economic and political developments.

We cannot assure you that the Hong Kong dollar and the Macau pataca will continue to be linked to the U.S. dollar. Any delinkage may result in severe fluctuations in the exchange rates for these currencies, which could have a negative impact on our ability to meet our obligations that are denominated in U.S. dollars, including the Notes and the Existing Notes. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

We are currently not required to pay corporate income taxes on our casino gaming operations in Macau. This tax exemption expires on June 26, 2022, which is coterminous with our Subconcession Contract, and the tax arrangement that we previously had with the Macau Government providing a fixed annual payment as a substitution for a 12% tax otherwise due from MGM Grand Paradise's shareholders on dividends distributed from our gaming operations expired on March 31, 2020.

We have had the benefit of a corporate tax exemption in Macau, which exempts us from paying the Macau complementary tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the relevant year, on profits generated by the operation of gaming operations. This exemption does not apply to our non-gaming activities. On March 30, 2020, MGM Grand Paradise was granted an extension of its exemption from the Macau 12% complementary tax on gaming profits through June 26, 2022, concurrent with the

end of the term of the Subconcession. The prior exemption was set to expire on March 31, 2020. Additionally, we entered into an arrangement with the Macau Government in February 2018, effective through March 31, 2020, that provides for an annual payment in lieu of the Macau complementary tax otherwise due from MGM Grand Paradise's shareholders on distributed dividends. In May 2019, we filed a request to extend the tax arrangement through June 26, 2022; however, there is no certainty that such arrangement will be extended on the same terms, or at all. If the arrangement is not extended, a Macau complementary tax of 12% would be due on distributions to MGM Grand Paradise's shareholders after March 31, 2020, which could have a material adverse effect on our financial condition, results of operations and cash flows, should such distributions be made.

Any of our future construction, development or expansion projects will be subject to significant development and construction risks, which could have a material adverse impact on related timetables, costs and our ability to complete the projects.

Any of our future construction, development or expansion projects will be subject to a number of risks, including:

- lack of sufficient, or delays in the availability of, financing;
- changes to plans and specifications, and delays in capital expenditures due to unexpected events, such as the ongoing COVID-19 pandemic;
- engineering problems, including defective plans and specifications;
- shortages of, and price increases in, energy, materials and skilled and unskilled labor, and inflation in key supply markets;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming, leisure, residential, real estate development or construction projects;
- labor disputes or work stoppages;
- availability of qualified contractors and subcontractors;
- disputes with and defaults by contractors and subcontractors;
- personal injuries to workers and other persons;
- environmental, health and safety issues, including site accidents and the spread of diseases/viruses, such as the ongoing COVID-19 pandemic;
- weather interferences or delays;
- fires, typhoons and other natural disasters;
- geological, construction, excavation, regulatory and equipment problems; and
- other unanticipated circumstances or cost increases.

The occurrence of any of these development and construction risks could increase the total costs, delay or prevent the construction, development, expansion or opening or otherwise affect the design and features of any future projects which we might undertake.

We also make significant capital expenditures to maintain and upgrade our resorts, which may disrupt operations and displace revenue at the properties, including revenue lost while rooms, restaurants, casino areas and meeting spaces are under renovation and out of service.

Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase.

Although we have all-risk property insurance for our property covering damage caused by a casualty loss (such as fire, natural disasters or certain acts of terrorism), the policy has certain exclusions. In addition, our property insurance coverage is in an amount that may be less than the expected full replacement cost of rebuilding our property if there was a total loss. Our level of insurance coverage may be inadequate to cover all possible losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, terrorist attacks, loss of income due to cancellation of room reservations or conventions due to fear of pandemics or terrorism, or damage resulting from deterioration or corrosion, insects or animals and pollution, might not be covered under our insurance policies. Therefore, certain acts and events could expose us to substantial uninsured losses. In addition to the damage caused to our property by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed. While we carry general liability insurance and limited business interruption insurance, this insurance may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses.

In addition, although we currently have insurance coverage for occurrences of terrorist acts with respect to our property and for certain losses that could result from these acts, our terrorism coverage is subject to the same risks and deficiencies as those described above for our all-risk property coverage. The lack of sufficient insurance coverage for these types of acts could expose us to substantial losses in the event that any damages occur, directly or indirectly, as a result of terrorist attacks or otherwise, which could have a significant negative impact on our operations. For example, we are in discussions with our policy providers in connection with insurance proceeds that we may be entitled to in connection with the COVID-19 pandemic and the related closures and other impacts. We may be unsuccessful in our attempts to claim such insurance, and therefore we may be required to bear the full weight of such closures without insurance proceeds.

We renew our insurance policies on an annual basis. There is no assurance that we will be able to renew our insurance policies on equivalent premium costs, terms, conditions and limits upon their expiration and certain events, such as typhoons and fires, may increase our premium costs. For example, our premiums have increased significantly in recent years due to the occurrence of severe typhoons. The cost of coverage may become so high that we may need to further reduce our policy limits or increase deductibles to the minimum levels permitted under our loan agreements, or agree to additional exclusions from our coverage. There is also limited available insurance in Macau and our Macau insurance companies may need to secure reinsurance in order to adequately insure our property and development projects.

The Revolving Credit Facility, the Second Revolving Credit Facility, the Subconcession Contract and other material agreements require us to maintain a certain minimum level of insurance, a portion of which we must procure from insurance companies based in Macau. Failure to satisfy these requirements could result in an event of default under the Revolving Credit Facility, the Second Revolving Credit Facility, the Subconcession Contract or other material agreements and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We cannot assure you that our anti-money laundering and anti-corruption policies will be effective in preventing the occurrence of money laundering or other illegal activities at MGM Macau and MGM Cotai.

We have implemented anti-money laundering policies in compliance with all applicable laws and regulations in Macau. We also provide periodic training to our employees with respect to anti-money laundering matters. However, we cannot assure you that these policies will be effective to prevent our casino operations from being exploited for money laundering purposes. Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our gaming promoters or our patrons would have a material adverse impact on our reputation, relationship with our regulators, business, cash flows, financial condition, prospects and results of operations. Any serious incident of money

laundering or regulatory investigation into money laundering activities may cause a revocation or suspension of the Subconcession.

As an affiliate of MGM Resorts International, we are also subject to the FCPA, which generally prohibits U.S. companies and their affiliates and intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We have specifically agreed with MGM Resorts International that we will conduct our business in a manner that is in compliance with the FCPA. Any determination that we have violated the FCPA would have a material adverse effect on us.

From time to time, we may be involved in legal and other proceedings arising out of our operations.

We may be involved in disputes with various parties involved in the operation of our properties, including contractual disputes with suppliers or property damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. In addition, litigation is often necessary to enforce intellectual property rights, which can be expensive and difficult in Macau due to the early stage of the development of intellectual property laws. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties being imposed on us. In such cases, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

The Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM Macau, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming Concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group has also been named as a defendant in legal proceedings filed in the Macau Court of First Instance by a contractor and by one of its sub-contractors, both claiming compensation for damages based on the alleged unlawful termination of two construction works contracts (contractor's claim) and on unpaid executed construction works (sub-contractor's claim). The Group intends to keep defending its position that it is not liable with respect to these claims. The Macau Court of First Instance declared, in the meantime, that the contractor, which is currently in bankruptcy proceedings, would have the proceedings continued by the company's receiver. On January 16, 2020, the Group obtained an interim injunction to freeze the contractor's assets and on June 2, 2020, the Group filed its claim for credits against the contractor's insolvency estate. No final court decision is expected in the near future.

In addition, the Group has been named as a defendant in a claim filed by certain plaintiffs in the Hong Kong Court of First Instance in connection with a dispute regarding allegedly misappropriated funds. The plaintiffs seek to recover a sum that they claim was misappropriated from them by other defendants in the case before being transferred to a controlled entity of the Group. Immediately before the Group was named as a defendant in this claim, the plaintiffs obtained an interim injunction to freeze certain funds in a Hong Kong bank account of such controlled entity of the Group in the amount of HK\$36.3 million, equivalent to the sum claimed by the plaintiffs. The Group intends to vigorously defend the claim on the basis that it had no involvement in the alleged misappropriations. No assurance can be provided as to the outcome of such proceedings.

Extreme weather conditions may have an adverse impact on our Macau operations.

Macau's subtropical climate and location on the South China Sea are subject to extreme weather conditions including typhoons and heavy rainstorms. Unfavorable weather conditions could negatively affect the profitability of our resorts and prevent or discourage guests from traveling to Macau. In the event of a major typhoon, such as Typhoon Hato in August 2017, Typhoon Mangkhut in September 2018 or Typhoon Higos in August 2020, or any other natural disaster that impacts Macau, our business may be severely disrupted and adversely affected and regulatory authorities may require our casinos to take certain actions such as a temporary cessation of operations. Any flooding, unscheduled cessation of operations, interruption in our technology or transportation services or interruption in the supply of public utilities is likely to result in an immediate, and potentially substantial, loss of revenues. The occurrence and timing of such events cannot be predicted or controlled by us and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

The transportation infrastructure in Macau may not be adequate to accommodate increased future demand of visitors to Macau.

Macau is in the process of expanding its transportation infrastructure to service the increased number of visitors to Macau, and has taken strides in recent years to improve travel times and improve accessibility, including by way of a 55 km bridge connecting Hong Kong, Macau and Zhuhai, which opened in October 2018 and the Macau Light Rapid Transit system, which opened in December 2019. If continued and other planned expansions of transportation facilities to and from Macau are delayed or not completed, and Macau's transportation infrastructure is insufficient to meet the demands of the volume of visitors to Macau, the desirability of Macau as a leisure and business tourism destination, as well as the results of operations of our properties, could be negatively impacted.

We are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.

We are subject to extensive environmental laws and requirements, such as those relating to discharges into the air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances. Under these and other environmental laws and regulations, we may be required to investigate and clean up hazardous or toxic substances or chemical releases at our properties. We cannot assure you that we will at all times be in compliance with such laws and regulations.

We could also be held responsible by a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination at our properties. These laws typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our properties.

If more stringent compliance, clean-up or liability standards are imposed, or the results of future testing and analyses at our facilities indicate that we are responsible for the release of hazardous substances, then we may be subject to additional remediation liability. More stringent standards may also lead to increased compliance costs. Any non-compliance with environmental standards established by applicable laws and regulations could have a material adverse effect on our business, prospects, financial condition and results of operations.

Uncertainties in the legal systems in the PRC may expose us to risks.

Gaming-related activities in the PRC, including marketing activities, are regulated by the Chinese Government and subject to various PRC laws and regulations. The PRC legal system continues to rapidly evolve and the interpretations of laws, regulations and rules are not always uniform. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all. As a result, we may not be aware of all policies and rules imposed by the PRC authorities that may affect or relate to our business and operations. There is also no assurance that our interpretation of the laws and regulations that affect our activities and operations in the PRC is or will be consistent with the interpretation and application by the Chinese governmental authorities. These uncertainties may impede our ability to assess our legal rights or risks relating to our business and activities. Any changes in the laws and regulations, or in the interpretation or enforcement of laws and regulations, that affect gaming-related activities in the PRC could have a material and adverse effect on our business and prospects, financial condition and results of operations.

In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory terms. Such discretion and authority of the PRC administrative and court authorities increases the uncertainties in the PRC legal system and makes it difficult to evaluate the likely outcome of any administrative and court proceedings in the PRC. Any litigation or proceeding in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention. Any such litigation or proceeding could have a material adverse effect on our business, reputation, financial condition and results of operations.

Risks Relating to the Notes

We will have a substantial amount of indebtedness, which could have important consequences for holders of the Notes and significant effects on our business and future operations.

We will have a substantial amount of debt in relation to our equity. As at December 31, 2020, after giving effect to the offering of the Notes and the use of proceeds therefrom, we would have had total long-term indebtedness of HK\$22,251 million, or US\$2,870 million, primarily consisting of the Notes, the Existing Notes and amounts outstanding under the Revolving Credit Facility. Further, as repayments made under the Revolving Credit Facility do not result in the cancelation of such commitments, we will be able to reborrow any amounts under the Revolving Credit Facility that we repay.

Our substantial indebtedness may make it more difficult for us to satisfy our obligations with respect to the Notes, increase our vulnerability to general adverse economic and industry conditions, impair our ability to obtain additional financing in the future for working capital needs, capital expenditure, acquisitions or general corporate purposes, require us to dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds available to us for our operations or expansion of our existing operations, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, place us at a competitive disadvantage as compared to our competitors, to the extent that they are not as leveraged, subject us to higher interest expense in the event of increases in interest rates to the extent a portion of our debt bears interest at variable rates, cause us to incur additional expenses by hedging interest rate exposures of our debt and exposure to hedging counterparties' failure to pay under such hedging arrangements, which would reduce the funds available for us for our operations; and in the event we or one of our subsidiaries were to default, result in the loss of all or a substantial portion of our and our subsidiaries' assets, over which our lenders have taken or will take security. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our other debt obligations, including the Notes.

In addition, under the terms of the Indenture, the indentures governing the Existing Notes and the Revolving Credit Facility, we will be permitted to incur additional indebtedness, some of which may be senior secured indebtedness. If we incur additional indebtedness, the risks described above will be exacerbated.

Claims by our secured creditors will have priority with respect to their security over the claims of the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

Claims by our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to any secured indebtedness and other secured obligations of the Company to the extent of the value of the assets securing such indebtedness or other obligations. In addition, although we have not been required to incur liens in connection with our Subconcession in the past, we can provide no assurance that we will not be required to do so in the future, including with respect to the equity interests of our subsidiaries. As at December 31, 2020, neither the Company nor any of its subsidiaries had any secured indebtedness outstanding. We may incur secured indebtedness or other secured obligations in the future, all of which will be effectively senior to the Notes to the extent of the value of the collateral securing such obligations.

The Notes will be structurally subordinated to the liabilities of our subsidiaries.

Our subsidiaries, including our subsidiary Subconcessionaire, MGM Grand Paradise, will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. In the event that any of our subsidiaries becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as a part of a solvent transaction:

- the creditors of the Company (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and

- creditors of such subsidiary, including trade creditors, and any preferred shareholders of such subsidiary will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Company, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

The liabilities of our subsidiaries do not currently include any long-term indebtedness, however pursuant to terms of the Indenture, the indentures that govern the Existing Notes and the Revolving Credit Facility as well as the Second Revolving Credit Facility, they are able to incur such indebtedness in the future, which indebtedness would be structurally senior to any claims of the holders of the Notes.

The limited covenants in the Indenture may not protect against developments that may impair our ability to repay the Notes or the trading price for the Notes.

The Indenture will not and does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the Notes if we experience significant adverse changes in our financial condition or results of operations;
- limit our ability to incur indebtedness that is senior or equal in right of payment to the Notes;
- limit our subsidiaries' ability to incur unsecured indebtedness, all of which would be structurally senior to the Notes; or
- restrict our ability to make investments or to repurchase, or pay dividends or make other payments in respect of, our ordinary shares or other securities ranking junior to the Notes.

An increase in the level of our indebtedness, or other events that could adversely affect our business, financial condition, results of operations or prospects, may cause rating agencies to downgrade any credit ratings on the Notes, which could adversely affect their trading price and liquidity, and downgrade our corporate rating generally, which could increase our cost of borrowing, limit our access to the capital markets and result in more restrictive covenants in future debt agreements.

Any downgrade in the Group's credit rating or credit ratings for our debt securities could limit our ability to access the capital markets, increase our borrowing costs and adversely affect the market price of our outstanding debt securities, or otherwise impair our business, financial condition and results of operations. We are subject to a ratings downgrade at any time, including between the pricing of the Notes and the issuance date of the Notes.

Credit rating agencies continually review our corporate ratings and ratings for our debt securities. Credit rating agencies also evaluate the industries in which we and our affiliates operate and may change their credit rating for us based on their overall view of such industries. On March 25, 2020, Fitch Ratings downgraded the corporate rating of the Group and MGM Resorts International to BB- from BB with a negative outlook, citing decreased financial flexibility. Further, on March 4, 2021, Standard & Poor's downgraded the issuer credit ratings of MGM Resorts International and the Company to B+ with a negative outlook from BB-. Although there have been no further downgrades, we are subject to a ratings downgrade at any time, and no assurance can be given that events occurring between now and the issuance of the Notes will not result in the rating agencies downgrading our credit rating. There can be no assurance that any rating assigned to our currently outstanding debt securities will remain in effect for any given period of time or that any such ratings will not be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances so warrant.

Our ability to access the capital markets is in part driven by our ratings and a further downgrade of our credit ratings could, among other things:

- limit our access to the capital markets or otherwise adversely affect the availability of other new financing on favorable terms, if at all;
- result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur;
- increase our cost of borrowing;
- adversely affect the market price of our outstanding debt securities; and
- impair our business, financial condition and results of operations.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to make scheduled payments due on our existing and anticipated debt obligations, including the Notes, and fund working capital needs, planned capital expenditures and development efforts will depend on our ability to generate sufficient operating cash flow from our properties. Our ability to obtain cash to service our existing and projected debts is subject to a range of economic, financial, competitive, regulatory, business and other factors, many of which are beyond our control, including:

- our future operating performance;
- the demand for services that we provide;
- general economic conditions and economic conditions affecting Macau or the gaming industry in particular;
- our ability to hire and retain employees and management at a reasonable cost;
- competition; and
- legislative and regulatory factors affecting our operations and business.

If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness, including the Notes, on or before the maturity date, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness, including the Notes, will depend on the condition of the financing and capital markets, our financial condition and our ability to obtain requisite governmental approvals at such time. On May 26, 2020, we entered into an additional revolving credit facility of up to HK\$3.9 billion (approximately US\$503.0 million), which will not become fully available for draw down until all available amounts are outstanding under the Revolving Credit Facility. As described in this offering memorandum, we have entered into three amendments to our Revolving Credit Facility since the onset of the COVID-19 pandemic and two amendments to our Second Revolving Credit Facility since we first entered into such facility in order to preserve financial flexibility, but we can give no assurance that our lenders will be willing to continue to negotiate on terms that are reasonable or at all to the extent conditions further deteriorate.

Any refinancing of any of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our operations. The terms of existing or future debt instruments, including the Indenture, may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in downgrades of any credit ratings we or the Notes may have at such time, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our

debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, could materially adversely affect our business, prospects, financial condition and results of operations, as well as our ability to satisfy our obligations with respect to the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements, including the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements, or the Indenture, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, the indentures governing the Existing Notes, the Revolving Credit Facility and the Second Revolving Credit Facility, contain or will contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt agreements, including the Indenture, the indentures governing the Existing Notes, the Revolving Credit Facility and the Second Revolving Credit Facility. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to obtain alternative financing on reasonable terms or at all.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest or principal payments on intercompany loans or advances from our subsidiaries to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. Certain of our subsidiaries may incur debt in their own name in the future, and the instruments governing such debt may require the lenders' consent prior to the subsidiaries declaring dividends or otherwise restrict dividends or other distributions on their equity interests to us. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes.

We may not be able to repurchase the Notes upon the occurrence of certain events.

We must offer to purchase the Notes upon the occurrence of certain specified change of control triggering events or specified investor put option triggering events at a purchase price equal to 101% or 100% of the principal amount, respectively, plus accrued and unpaid interest. See "*Description of Notes—Repurchase at the Option of Holders.*" Furthermore, we may redeem the Notes if certain changes in tax law impose withholding taxes on amounts payable on the Notes, and, as a result, we are required to pay additional amounts with respect to such withholding taxes. See "*Description of Notes—Redemption for Tax Reasons.*" The indentures governing our Existing Notes also contain similar redemption and repurchase provisions, and therefore we may also be required to redeem and repurchase outstanding Existing Notes in such circumstances.

The sources of funds for any such purchases would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering events or investor put option triggering events to make purchases of outstanding Notes and Existing Notes. Our failure to make a required offer to purchase or to purchase the outstanding Notes would constitute an event of default under the Notes. Such event of default may, in turn, constitute an event of default under other indebtedness, including the indentures governing the Existing Notes, the Revolving Credit Facility and the Second Revolving Credit Facility, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of change of control for purposes of the Indenture will not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the Indenture will also include a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

We may, in our discretion, require holders and beneficial owners of the Notes to dispose of their Notes, or we may redeem the Notes, due to regulatory considerations.

We may redeem the Notes due to regulatory considerations, either as required by gaming authorities or in our discretion. The Indenture will grant us the power to redeem the Notes that you own or control if any gaming authority requires you, or a beneficial owner of the Notes, to be licensed, qualified or found suitable under any applicable gaming law and:

- you or such beneficial owner fails to apply for a license, qualification or finding of suitability within 30 days after being requested to do so (or such lesser period as required by the relevant gaming authority); or
- you or such beneficial owner is determined by a gaming authority to be unsuitable to own or control the Notes.

Under the foregoing circumstances, under the Indenture, we may redeem, and if required by the applicable gaming authority, we must redeem, your Notes to the extent required by the gaming authority or deemed necessary or advisable by us. The redemption price will be equal to:

- the price required by applicable law or by order of any gaming authority; or
- the lesser of (1) the principal amount of the Notes, as applicable, and (2) the price that you or the beneficial owner paid for the Notes, as applicable, in either case, together with accrued and unpaid interest on the Notes, as applicable.

See “*Description of Notes—Gaming Redemption.*”

The insolvency laws of the Cayman Islands may differ from U.S. bankruptcy law.

The Company is incorporated under the laws of the Cayman Islands. Accordingly, insolvency proceedings with respect to the Company would likely involve Cayman Islands insolvency law, and the procedural and substantive provisions of which may differ from the insolvency law of the United States or other jurisdictions with which the holders of the Notes are familiar.

An active trading market for the Notes may not develop.

The Notes are new issues of securities for which there is currently no trading market. Although we have received a confirmation from the Hong Kong Stock Exchange of the eligibility of a listing of the Notes by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but they are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market for the Notes of any series does not develop or is not sustained, the market price and liquidity of such Notes may be adversely affected.

The liquidity and prices of the Notes may be volatile.

Even if an active trading market for the Notes develops, the prices and trading volumes of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, the general state of the securities market (including the market for debt issued by other companies and debt issued by governments), market conditions in our industry and fluctuations in prices for comparable companies could result in large and sudden changes in the volume and price at which the Notes will trade.

The transfer of Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been and will not be registered under, and we are not obligated to and have no intention to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “*Transfer Restrictions*.”

We may elect to redeem the Notes prior to their maturity.

Pursuant to terms of the Notes, we may elect to redeem such Notes prior to their maturity in whole or in part at the price specified in the section entitled “*Description of Notes—Optional Redemption*.” The date on which we elect to redeem such Notes may not accord with the preference of particular noteholders. In addition, a noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of such Notes.

We will follow the applicable corporate disclosure standards for debt securities which are issued to Professional Investors only and listed on the Hong Kong Stock Exchange, and such standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to. See “*Description of Notes—Certain Covenants—Reports*.”

USE OF PROCEEDS

We estimate that the net proceeds from the offering of the Notes will be approximately HK\$5,743 million, or US\$741 million, after deducting the original issue discounts of the Initial Purchasers and other estimated offering expenses payable by us. Subject to compliance with applicable laws and regulations, we intend to use the net proceeds from this offering to repay a portion of the amounts outstanding under our Revolving Credit Facility and for general corporate purposes. Affiliates of certain of the Initial Purchasers are lenders under our Revolving Credit Facility and, accordingly, may receive a portion of the net proceeds of this offering through any repayment of borrowings under our Revolving Credit Facility. See “*Plan of Distribution—Conflicts of Interest.*” The Company will be permitted to reborrow such amounts under the Revolving Credit Facility.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as at December 31, 2020 (i) on an actual basis and (ii) as adjusted to give effect to the net proceeds from the issuance of the Notes, after deducting the original issue discounts of the Initial Purchasers and other estimated offering expenses payable by us, and the application of the proceeds as described under “*Use of Proceeds*.” The following table should be read in conjunction with the summary financial information and audited consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As at December 31, 2020			
	Actual		As Adjusted	
	(US\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)
Cash and cash equivalents	339,917	2,635,511	430,579	3,338,450
Debt				
Revolving Credit Facility ⁽¹⁾	769,856	5,970,000	119,856	930,290
Existing 2024 Notes ⁽²⁾	750,000	5,814,675	750,000	5,814,675
Existing 2025 Notes ⁽²⁾	500,000	3,876,450	500,000	3,876,450
Existing 2026 Notes ⁽²⁾	750,000	5,814,675	750,000	5,814,675
Notes offered hereby	—	—	750,000	5,815,050
Total face value of debt	2,769,856	21,475,800	2,869,856	22,251,140
Debt finance costs and discounts	(41,370)	(320,760)	(50,708)	(393,161)
Total debt	2,728,486	21,155,040	2,819,148	21,857,979
Total equity	647,157	5,017,664	647,157	5,017,664
Total capitalization	3,375,643	26,172,704	3,466,305	26,875,643

- (1) The amount outstanding under the Revolving Credit Facility as at December 31, 2020 (actual) was translated using the exchange rate of HK\$7.7547 to US\$1.00. The amount outstanding under the Revolving Credit Facility as at December 31, 2020 (as adjusted) was translated using the exchange rate of HK\$7.7617 to US\$1.00. As of December 31, 2020, we had available capacity of HK\$6.90 billion (approximately US\$890 million) under the Revolving Credit Facility and the Second Revolving Credit Facility. As of February 26, 2021, we had drawn down bank borrowings of HK\$6.87 billion (approximately US\$886 million) under our Revolving Credit Facility. There have been no drawdowns under the Second Revolving Credit Facility. As of February 26, 2021, we had available capacity of HK\$6.00 billion (approximately US\$774 million) under our Revolving Credit Facility and our Second Revolving Credit Facility.
- (2) The amount outstanding under the Existing Notes as at December 31, 2020 was translated using the exchange rate of HK\$7.7529 to US\$1.00.

Except as otherwise disclosed above, there has been no material change in our capitalization since December 31, 2020.

EXCHANGE RATE INFORMATION

Overview

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. Under existing Hong Kong law, (i) there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to United States residents and (ii) there are no limitations on the rights of non-residents or foreign owners to hold our shares. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00 since the early 1980s. In May 2005, the Hong Kong Monetary Authority set a trading range of HK\$7.75 to HK\$7.85 per U.S. dollar, and the Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			Period End
	Low	Average ⁽¹⁾	High	
		(HK\$ per US\$1.00)		
2015.....	7.7495	7.7519	7.7686	7.7507
2016.....	7.7505	7.7618	7.8270	7.7534
2017.....	7.7540	7.7950	7.8267	7.8128
2018.....	7.8043	7.8376	7.8499	7.8305
2019.....	7.7850	7.8335	7.8499	7.7894
2020.....	7.7498	7.7562	7.7951	7.7534
2021.....				
January.....	7.7517	7.7533	7.7555	7.7531
February.....	7.7515	7.7529	7.7567	7.7567

(1) Annual and interim period averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

Macau

The Macau pataca is pegged to the Hong Kong dollar at a rate of HK\$1.00 = MOP1.03.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with "Summary Financial Information" and our audited consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. See "Forward-Looking Statements" regarding these statements.

Overview

We are a leading developer, owner and operator of gaming and lodging resorts in Macau. We own and operate MGM Macau, which is a Forbes Five-Star luxury integrated resort inspired by the arts with every element of the resort infused with creativity and style. We also own and operate the latest addition to our portfolio, MGM Cotai, which was designed as the "Jewelry Box" of Cotai, and offers a gaming area, 1,390 hotel rooms and suites, meeting space, retail, food and beverage and other non-gaming offerings, as well as The Mansion for the ultimate luxury experience.

Business Overview

We are a leading developer, owner and operator of two integrated casino, hotel and entertainment resorts in Macau, MGM Macau and MGM Cotai, where we offer high-quality gaming, hospitality and entertainment experiences to attract and retain our customers. MGM Grand Paradise, our subsidiary, holds one of the six gaming concessions/subconcessions permitted by the Macau Government to operate casinos or gaming areas in Macau.

The Company's Shares have been listed on the Hong Kong Stock Exchange since June 3, 2011. The Company's immediate holding company is MRIH, a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the NYSE. MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of our issued share capital as of December 31, 2020) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital as of December 31, 2020). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

On March 15, 2019, a Subconcession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Subconcessionaire, pursuant to which the Subconcession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires and Subconcessionaires in Macau. The Macau Government is working on the gaming concessions retender process and announced that the public consultation on the gaming law will be completed in the second half of 2021, the amendment of which will precede the launching of the public tender. The Company awaits the issuance of guidance by the Macau Government with respect to the gaming concessions retender or extension process.

On March 23, 2020, an addendum to the Subconcession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Subconcession Contract on June 26, 2022.

Recent Developments

On January 6, 2021, the board of directors of MGM Resorts International received an open letter issued by Snow Lake Capital, an institutional investor and a holder of approximately 7.5% of the issued and outstanding shares of the Company as of the date of the letter, making recommendations on the shareholding structure and future development of the Company. In response to the open letter, on January 8, 2021, our Board announced that the Company has no plans of restructuring and that it will continue to communicate with the Company's shareholders to operate the Company in the best interests of its shareholders and stakeholders, enhancing shareholder value and performance of the Company.

On February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive compliance with the covenants with respect to the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility through the fourth quarter of 2022.

For an update on the impact of COVID-19 on the Company since December 31, 2020, please see “—*Impact of COVID-19—Effect of COVID-19 on Our Financial Results and Liquidity*”.

Impact of COVID-19

The continued spread of COVID-19 and the developments surrounding the global pandemic have had, and we expect that they will likely continue to have, a significant impact on our business, results of operations and financial condition. The COVID-19 pandemic is an unprecedented global public health crisis and we place high importance on the health and safety of our employees, guests and all Macau citizens as we continue to fight this pandemic.

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China’s individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM Macau and MGM Cotai were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM Macau and MGM Cotai resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection, and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system, were put in place to reduce the risk of transmission. While guests entering our casinos are no longer required to present negative COVID-19 test results effective from March 3, 2021, many social distancing and health measures remain in place as of the date of this offering memorandum. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period, provided they obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid ‘green’ code result for the Macau Health Code system and the Guangdong health-declaration system, respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid ‘green’ Macau Health Code. Since July 2020, China has gradually relaxed domestic travel restrictions. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period, and tourist visas issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020, respectively. On February 23, 2021, Macau classified all mainland China cities as low-risk COVID-19 transmission areas, removing the requirement for inbound travelers to quarantine for 14 days upon their arrival in Macau.

As at the date of this offering memorandum, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM Macau and MGM Cotai, which had a significant adverse impact on the Group’s results for the year ended December 31, 2020 and will likely continue to impact the Group’s results given the uncertainty of the length of time of the pandemic. According to the DSEC, total visitor arrivals decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0%, for the year ended December 31, 2020 compared to 2019. According to the DICJ, the Macau gross gaming revenue decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 compared to the year ended December 31, 2019. Visitation to Macau and volume across

all operations at MGM Macau and MGM Cotai have steadily improved since the October 2020 Golden Week, which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. The January 2021 monthly gross gaming revenue of the Macau gaming market was increased by 2.6% to HK\$7.8 billion compared with December 2020. We expect that the rate of business recovery will continue to be gradual, driven by the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture.

Effect of COVID-19 on Our Financial Results and Liquidity

The operational disruptions caused by the pandemic and the various travel and social-distancing restrictions imposed by local and international governmental authorities had a material adverse impact on our business operations and financial position and performance during the year ended December 31, 2020. Our operating revenue for the year ended December 31, 2020, totaled HK\$5.1 billion (approximately US\$657 million) compared to HK\$22.8 billion for the year ended December 31, 2019, representing a decrease of 77.6%. We recorded an operating loss of HK\$4.1 billion (approximately US\$533 million) and a net loss of HK\$5.2 billion (approximately US\$671 million) for the year ended December 31, 2020, as compared to an operating profit of HK\$3.0 billion and a net profit of HK\$1.9 billion for the year ended December 31, 2019. Adjusted EBITDA loss totaled HK\$1.4 billion (approximately US\$177 million) for the year ended December 31, 2020, as compared to Adjusted EBITDA of HK\$6.2 billion for the year ended December 31, 2019.

As of December 31, 2020, the Group had total liquidity of HK\$9.5 billion (approximately US\$1.2 billion), consisting of HK\$2.6 billion (approximately US\$340 million) of cash and cash equivalents and HK\$6.9 billion (approximately US\$890 million) of available borrowing capacity under the Revolving Credit Facility and the Second Revolving Credit Facility. The Company believes it has sufficient liquidity to support its operations, implement the planned new development activities, including the development of the MGM Cotai South Tower suites and enhancement of our properties, including our gaming floors, and respond to the challenges of the pandemic.

Further, to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, the Company undertook a number of initiatives in 2020:

- the Company entered into an amendment to the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, in an aggregate amount of HK\$2.34 billion (approximately US\$301.8 million), with a final maturity date of May 15, 2024, with an option to increase the amount of the facility up to HK\$3.9 billion (approximately US\$503.0 million) subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- on October 14, 2020, the Company entered into an amendment to the Second Revolving Credit Facility, to waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021. On October 15, 2020, the Company entered into a third amendment to the Revolving Credit Facility, to

further waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021;

- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year;
- certain capital expenditures that were planned to begin during the year have been deferred;
- negotiations with its vendors in respect of existing contracts in order to reduce or defer costs; and
- on February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility, respectively, through the fourth quarter of 2022.

Following the full resumption of China's individual visa scheme on September 23, 2020, the Company experienced an increase in visitation at our casinos and increased operating revenue in the fourth quarter of 2020. For the three months ended December 31, 2020, we recorded operating revenue of HK\$2,362.4 million, with MGM Macau and MGM Cotai contributing HK\$1,261.4 million and HK\$1,101.0 million, respectively, to our operating revenue for the period. This is in comparison to our operating revenue of HK\$5,691.8 million in the fourth quarter of 2019, with MGM Macau and MGM Cotai contributing HK\$2,982.9 million and HK\$2,708.9 million, respectively, to our operating revenue for the period. The main floor gross table games win for MGM Macau and MGM Cotai for the three months ended December 31, 2020 was HK\$890.0 million and HK\$996.1 million, respectively, as compared to HK\$2,057.6 million and HK\$1,886.7 million, respectively, for the three months ended December 31, 2019.

Further, for the three months ended December 31, 2020, MGM Macau and MGM Cotai recorded Adjusted EBITDA of HK\$247.1 million and HK\$120.1 million, respectively, compared to HK\$917.8 million and HK\$640.0 million for the three months ended December 31, 2019. For more information regarding the Group's Adjusted EBITDA for the three months ended December 31, 2020 and 2019, see "*Selected Consolidated Financial and Other Data—Other Financial and Operational Data (unaudited)—Adjusted EBITDA for the three month periods ended December 31, 2020 and 2019*".

If our casinos and hotels are not permitted to fully resume normal operations, travel restrictions and other global restrictions on inbound travel from other countries and areas including Hong Kong and Taiwan are not lifted or relaxed or the global response to contain the COVID-19 pandemic escalates or is unsuccessful, our operations, cash flows and financial condition will be further materially impacted. The duration and intensity of the global health emergency and related disruptions arising as a result of the pandemic are uncertain. Given the dynamic nature of the situation, the anticipated impact on our results of operations, cash flows and financial condition in 2021 and beyond are currently unknown. See "*Risk Factors—Risks Relating to our Business and Operations—The COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, financial results and liquidity*."

MGM Macau

MGM Macau opened in December 2007. The casino floor offers approximately 28,551 square meters, with 638 slot machines, 279 gaming tables, and multiple VIP and private gaming areas as at December 31, 2020. The hotel comprises a 35-story tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM Macau is

directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM Cotai

MGM Cotai opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 655 slot machines and 273 gaming tables as at December 31, 2020. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM Cotai allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM Cotai, is enriched with experiential technology elements to entertain our guests. MGM Cotai offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019. Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers, attached to The Mansion was introduced in December 2018. The new gaming area allowed us to expand our gaming operations and enhance our competitiveness.

The Company reached a settlement agreement with the principal contractors in connection with the construction costs of MGM Cotai in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders' work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately HK\$9,971.4 million). The Company agreed to pay to the principal contractors MOP612.5 million (approximately HK\$594.7 million), being the settlement amount of MOP10,270.5 million (approximately HK\$9,971.4 million) less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million (approximately HK\$9,376.7 million). The required amounts had been fully settled as at December 31, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the nominated sub-contracts of the MGM Cotai development.

Factors Affecting Our Results of Operations and Financial Position

Our results of operations and the year-to-year comparability of our financial condition are affected by a number of factors, including:

Macau Gaming Market and Tourism

Macau continues to be the largest casino gaming market in the world. Additional capacity has been added in recent years with several new large-scale integrated resorts being opened in Cotai. Additionally, infrastructure investment and growth in room supply have supported increased visitation, including overnight visitors to Macau.

Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the DSEC, approximately 80.6% and approximately 70.9% of visitors to Macau in 2020 and 2019, respectively, were from mainland China.

Aside from the COVID-19 pandemic as described in the section headed "*Business—Impact of COVID-19*", a number of factors have adversely impacted the Macau gaming market commencing from the second half of 2014 as a result of the effect of mainland China and Macau Government policies. Major factors impacting the Macau gaming market include economic disruption or uncertainty in mainland China; global trade tensions; restriction on exit visas from mainland China for travel to Macau and Hong Kong; anti-smoking legislation; anti-corruption campaigns; currency transfer restrictions; border currency declaration system and monetary outflow policies. These policies may affect the number of visitors and amount of capital outflow from mainland China to Macau. Outbreaks of highly infectious diseases, including the COVID-19 pandemic, and extreme weather conditions such as typhoons also affect the number of visitors to Macau.

According to Macau Government statistics, monthly gross gaming revenue of the Macau gaming market experienced inconsistent months of growth and decline, resulting in a year-over-year decline of 3.4% to HK\$283.9 billion for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Due to the COVID-19 related closures and other related restrictions on travel and capacity at the facilities in the Macau gaming market, according to the DICJ, the gross gaming revenue of the Macau gaming market decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 as compared to the year ended December 31, 2019. According to the DSEC, total visitor arrivals in Macau decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0% for the year ended December 31, 2020, respectively, as compared to the year ended December 31, 2019. Visitation to Macau has steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. The January 2021 monthly gross gaming revenue of the Macau gaming market was increased by 2.6% to HK\$7.8 billion as compared to December 2020. We expect that the rate of business recovery in 2021 will be gradual, driven by the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture.

Despite the impact of the COVID-19 pandemic, we remain optimistic about the long-term growth of the Macau market due to:

- the financial investments made by gaming Concessionaires and Subconcessionaires, including MGM Grand Paradise, in the opening of new properties providing superior and diversified products to enhance the position of Macau as a world class tourism center;
- the infrastructure improvements in Macau and the Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge in October 2018; the expansion of the Macau Airport; the opening of new Hengqin border 24-hour checkpoint in August 2020; the opening of Macau Light Rapid Transit System in December 2019; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China. All are expected to facilitate more convenient travel to Macau;
- the development of Hengqin into a tourism island, together with Macau designated as a key tourism hub by the Chinese Government;
- the continuous growth of mainland China outbound tourism, particularly in light of the growing middle class; and
- the strong efforts to control the COVID-19 pandemic by the mainland China and Macau Governments.

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at December 31, 2020, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to MGM Cotai's opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased to 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic due in part to the opening and continued ramp-up of MGM Cotai. Visitation to Macau and volume across all operations at MGM Macau and MGM Cotai have steadily improved since the October 2020 Golden Week as described above. As a result, our overall gaming market share increased to 12.6% for the fourth quarter ended December 31, 2020, driven by the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture.

Our competition is not geographically limited to the Macau market. We compete with similar businesses in other parts of the world including, but not limited to, integrated resorts in Cambodia, Vietnam, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Gaming Patrons

Our results of operations are substantially dependent upon casino revenue from high value individuals in the VIP gaming, main floor gaming and slot machines gaming operations. Our gaming patrons include main floor players, gaming promoters who help source our VIP players and our in-house VIP players.

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the “mass market gaming operation”. Main floor players, including the premium mass market players we aim to attract, come to our properties for a variety of reasons, including our dual locations in the Macau market, direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors, and our non-gaming offerings. Unlike VIP players, main floor players, including premium and mass market players, do not receive commissions from the Group and, accordingly, the profit margin from the main floor business is higher than the VIP operation. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. These players also account for a significant portion of our total gross profit. We believe this operation represents the most potential for sustainable growth in the future.

We have made continuous efforts to improve the gaming experience of our premium and mass market players by renovating the dedicated exclusive gaming space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

VIP Gaming Operation

Gaming Promoters

A significant amount of our VIP casino play is referred to us by gaming promoters, with whom we have established business relationships and who have historically played an important role in the Macau gaming market. Gaming promoters introduce high-end VIP players to us and normally assist those customers with their travel and entertainment arrangements. From time to time and on a case-by-case basis, we grant credit, which is non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements.

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Subconcession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability. We have established procedures to screen prospective gaming promoters prior to their engagement and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards.

In exchange for their services, we compensate the gaming promoters by paying them a commission based upon a percentage of the gross table games win or a percentage of the table games turnover they generate. The commission is settled on a monthly basis normally no later than the second business day of the succeeding month and prior to the re-issuance of credit. They also earn a complimentary allowance based upon a percentage of the table games turnover they generate, which can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses.

In-house VIP Players

In addition to VIP players introduced to us by gaming promoters, we also have in-house VIP players sourced directly through our own marketing channels. These in-house VIP players typically receive a commission and an allowance for hotel rooms, food and beverage based upon a percentage of their rolling chip turnover.

We selectively grant credit to certain in-house VIP players whose level of play and financial resources meet our approval criteria. We conduct a number of credit checking procedures including the receipt of various signed

documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

In order to minimize the credit risk with gaming promoters and in-house VIP players, the Group has a designated management team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover all receivables. The Group currently has a legally enforceable right to set off the receivables against the deposits, commissions and incentives liabilities that are to be settled simultaneously. We generally do not charge interest for credit granted but require a personal cheque or other acceptable form of security. We have been successful in collecting some receivables previously considered to be at risk of recoverability. The Group regularly reviews the recoverable amount of each individual debt to ensure that adequate loss allowances are made for irrecoverable amounts.

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Our proportion of GGR from the mass and VIP market was 72% and 28%, respectively, for the year ended December 31, 2020 compared to 64% and 36%, respectively, for the year ended December 31, 2019 and compared to 58% and 42%, respectively, for the year ended December 31, 2018. However, as described under "—Discussion of Results of Operations", our revenues were reduced substantially in 2020, therefore our proportion of GGR from the mass and VIP markets for the year ended December 31, 2020 is not comparable to our proportion of GGR from the mass and VIP markets for the years ended December 31, 2019 and 2018.

Non-gaming Attractions and Branding Activities

We recognize the importance of brand awareness in growing our business. We have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relations activities. We continue to improve our customer experience by enhancing our hotel rooms, food, beverage, retail and entertainment offerings, and by expanding and refurbishing our non-gaming areas.

MGM Macau was designed to blend both East and Western design cues and pay homage to Macau's multi-faceted history. Our property features colorful hand-blown glass adornments by Dale Chihuly, including the massive "Fiori di Paradiso" chandelier, which is located at the hotel lobby. Artworks including lion sculptures and paintings by local and international artists are located elsewhere on the grounds. MGM Macau's centerpiece, the 1,088 square meter Grande Praça features a 25-meter high glass skydome and European-inspired facades, including the main facade which is fashioned after the Estação Rossio, Lisbon's central rail station. The Grande Praça is visible from a number of restaurants as well as areas of the upper gaming floor and is host to a variety of special exhibitions, shows, displays and various special occasions and events. The Grande Praça, with its aquarium tower in the center and seasonal decorations, has become a tourist attraction in Macau.

With the opening of MGM Cotai on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government's vision for diversification. MGM Cotai was designed as the "Jewelry Box" of Cotai. The building is designed to redefine the way people experience art and entertainment through innovative technology. Such elements include our innovative Spectacle, which is the world's largest area of permanent indoor LED screens showcasing an exclusive array of digital art collected from around the globe and our MGM Theater, which is Asia's first dynamic theater featuring multi-dimensional sensory experience enriched with experiential technology elements which we believe can break the boundaries between imagination and reality to delight and captivate our guests. Through the integration and application of innovation and technology, in 2020, we featured the livestream show of Dong Mingzhu and the "27th Huading Awards – China's Top 100 Film Satisfaction Survey Release Ceremony" at our MGM Theater. MGM China also partnered with Macao Orchestra to perform the Beethoven: Symphony No. 6 in F Major, Op.68, "Pastorale", under our Spectacle. In addition, the MGM Cotai Art Collection features over 300 captivating and thought-provoking artworks. Headlining the MGM Cotai Art Collection are 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing.

In 2019, new art exhibitions were brought into MGM Cotai including “Hua Yuan Exhibition” and “Rooster, Tiger, Sheep by Snake — Wen-You Cai Photography Exhibition”, and new shows were performed at MGM Theater including the “JABBAWOCKEEZ — true to yourself”, “The Harry Potter Film Concert Series”, “Fuerza Bruta Wayra” and “Legend Fighting Championship”. In addition to our annual “Oktoberfest Macau at MGM”, we also organized Macau’s first-ever food and music festival “MGM Chef Nic Gastronomusic Fest” at MGM Cotai. All of these activities are to support our goals of diversification and attract incremental visitors into our resorts. These non-gaming offerings attract visitors to our resorts and create a sense of anticipation among our customers, local communities and tourists about the activities at MGM Macau and MGM Cotai.

As a result of the suspension of casino operations for a 15-day period, certain non-gaming facilities closed down in February 2020. Those facilities have gradually reopened beginning February 20, 2020. A number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions. We have been implementing new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior as the health and safety of our staff and customers are always our priority. With such implementation, we were able to focus on enhancing our non-gaming offerings to attract customers including MGM Mixy-Go-Matchy offerings, interactive art tours and cultural experience, and musical performances under our Spectacle at MGM Cotai. Also, across the two properties, taking advantage of the LED displays at the Spectacle and the coral of the Grande Praça’s giant aquarium, “The MGM Sea Odyssey” was another innovative show at MGM.

All of these non-gaming offerings attract visitors to our resorts and create a sense of anticipation among our customers, local communities and tourists about the activities at MGM Macau and MGM Cotai. In addition, we are preparing events and attractions to be delivered upon the recovery from COVID-19.

Segment Information

The Group has determined its operating segments based upon the reports reviewed by the chief operating decision-maker when allocating resources and assessing performance of the Group.

The Group’s principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM Macau and MGM Cotai. Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM Macau and MGM Cotai have been aggregated into one reportable segment on the basis that they have similar economic characteristics, customers, services and products provided, and the regulatory environment in which they operate. Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment.

Adjusted EBITDA

Adjusted EBITDA is profit/loss before finance costs, income tax expense/benefit, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. Adjusted EBITDA is used by management as the primary measure of the Group’s operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

The following table presents the reconciliation of the Group’s Adjusted EBITDA to profit or loss attributable to owners of the Company for the years ended December 31, 2020, 2019 and 2018.

	For the year ended December 31,			
	2020 (US\$'000)	2020	2019 (HK\$'000)	2018
(Loss)/profit for the year attributable to owners of the Company	(670,871)	(5,201,531)	1,931,228	1,068,499

<i>Add/(less)</i>				
Income tax expense/(benefit).....	1,314	10,186	10,462	(295,605)
Net foreign currency (gain)/loss.....	(6,710)	(52,024)	(85,190)	6,336
Finance costs.....	144,248	1,118,409	1,128,075	667,876
Interest income.....	(1,191)	(9,232)	(21,238)	(12,113)
Operating (loss)/profit	(533,210)	(4,134,192)	2,963,337	1,434,993
Depreciation and amortization.....	318,269	2,467,666	2,564,457	2,150,305
Loss on disposal/write-off of property and equipment and other assets	1,714	13,287	14,778	194,265
Pre-opening costs ⁽¹⁾ (unaudited)	—	—	20,548	496,945
Corporate expenses (unaudited)	27,463	212,933	549,703	484,033
Share-based payments	8,846	68,583	70,308	76,639
Adjusted EBITDA (unaudited)	(176,918)	(1,371,723)	6,183,131	4,837,180

- (1) Pre-opening costs for the year ended December 31, 2019 primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM Cotai, primarily related to The Mansion and gaming promoter rooms. Pre-opening costs for the year ended December 31, 2018 primarily represented personnel and other cost incurred prior to the opening of MGM Cotai and ongoing development phases of MGM Cotai, primarily related to The Mansion, theater and gaming promoter rooms.

Significant Accounting Estimates and Judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates may result in outcomes that may require a material adjustment to the carrying amount of the asset or liability within the next financial year. Key sources of estimation uncertainty and critical judgments at the end of the reporting period, which have a significant effect on the consolidated financial statements are discussed below:

Loss allowance of trade receivables

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and assessments of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their estimated recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age of the receivables, the customers' financial condition, collection history, any other known information about the customers, general economic conditions, forecasts and forward-looking information including the impact of the COVID-19 pandemic on the customers' ability to settle. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss and carrying amount of trade receivables in the period of change.

Impairment of non-financial assets

The Group follows the requirements of IAS 36 Impairment of Assets to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts.

Due to the uncertainties in connection with the COVID-19 pandemic, the Group has estimated the recoverable amount of non-financial assets to determine whether non-financial assets are impaired. The calculation of recoverable amount of the non-financial assets involves identification of the cash-generating unit(s) and the value-in-use calculations, which requires significant judgment and estimations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that take into consideration the future economic conditions (including the impact of the COVID-19 pandemic), competition in Macau, and the regulatory environment (including the renewal of the gaming sub-concession). Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.

No impairment loss was recognized for the year ended December 31, 2020 as the recoverable amounts of the assets are greater than the carrying value. Changes in the key assumptions and estimates on which the recoverable

amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

Valuation of lease liabilities and right-of-use assets

The Group has several lease contracts that include extension options. In determining the lease term, the Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew the lease including relevant factors that create an economic incentive for it to exercise the renewal. The Group has included the renewal period as part of the lease term for leases of land. After the initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

Useful lives of property and equipment

The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

Discussion of Results of Operations

Operating Revenue

The following table sets forth the operating revenue for the years ended December 31, 2020, 2019 and 2018.

	For the year ended December 31,			
	2020	2020	2019	2018 ⁽¹⁾
	US\$'000	HK\$'000	HK\$'000	HK\$'000
MGM Macau	360,340	2,793,858	12,371,138	13,488,705
Casino revenue.....	319,130	2,474,342	11,409,455	12,502,405
Other revenue.....	41,210	319,516	961,683	986,300
MGM Cotai	296,918	2,302,125	10,393,898	5,712,016
Casino revenue.....	246,310	1,909,739	9,014,008	4,673,645
Other revenue.....	50,608	392,386	1,379,890	1,038,371
Total operating revenue	657,258	5,095,983	22,765,036	19,200,721

(1) MGM Cotai opened on February 13, 2018.

Summary Statistics

The following tables present the key measurements we use to evaluate operating revenues.

MGM Macau

	For the year ended December 31,			
	2020	2020	2019	2018
(in thousands, except for number of gaming units, percentage, and REVPAR)	US\$'000	HK\$'000	HK\$'000	HK\$'000
VIP table games turnover	4,156,301	32,225,466	185,271,168	280,358,952
VIP gross table games win ⁽¹⁾	141,545	1,097,452	5,645,079	8,415,507
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	—	3.41%	3.05%	3.00%
Average daily gross win per VIP gaming table.....	6.1	47.5	193.7	210.5
Main floor table games drop.....	1,148,849	8,907,488	37,258,722	39,303,702
Main floor gross table games win ⁽¹⁾	233,910	1,813,594	8,040,066	7,004,478
Main floor table games win percentage.....	—	20.4%	21.6%	17.8%
Average daily gross win per main floor gaming table	3.4	26.3	105.4	83.7
Slot machine handle.....	1,174,434	9,105,859	31,522,103	34,555,278
Slot machine gross win ⁽¹⁾	42,243	327,529	1,217,710	1,504,785
Slot hold percentage	—	3.6%	3.9%	4.4%

Average daily win per slot.....	0.2	1.4	3.2	4.0
Commissions, complimentaries and other incentives ⁽¹⁾	(98,568)	(764,233)	(3,493,400)	(4,422,365)
Room occupancy rate	—	35.6%	96.4%	96.8%
REVPAR.....	76	593	1,951	1,941

	As at December 31,		
	2020	2019	2018
Gaming Units:			
Tables ⁽²⁾	279	290	291
Slot machines ⁽³⁾	638	1,085	806

- (1) Reported casino revenue is different to the total of “VIP gross table games win”, “main floor gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentaries and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.
- (2) Permanent table count as at December 31, 2020, 2019 and 2018.
- (3) Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity as at December 31, 2020.

MGM Cotai

	For the year ended December 31,			
	2020	2020	2019	2018 ⁽¹⁾
(in thousands, except for number of gaming units, percentage, and REVPAR)	US\$'000	HK\$'000	HK\$'000	HK\$'000
VIP table games turnover	2,860,888	22,181,609	113,018,290	37,836,369
VIP gross table games win ⁽²⁾	71,073	551,059	4,049,296	1,266,838
VIP table games win percentage (calculated before commissions, complimentaries and other incentives).....	—	2.48%	3.58%	3.35%
Average daily gross win per VIP gaming table.....	3.9	30.1	201.5	173.6
Main floor table games drop.....	889,011	6,892,861	27,395,106	19,997,067
Main floor gross table games win ⁽²⁾	233,426	1,809,847	6,898,379	3,901,036
Main floor table games win percentage.....	—	26.3%	25.2%	19.5%
Average daily gross win per main floor gaming table	3.3	25.8	92.8	72.7
Slot machine handle.....	961,511	7,454,978	37,087,694	23,774,287
Slot machine gross win ⁽²⁾	30,074	233,176	1,030,491	728,263
Slot hold percentage	—	3.1%	2.8%	3.1%
Average daily win per slot.....	0.1	1.0	2.4	1.9
Commissions, complimentaries and other incentives ⁽²⁾	(88,263)	(684,343)	(2,964,158)	(1,222,492)
Room occupancy rate	—	22.4%	91.6%	90.4%
REVPAR.....	42	327	1,428	1,290
	As at December 31,			2018 ⁽¹⁾
	2020	2019	2018	
Gaming Units:				
Tables ⁽³⁾	273	262	236	
Slot machines ⁽⁴⁾	655	1,154	1,218	

- (1) MGM Cotai opened on February 13, 2018.
- (2) Reported casino revenue is different to the total of “VIP gross table games win”, “main floor gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentaries and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.
- (3) Permanent table count as at December 31, 2020, 2019 and 2018.
- (4) Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity as at December 31, 2020.

Casino Revenue

	For the year ended December 31,			
	2020	2020	2019	2018
	US\$'000	HK\$'000	HK\$'000	HK\$'000
VIP gross table games win	212,618	1,648,511	9,694,375	9,682,345
Main floor gross table games win.....	467,336	3,623,441	14,938,445	10,905,514
Slot machine gross win	72,317	560,705	2,248,201	2,233,048
Gross casino revenue	752,271	5,832,657	26,881,021	22,820,907

Commissions, complimentaries and other incentives	(186,831)	(1,448,576)	(6,457,558)	(5,644,857)
Casino revenue.....	565,440	4,384,081	20,423,463	17,176,050

Financial results for the year ended December 31, 2020 compared to financial results for the year ended December 31, 2019.

Operating Revenue

Operating revenue of HK\$5,096.0 million for the year ended December 31, 2020 was 77.6% lower than the prior year. This decrease was caused by the impact of the COVID-19 related closures and restrictions on travel and capacity at our facilities which affected all components of our operations.

Casino Revenue

Casino revenue decreased by 78.5% to HK\$4,384.1 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The decrease was primarily due to the impact of the COVID-19 related closures and restrictions on travel and capacity at our facilities which affected all components of our operations. The components of our gaming operations were:

VIP Gaming Operations

Our VIP gross table games win decreased by 83.0% to HK\$1,648.5 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The decrease was primarily due to the impact of the temporary COVID-19-related closures and related restrictions on travel and capacity at our facilities. Similarly, VIP table games turnover in MGM Macau and MGM Cotai decreased by 82.6% to HK\$32,225.5 million and 80.4% to HK\$22,181.6 million during the year ended December 31, 2020, respectively.

Main Floor Table Gaming Operations

Our main floor business suffered during the year ended December 31, 2020 due to the impact of the temporary COVID-19-related closures and related restrictions on travel and capacity at our facilities. Main floor gross table games win decreased by 75.7% to HK\$3,623.4 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Slot Machine Gaming Operations

Slot machine gross win decreased by 75.1% to HK\$560.7 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019 primarily due to the impact of the temporary COVID-19-related closures and related restrictions on travel and capacity at our facilities. Similarly, slot machine handle in MGM Macau and MGM Cotai decreased by 71.1% to HK\$9,105.9 million and 79.9% to HK\$7,455.0 million, respectively, during the year ended December 31, 2020.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased by 69.6% to HK\$711.9 million for the year ended December 31, 2020. These sources of revenue were also directly impacted by the temporary closures and subsequent substantial decrease in inbound tourists, compared to the prior year. As a measure to relieve the economic stress during COVID-19 for our retail tenants, especially the local SMEs, certain rent relief was provided during the year.

Operating Costs and Expenses

The major operating costs and expenses for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31,		
	2020	2020	2019
	US\$'000	HK\$'000	HK\$'000
Gaming taxes	310,141	2,404,651	10,615,274
Inventories consumed	37,485	290,639	677,086
Staff costs	376,205	2,916,868	3,722,251
Loss allowance on trade receivable, net	11,949	92,642	28,267
Other expenses and losses	136,419	1,057,709	2,194,364
Depreciation and amortization	318,269	2,467,666	2,564,457
Finance costs	144,248	1,118,409	1,128,075
Income tax expense	1,314	10,186	10,462

Gaming Taxes

Gaming taxes decreased year-over-year by 77.3% to HK\$2,404.7 million for the year ended December 31, 2020. This decrease was attributable to the lower gross gaming revenue generated during 2020.

Inventories Consumed

Inventories consumed decreased year-over-year by 57.1% to HK\$290.6 million for the year ended December 31, 2020. This decrease was attributable to the substantial reduction in consumption of food and beverage and other supplies in response to the reduced business activities.

Staff Costs

Staff costs decreased year-over-year by 21.6% to HK\$2,916.9 million for the year ended December 31, 2020. To mitigate the impact of the COVID-19 pandemic, we have taken a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change, and introducing voluntary unpaid leave during the current year, while preserving local jobs in response to requests of the Macau Government.

Loss Allowance on Trade Receivables, net

Loss allowance on trade receivables, net, increased by 227.7% from HK\$28.3 million for the year ended December 31, 2019 to HK\$92.6 million for the year ended December 31, 2020. The increase was primarily driven by higher expected credit losses arising from the COVID-19 pandemic.

Other Expenses and Losses

Other expenses and losses decreased year-over-year by 51.8% to HK\$1,057.7 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 69.8% from HK\$658.9 million for the year ended December 31, 2019 to HK\$199.0 million for the year ended December 31, 2020. The decrease resulted from reduced marketing activities being organized during the current year in light of decreased number of visitors due to travel restrictions.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 77.3% from HK\$412.1 million for the year ended December 31, 2019 to HK\$93.3 million for the year ended December 31, 2020. This decrease primarily resulted from lower revenue generated during the current year.

Depreciation and Amortization

Depreciation and amortization remained constant for the current year as compared to the prior year.

Finance Costs

Total finance costs were HK\$1,118.4 million for the year ended December 31, 2020 compared to HK\$1,128.1 million for the year ended December 31, 2019. Whilst the amounts were comparable between the two years, there were variations in composition principally being:

- HK\$763.3 million of interest on unsecured senior notes for the year ended December 31, 2020 compared to HK\$413.2 million for the year ended December 31, 2019;
- HK\$253.2 million of interest on unsecured credit facilities for the year ended December 31, 2020 compared to HK\$106.3 million for the year ended December 31, 2019; and
- HK\$380.2 million of interest on secured credit facilities and HK\$171.1 million of loss on extinguishment of debt in 2019 as a result of the replacement of the Senior Secured Credit Facility in August 2019. There are no such transactions for the year ended December 31, 2020.

Income Tax expense

Income tax expense in the years ended December 31, 2020 and 2019 primarily related to the provision for Macau dividend withholding tax.

Loss/Profit Attributable to Owners of the Company

Loss/profit attributable to owners of the Company decreased significantly from a profit of HK\$1,931.2 million for the year ended December 31, 2019 to a loss of HK\$5,201.5 million for the year ended December 31, 2020. This decrease was attributable to the substantial reduction in activity in 2020 as a result of the COVID-19 pandemic related closures and restrictions as described above.

Financial results for the year ended December 31, 2019 compared to financial results for the year ended December 31, 2018.

Operating Revenue

Total operating revenue of HK\$22,765.0 million for the year ended December 31, 2019 was 18.6% higher than the prior year. The 2019 results benefited from a full year and continued ramp up of operations at MGM Cotai, and the addition of 25 new-to-market gaming tables on January 1, 2019.

Casino Revenue

Casino revenue increased by 18.9% to HK\$20,423.5 million for the year ended December 31, 2019. The components of our gaming operations were:

VIP Gaming Operations

Our VIP gross table games win slightly increased by 0.1% to HK\$9,694.4 million for the year ended December 31, 2019. The increase was primarily due to higher VIP table games win percentages in both properties and increased VIP table games turnover in MGM Cotai by 198.7% to HK\$113,018.3 million, and partly offset by decreased VIP table games turnover in MGM Macau by 33.9% to HK\$185,271.2 million during 2019.

Main Floor Table Gaming Operations

Our main floor business continued to experience growth during 2019 as compared to the prior year. Main floor gross table games win increased by 37.0% to HK\$14,938.4 million for the year ended December 31, 2019. The 2019 results benefited from a full year and continued ramp up of operations at MGM Cotai, the addition of 25 new-to-market gaming tables on January 1, 2019, an increase in the drop of 37.0% to HK\$27,395.1 million in MGM

Cotai and an increase in main floor table games win percentages in both properties, partly offset by a decrease in the drop of 5.2% to HK\$37,258.7 million in MGM Macau.

Slot Machine Gaming Operations

Slot machine gross win slightly increased by 0.7% to HK\$2,248.2 million for the year ended December 31, 2019. The 2019 results benefited from a full year and continued ramp up of operations at MGM Cotai, the addition of 215 slot machines during the year, with an increase in handle by 56.0% to HK\$37,087.7 million in MGM Cotai. The increase was partly offset by a decrease in handle by 8.8% to HK\$31,522.1 million in MGM Macau and a decrease in slot hold percentages in both properties in 2019.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 15.7% to HK\$2,341.6 million for the year ended December 31, 2019. The increase was primarily due to the full year and continued ramp up of operations at MGM Cotai. The non-gaming facilities and services are important to establish our brand and maintain our popularity in Macau and the region in order to encourage visitation and extend the length of customers' stay within our integrated resorts.

Operating Costs and Expenses

The major operating costs and expenses for the years ended December 31, 2019 and 2018 were as follows:

	For the year ended December 31,	
	2019	2018
	HK\$'000	HK\$'000
Gaming taxes	10,615,274	9,198,431
Inventories consumed	677,086	653,828
Staff costs	3,722,251	3,505,758
Other expenses and losses	2,222,631	2,257,406
Depreciation and amortization	2,564,457	2,150,305
Finance costs	1,128,075	667,876
Income tax expense/(benefit)	10,462	(295,605)

Gaming Taxes

Gaming taxes increased year-over-year by 15.4% to HK\$10,615.3 million in 2019. This increase was mainly attributable to the higher gross gaming revenue generated during 2019.

Inventories Consumed

Inventories consumed increased year-over-year by 3.6% to HK\$677.1 million in 2019. This increase was primarily due to an increase in consumptions of supplies, including gaming supplies such as cards and other supplies in response to our business activities.

Staff Costs

Staff costs increased year-over-year by 6.2% to HK\$3,722.3 million in 2019. The increase was primarily due to hiring of additional staff in the operation of MGM Cotai during 2019.

Other Expenses and Losses

Other expenses and losses decreased year-over-year by 1.5% to HK\$2,222.6 million in 2019, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 5.4% from HK\$625.1 million in 2018 to HK\$658.9 million in 2019. The increase resulted from more marketing activities being organized during 2019 in response to the increase in our business activities.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 17.0% from HK\$352.2 million in 2018 to HK\$412.1 million in 2019. This increase primarily resulted from higher revenue generated during 2019.

Loss allowance on trade receivables, net. Loss allowance on trade receivables, net, decreased by 44.9% from HK\$51.3 million in 2018 to HK\$28.3 million in 2019. The decrease was primarily due to the impact of collection history pattern and current trends, and creditworthiness of individual customers during 2019.

Loss on disposal/write-off of property and equipment and other assets. Loss on disposal/write-off of property and equipment and other assets decreased by 92.4% from HK\$194.3 million in 2018 to HK\$14.8 million in 2019. This decrease primarily resulted from a HK\$188.5 million write-off of show production costs in 2018.

Depreciation and Amortization

Depreciation and amortization increased year-over-year by 19.3% to HK\$2,564.5 million in 2019. This increase was primarily due to the opening of MGM Cotai on February 13, 2018, launch of VIP gaming areas at MGM Cotai and The Mansion in the second half of 2018 and March 2019, respectively. Depreciation and amortization in 2019 also included the depreciation of right-of-use assets due to the adoption of IFRS 16 effective January 1, 2019. This increase was partly offset by the impact of full depreciation of certain assets in 2019.

Finance Costs

Total borrowing costs increased from HK\$846.7 million in 2018 to HK\$1,143.2 million in 2019. This increase was primarily due to a HK\$519.5 million increase in interest expense attributable to the Existing Notes issued and the Revolving Credit Facility obtained during 2019. This increase was partly offset by a HK\$315.3 million decrease in interest expense as a result of the replacement of the Senior Secured Credit Facility during 2019. The replacement of secured debt with unsecured debt will provide the Group with additional financial flexibility beyond the date of extension of the gaming Subconcession.

Finance costs increased from HK\$667.9 million in 2018 to HK\$1,128.1 million in 2019. The increase was mainly due to a HK\$296.5 million increase in total borrowing costs and a HK\$163.7 million decrease in capitalized interest as MGM Cotai and The Mansion opened on February 13, 2018 and in March 2019, respectively.

Income Tax expense/(benefit)

Income tax expense in 2019 primarily relates to the Macau dividend withholding tax of HK\$9.6 million under the extended tax concession arrangement entered with the Macau Government in March 2018. Income tax benefit in 2018 primarily relates to the reversal of a deferred tax charge of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise following the approval of the extension of the tax concession arrangement.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 80.7% from HK\$1,068.5 million in 2018 to HK\$1,931.2 million in 2019. The 2019 results primarily benefited from a full year and continued ramp up of operations at MGM Cotai, as well as an increase in main floor table games win percentage at both properties.

Liquidity and Capital Resources

Capital Resources

As at December 31, 2020, our cash and cash equivalents, and available undrawn credit facilities were HK\$2.64 billion and HK\$6.90 billion, respectively. These balances are available for operations, new development activities and enhancement to our properties, repayment of borrowings and other corporate purposes.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises borrowings, net of debt finance costs, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at December 31, 2020 and 2019.

	As at December 31,		
	2020	2019	2018
	US\$'000	HK\$'000	HK\$'000
Bank borrowings, net of debt finance costs	2,728,486	21,155,040	16,604,526
Less: cash and cash equivalents.....	(339,917)	(2,635,511)	(3,270,296)
Net debt	2,388,569	18,519,529	13,334,230
Total equity	647,157	5,017,664	10,460,134
Total capital ⁽¹⁾	3,035,725	23,537,193	23,794,364
Gearing ratio	78.7%	78.7%	56.0%

(1) Total capital represents the sum of net debt and total equity.

Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2020, 2019 and 2018.

	For the year ended December 31,			
	2020	2020	2019	2018
	US\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(383,043)	(2,969,889)	4,333,610	2,159,044
Net cash used in investing activities.....	(107,302)	(831,958)	(1,329,881)	(2,915,072)
Net cash generated from/(used in) financing activities	407,893	3,162,555	(3,725,343)	(532,933)
Net decrease in cash and cash equivalents	(82,452)	(639,292)	(721,614)	(1,288,961)
Cash and cash equivalents at the beginning of the year.....	421,789	3,270,296	3,992,107	5,283,387
Effect of foreign exchange rate changes, net	581	4,507	(197)	(2,319)
Cash and cash equivalents at the end of the year	339,918	2,635,511	3,270,296	3,992,107

Net Cash (Used in)/Generated from Operating Activities

We recorded net cash used in operating activities of HK\$2,969.9 million for the year ended December 31, 2020 compared to net cash generated from operating activities of HK\$4,333.6 million for the year ended December 31, 2019. The significant reduction in operating cash flow for the year ended December 31, 2020 compared to the year ended December 31, 2019 was caused primarily by the COVID-19 related closures and restrictions.

Net cash generated from operating activities was HK\$4,333.6 million in 2019 compared to HK\$2,159.0 million in 2018. The increase was due primarily to an increase in operating profit in 2019 and more cash used in the opening and ramp up of operations at MGM Cotai in 2018.

Net Cash Used in Investing Activities

Net cash used in investing activities was HK\$832.0 million in 2020 compared to HK\$1,329.9 million in 2019. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM Cotai and renovation work carried out at MGM Macau as well as purchase of property and equipment in total amounting to HK\$838.8 million and HK\$1,122.0 million in 2020 and 2019, respectively. Other significant payments in 2019 included an amount of HK\$213.6 million related to the extension of the Subconcession from April 1, 2020 to June 26, 2022.

Net cash used in investing activities was HK\$1,329.9 million in 2019 compared to HK\$2,915.1 million in 2018. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM Cotai and renovation work carried out at MGM Macau as well as purchase of property and equipment in total amounting to HK\$1,122.0 million and HK\$2,786.1 million in 2019 and 2018, respectively. Other significant payments included HK\$213.6 million of Subconcession premium related to the

extension of the Subconcession in 2019 and HK\$110.5 million of developers' fees due to a related company in 2018.

Net Cash Generated from/(Used in) Financing Activities

Net cash generated from financing activities was HK\$3,162.6 million in 2020 compared to net cash used in financing activities of HK\$3,725.3 million in 2019. The net cash generated from financing activities in 2020 was primarily due to:

- HK\$3,876.2 million of proceeds from the issuance of the Existing 2025 Notes; and
- HK\$770.0 million net drawdown on the Revolving Credit Facility, partially offset by HK\$1,022.2 million of interest payments;
- HK\$315.4 million of dividends paid being the final declared dividend for the year ended December 31, 2019; and
- HK\$107.0 million of debt finance costs paid.

Net cash used in financing activities was HK\$3,725.3 million in 2019 compared to HK\$532.9 million in 2018. The net cash used in financing activities in 2019 was primarily due to:

- HK\$13,860.0 million of net repayments of the Senior Secured Credit Facility and Revolving Credit Facility;
- HK\$821.6 million of interest payments;
- HK\$486.4 million of dividends paid; and
- HK\$309.9 million of debt finance costs paid, partially offset by HK\$11,772.5 million of net proceeds from the issuance of the Existing 2024 Notes and Existing 2026 Notes.

The net cash used in financing activities in 2018 primarily resulted from HK\$717.8 million of interest payments, HK\$611.8 million of dividends paid and HK\$259.5 million of debt finance costs, partially offset by the net proceeds of HK\$1,074.5 million from the Senior Secured Credit Facility.

Capital Commitments

As at December 31, 2020, 2019 and 2018, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at December 31,			
	2020	2020	2019	2018
	US\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not accounted for.....	35,257	273,361	110,651	144,442

Contingent Liabilities

As at December 31, 2020, 2019 and 2018, the Group had given bank guarantees totaling HK\$1,095.2 million, HK\$1,095.2 million and HK\$299.1 million, respectively, in relation to the Subconcession, land concession and other operating purposes. The significant increase during the year ended December 31, 2019 relates to a bank guarantee of MOP820.0 million (equivalent to HK\$796.1 million) granted to the Macau Government as required by the Subconcession Extension Contract.

As at December 31, 2020, the Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash

deposits with gaming promoters who had operations at MGM Macau, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to keep defending its position that it is not liable with respect to these claims. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Indebtedness

	As at December 31,		
	2020	2020	2019
	US\$'000	HK\$'000	HK\$'000
Unsecured Senior Notes ⁽¹⁾	2,000,000	15,505,800	11,687,070
Unsecured Credit Facilities ⁽²⁾	769,856	5,970,000	5,200,000
Less: debt finance costs	(41,370)	(320,760)	(282,544)
Total borrowings	2,728,486	21,155,040	16,604,526

(1) The amount outstanding under the Unsecured Senior Notes as at December 31, 2020 was translated using the exchange rate of HK\$7.7529 to US\$1.00.

(2) The amount outstanding under the Unsecured Credit Facilities as at December 31, 2020 was translated using the exchange rate of HK\$7.7547 to US\$1.00.

For a description of our Existing Notes, the Revolving Credit Facility and the Second Revolving Credit Facility, please see "*Description of Other Material Indebtedness*."

Market Risk

The Group's activities expose it primarily to the market risk of changes in foreign currency exchange rates and interest rates.

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises liabilities denominated in US\$ including US\$2 billion of unsecured senior notes. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the years ended December 31, 2020, 2019 and 2018.

Interest Rate Risk

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under our Revolving Credit Facility and Second Revolving Credit Facility, and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon the Company's future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

Off Balance Sheet Arrangements

The Group has not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives that would be considered speculative positions. The Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity.

Other Liquidity Matters

Due to the continued impact of the COVID-19 pandemic, we entered into a further amendment to our Revolving Credit Facility, effective April 9, 2020, that provided for a waiver of the maximum leverage ratio extending through the second quarter of 2021, and a waiver of the minimum interest coverage ratio beginning in the second quarter of 2020 through the second quarter of 2021. On October 15, 2020, the Company entered into a third amendment to the Revolving Credit Facility to further waive the maximum leverage ratio and the minimum interest coverage ratio through the fourth quarter of 2021 and on February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility to further waive the maximum leverage ratio and the minimum interest coverage ratio through the fourth quarter of 2022. As repayments made under the Revolving Credit Facility do not result in the cancelation of such commitments, we are able to reborrow any amounts under the Revolving Credit Facility that we repay.

On May 26, 2020, the Company entered into the Second Revolving Credit Facility in an aggregate amount of HK\$2.34 billion (approximately US\$301.8 million) with a final maturity date on May 15, 2024 with an option to increase the amount of facility to up to HK\$3.9 billion (approximately US\$503.0 million), subject to certain conditions. On June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion (approximately US\$402.4 million). The Second Revolving Credit Facility is available for drawdown to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) (approximately US\$1.3 billion) has been fully drawn. Pursuant to an amendment to the Second Revolving Credit Facility effective October 14, 2020, the financial covenants under the Second Revolving Credit Facility, including the maximum leverage ratio and the minimum interest coverage ratio, are not effective through the fourth quarter of 2021 and on February 24, 2021, the Company entered into a second amendment to the Second Revolving Credit Facility to further waive the maximum leverage ratio and the minimum interest coverage ratio through the fourth quarter of 2022. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group.

Taking into consideration our financial resources, including the Group's cash and cash equivalents, Revolving Credit Facility, Second Revolving Credit Facility and internally generated funds, we believe that we have sufficient available funds to meet our financial obligations for the following 12 months.

In the ordinary course of business, in response to market demands and client preferences, we have made and will continue to incur related capital expenditures on enhancements and refinements for our resorts to increase revenue.

In the current operating environment that has resulted from the impact of the COVID-19 pandemic, we have undertaken a series of actions to minimize our expenses, including reducing or deferring certain capital expenditures that we had planned to begin during 2020, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. Our estimated capital expenditures at present include future development projects to strengthen our position in the premium mass market, including the development of the MGM Cotai South Tower suites, which are expected to open in mid-2021.

Employees and Remuneration Policy

As at December 31, 2020, MGM Grand Paradise employed 10,364 (December 31, 2019: 11,092) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM Macau, MGM Cotai and shared services team members.

The Group's remuneration philosophy is a market-based job compensation grading approach, which we believe is the best strategy to fulfill the Company's fundamental goal of attracting and retaining a diverse and highly skilled workforce. To accomplish this, the Company intends our remuneration system to be:

Competitive — in the local labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.

Comprehensive — to be viewed through the lens of total rewards, including, among others, base pay, health benefits, incentive pay, bonus, equity and retirement plans.

Objective — to be consistent with local market rates.

Developmental — to encourage career and professional development within the workforce and retain quality talents.

A group-wide performance based incentive program has been implemented since 2011 for all managerial level employees. The objective of developing such an incentive bonus program is to focus all members of the team in creating and sustaining the enterprise value of the Group. The program consists of several components designed to encourage targeted individuals and groups based upon clear and measurable objectives designed to support the Group's strategy.

In addition to the above performance incentives, it is customary in Macau to provide additional months of salary to line staff during the Chinese New Year period as a gratuity for their hard work during the year. Such additional bonus is subject to the Board's discretion.

BUSINESS

Overview

We are a leading developer, owner and operator of gaming and lodging resorts in Macau. We own and operate MGM Macau, which is a Forbes Five-Star luxury integrated resort inspired by the arts with every element of the resort infused with creativity and style. We also own and operate the latest addition to our portfolio, MGM Cotai, which was designed as the “Jewelry Box” of Cotai, and offers a gaming area, 1,390 hotel rooms and suites, meeting space, retail, food and beverage and other non-gaming offerings, as well as The Mansion for the ultimate luxury experience.

Business Overview

We are a leading developer, owner and operator of two integrated casino, hotel and entertainment resorts in Macau, MGM Macau and MGM Cotai, where we offer high-quality gaming, hospitality and entertainment experiences to attract and retain our customers. MGM Grand Paradise, our subsidiary, holds one of the six gaming concessions/subconcessions permitted by the Macau Government to operate casinos or gaming areas in Macau.

The Company’s Shares have been listed on the Hong Kong Stock Exchange since June 3, 2011. The Company’s immediate holding company is MRIH, a company incorporated in the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the NYSE. MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of our issued share capital as of December 31, 2020) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital as of December 31, 2020). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

On March 15, 2019, a Subconcession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Subconcessionaire, pursuant to which the Subconcession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires and Subconcessionaires in Macau. The Macau Government is working on the gaming concessions retender process and announced that the public consultation on the gaming law will be completed in the second half of 2021, the amendment of which will precede the launching of the public tender. The Company awaits the issuance of guidance by the Macau Government with respect to the gaming concessions retender or extension process.

On March 23, 2020, an addendum to the Subconcession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Subconcession Contract on June 26, 2022.

Recent Developments

On January 6, 2021, the board of directors of MGM Resorts International received an open letter issued by Snow Lake Capital, an institutional investor and a holder of approximately 7.5% of the issued and outstanding shares of the Company as of the date of the letter, making recommendations on the shareholding structure and future development of the Company. In response to the open letter, on January 8, 2021, our Board announced that the Company has no plans of restructuring and that it will continue to communicate with the Company’s shareholders to operate the Company in the best interests of its shareholders and stakeholders, enhancing shareholder value and performance of the Company.

On February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive compliance with the covenants with respect to the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility through the fourth quarter of 2022.

For an update on the impact of COVID-19 on the Company since December 31, 2020, please see “—*Impact of COVID-19—Effect of COVID-19 on Our Financial Results and Liquidity*”.

Impact of COVID-19

The continued spread of COVID-19 and the developments surrounding the global pandemic have had, and we expect that they will likely continue to have, a significant impact on our business, results of operations and financial condition. The COVID-19 pandemic is an unprecedented global public health crisis and we place high importance on the health and safety of our employees, guests and all Macau citizens as we continue to fight this pandemic.

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China’s individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM Macau and MGM Cotai were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM Macau and MGM Cotai resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection, and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system, were put in place to reduce the risk of transmission. While guests entering our casinos are no longer required to present negative COVID-19 test results effective from March 3, 2021, many social distancing and health measures remain in place as of the date of this offering memorandum. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period, provided they obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid ‘green’ code result for the Macau Health Code system and the Guangdong health-declaration system, respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid ‘green’ Macau Health Code. Since July 2020, China has gradually relaxed domestic travel restrictions. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period, and tourist visas issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020, respectively. On February 23, 2021, Macau classified all mainland China cities as low-risk COVID-19 transmission areas, removing the requirement for inbound travelers to quarantine for 14 days upon their arrival in Macau.

As at the date of this offering memorandum, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM Macau and MGM Cotai, which had a significant adverse impact on the Group’s results for the year ended December 31, 2020 and will likely continue to impact the Group’s results given the uncertainty of the length of time of the pandemic. According to the DSEC, total visitor arrivals decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0%, for the year ended December 31, 2020 compared to 2019. According to the DICJ, the Macau gross gaming revenue decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 compared to the year ended December 31, 2019. Visitation to Macau and volume across all operations at MGM Macau and MGM Cotai have steadily improved since the October 2020 Golden Week, which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. The January 2021 monthly

gross gaming revenue of the Macau gaming market was increased by 2.6% to HK\$7.8 billion compared with December 2020. We expect that the rate of business recovery will continue to be gradual, driven by the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture.

Effect of COVID-19 on Our Financial Results and Liquidity

The operational disruptions caused by the pandemic and the various travel and social-distancing restrictions imposed by local and international governmental authorities had a material adverse impact on our business operations and financial position and performance during the year ended December 31, 2020. Our operating revenue for the year ended December 31, 2020, totaled HK\$5.1 billion (approximately US\$657 million) compared to HK\$22.8 billion for the year ended December 31, 2019, representing a decrease of 77.6%. We recorded an operating loss of HK\$4.1 billion (approximately US\$533 million) and a net loss of HK\$5.2 billion (approximately US\$671 million) for the year ended December 31, 2020, as compared to an operating profit of HK\$3.0 billion and a net profit of HK\$1.9 billion for the year ended December 31, 2019. Adjusted EBITDA loss totaled HK\$1.4 billion (approximately US\$177 million) for the year ended December 31, 2020, as compared to Adjusted EBITDA of HK\$6.2 billion for the year ended December 31, 2019.

As of December 31, 2020, the Group had total liquidity of HK\$9.5 billion (approximately US\$1.2 billion), consisting of HK\$2.6 billion (approximately US\$340 million) of cash and cash equivalents and HK\$6.9 billion (approximately US\$890 million) of available borrowing capacity under the Revolving Credit Facility and the Second Revolving Credit Facility. The Company believes it has sufficient liquidity to support its operations, implement the planned new development activities, including the development of the MGM Cotai South Tower suites and enhancement of our properties, including our gaming floors, and respond to the challenges of the pandemic.

Further, to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, the Company undertook a number of initiatives in 2020:

- the Company entered into an amendment to the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, in an aggregate amount of HK\$2.34 billion (approximately US\$301.8 million), with a final maturity date of May 15, 2024, with an option to increase the amount of the facility up to HK\$3.9 billion (approximately US\$503.0 million) subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- on October 14, 2020, the Company entered into an amendment to the Second Revolving Credit Facility, to waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021. On October 15, 2020, the Company entered into a third amendment to the Revolving Credit Facility, to further waive the maximum leverage ratio and minimum interest coverage ratio through the fourth quarter of 2021;

- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year;
- certain capital expenditures that were planned to begin during the year have been deferred;
- negotiations with its vendors in respect of existing contracts in order to reduce or defer costs; and
- on February 24, 2021, the Company entered into a fourth amendment to the Revolving Credit Facility and a second amendment to the Second Revolving Credit Facility to further waive the maximum leverage ratio and minimum interest coverage ratio under the Revolving Credit Facility and the Second Revolving Credit Facility, respectively, through the fourth quarter of 2022.

Following the full resumption of China's individual visa scheme on September 23, 2020, the Company experienced an increase in visitation at our casinos and increased operating revenue in the fourth quarter of 2020. For the three months ended December 31, 2020, we recorded operating revenue of HK\$2,362.4 million, with MGM Macau and MGM Cotai contributing HK\$1,261.4 million and HK\$1,101.0 million, respectively, to our operating revenue for the period. This is in comparison to our operating revenue of HK\$5,691.8 million in the fourth quarter of 2019, with MGM Macau and MGM Cotai contributing HK\$2,982.9 million and HK\$2,708.9 million, respectively, to our operating revenue for the period. The main floor gross table games win for MGM Macau and MGM Cotai for the three months ended December 31, 2020 was HK\$890.0 million and HK\$996.1 million, respectively, as compared to HK\$2,057.6 million and HK\$1,886.7 million, respectively, for the three months ended December 31, 2019.

Further, for the three months ended December 31, 2020, MGM Macau and MGM Cotai recorded Adjusted EBITDA of HK\$247.1 million and HK\$120.1 million, respectively, compared to HK\$917.8 million and HK\$640.0 million for the three months ended December 31, 2019. For more information regarding the Group's Adjusted EBITDA for the three months ended December 31, 2020 and 2019, see "*Selected Consolidated Financial and Other Data—Other Financial and Operational Data (unaudited)—Adjusted EBITDA for the three month periods ended December 31, 2020 and 2019*".

If our casinos and hotels are not permitted to fully resume normal operations, travel restrictions and other global restrictions on inbound travel from other countries and areas including Hong Kong and Taiwan are not lifted or relaxed or the global response to contain the COVID-19 pandemic escalates or is unsuccessful, our operations, cash flows and financial condition will be further materially impacted. The duration and intensity of the global health emergency and related disruptions arising as a result of the pandemic are uncertain. Given the dynamic nature of the situation, the anticipated impact on our results of operations, cash flows and financial condition in 2021 and beyond are currently unknown. See "*Risk Factors—Risks Relating to our Business and Operations—The COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, financial results and liquidity*."

MGM Macau

MGM Macau opened in December 2007. The casino floor offers approximately 28,551 square meters, with 638 slot machines, 279 gaming tables, and multiple VIP and private gaming areas as at December 31, 2020. The hotel comprises a 35-story tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM Macau is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM Cotai

MGM Cotai opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 655 slot machines and 273 gaming tables as at December 31, 2020. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM Cotai allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM Cotai, is enriched with experiential technology elements to entertain our guests. MGM Cotai offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019. Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers, attached to The Mansion was introduced in December 2018. The new gaming area allowed us to expand our gaming operations and enhance our competitiveness.

The Company reached a settlement agreement with the principal contractors in connection with the construction costs of MGM Cotai in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders' work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately HK\$9,971.4 million). The Company agreed to pay to the principal contractors MOP612.5 million (approximately HK\$594.7 million), being the settlement amount of MOP10,270.5 million (approximately HK\$9,971.4 million) less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million (approximately HK\$9,376.7 million). The required amounts had been fully settled as at December 31, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the nominated sub-contracts of the MGM Cotai development.

MACAU INDUSTRY OVERVIEW

Macau has been the world's largest gaming destination in terms of gross gaming revenues since 2006. The industry in Macau generated gross gaming revenues of HK\$283.9 billion (approximately US\$36.6 billion), HK\$294.0 billion (approximately US\$37.9 billion) and HK\$258.0 billion (approximately US\$33.3 billion) in 2019, 2018 and 2017, respectively. Despite the drop in revenues in 2019, the gross revenues for the industry in Macau for 2019 were more than five times that of the Las Vegas Strip. The mass market has shown steady growth over the years at a rate of 14.4%, 17.7% and 10.5% in 2017, 2018 and 2019, respectively.

Approximately 3.5 billion people live within a five-hour flight of Macau. Visitors from Hong Kong, Southeast China, Taiwan and other locations in Asia can reach Macau in a relatively short time, using a variety of transportation methods, and visitors from more distant locations in Asia can take advantage of short travel times by air (followed by a road, ferry or helicopter trip to Macau). A number of recently completed infrastructure projects, such as the extension of the Guangzhou-Zhuhai Intercity Railway, the opening of the Macau Light Rapid Transit and the completion of the 55-km Hong Kong-Zhuhai-Macau bridge, have helped facilitate Macau's development as a popular gaming destination in the region. After the completion of Hengqin Port, a boundary-crossing facility between Macau and Zhuhai, the facility will be able to handle up to 220,000 passenger trips daily.

The number of annual visitors to Macau increased from 32.6 million to 39.4 million between 2017 and 2019, with a growth rate of 5.4%, 9.8% and 10.1% in 2017, 2018 and 2019, respectively. However, as a result of the COVID-19 pandemic and related travel restrictions, visitations to Macau dropped significantly in 2020. In addition, overall hotel occupancy rate in Macau decreased to 28.6% in 2020 from 90.8% in 2019.

According to the DSEC, total visitor arrivals decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0% for the year ended December 31, 2020 compared to 2019. While visitation to Macau has steadily improved since the October 2020 Golden Week, which benefited from the resumption of the individual visit scheme and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments, the number of visitations remains significantly below pre-pandemic levels.

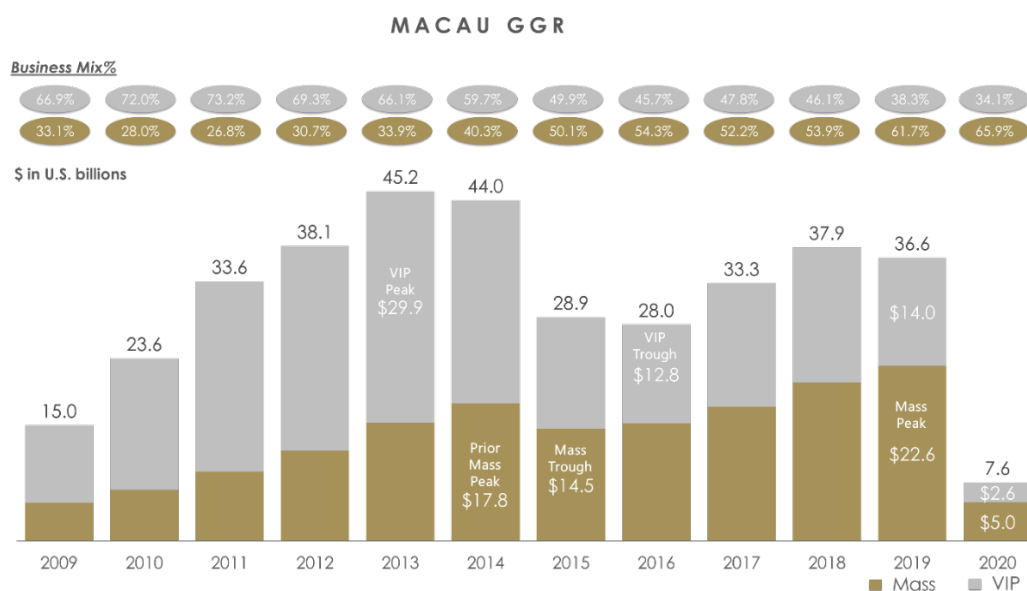
Overall visitations to Macau in January 2021 were down 80% as compared to January 2020, slightly below the 79% decrease in overall visitations in December 2020 as compared to visitations in December 2019, whereas the average daily visitation in January 2021 of approximately 18,000 was 15% lower than average daily visitation of approximately 21,300 in December 2020.

Visitations from mainland China in January 2021 were down 77% to approximately 496,000 as compared to January 2020 (versus a 71% decrease in visitations from mainland China in December 2020 as compared to December 2019). In particular, visitations by persons using the individual visit scheme in January 2021 were down 84% as compared to January 2020 (versus a 73% decrease in visitations by persons using the individual visa scheme in December 2020 as compared to December 2019), and overnight visitations from mainland China in January 2021 were down 75% as compared to January 2020 (versus a 62% decrease in overnight visitations from mainland China in December 2020 as compared to December 2019). Similarly, visitations from Guangdong, Shanghai, Beijing and Hong Kong in January 2021 were down 74%, 83%, 68% and 89%, respectively, as compared to January 2020 (versus a decrease of 69%, 60%, 64% and 93%, respectively, in December 2020 as compared to December 2019). In addition, international visitations in January 2021 remained down by approximately 100% due to restriction on foreign passport holders entering Macau.

The Macau gaming market consists of two primary segments: the mass market (comprised of mass table games and slots) and the VIP market. The mass market has shown steady growth over recent years and the GGR of mass tables has surpassed the prior peak in 2014 driven by development in Cotai and overnight visitation. The mass market gaming segment experienced a faster recovery than the VIP segment, resulting in a greater contribution of the mass market to the overall market mix in 2020.

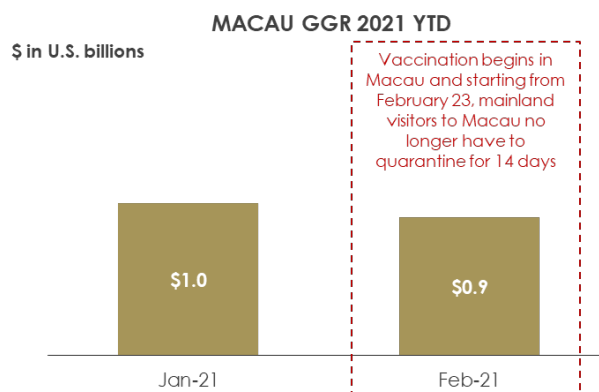
The VIP market has shown healthy signs of growth after its decline from its peak with higher regulatory compliance standards aimed at making growth more sustainable. In addition, the demand for non-gaming services, including retail, leisure and entertainment services is also supported by the growth of personal disposable income and the growth of the middle class in China. The Macau total GGR, which is published by the DICJ, is presented below for each year from 2009 through 2019.

The below chart also reflects a breakdown of mass GGR and VIP GGR for each such year, which breakdown has been determined by the Company based on publicly available information and other assumptions that the Company believes to be reasonable.



Due to COVID-19, the Macau total GGR decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 compared to the year ended December 31, 2019, the lowest in the past 14 years. According to the DICJ, the

gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. In addition, the Macau total GGR for January 2021 was HK\$7.8 billion (US\$1.0 billion), representing an increase of 2.6% as compared to total GGR in December 2020, though total GGR in January 2021 was 63.7% lower than the same period in 2020.



OUR PROPERTIES

The description of our properties and amenities below is based on the fully operational integrated resorts (unless otherwise stated), and it should be noted that due to the COVID-19 pandemic, as of the date of this offering memorandum, certain amenities and features may continue to be non-operational or operating at a reduced capacity.

MGM Macau Resort and Casino Overview

Our 205,824 square meter property (total floor area) is prominently situated on 43,167 square meters of land along the waterfront on the Macau Peninsula's central Nam Van entertainment district, the same neighborhood as Wynn Macau and Encore at Wynn Macau, Casino L'Arc Macau, Galaxy StarWorld, the Grand Lisboa and the Hotel Lisboa. MGM Macau opened to the public on December 18, 2007.

MGM Macau was designed by renowned architects, Wong & Tung International Ltd., to blend both Eastern and Western design cues and pay homage to Macau's multi-faceted history. In addition to the exterior facade's distinctive "ocean wave" design, a 63-ton, 10-meter tall golden lion—the hallmark of the MGM brand and a symbol of prosperity—sits outside and adds another iconic landmark to our property. The interior of MGM Macau fuses the Las Vegas know-how of MGM Resorts International with our understanding of local tastes to create an atmosphere with broad appeal that is distinctly Macau.

Our property features colorful hand-blown glass adornments by Dale Chihuly, including the massive "Fiori di Paradiso" chandelier and distinctive sculptures by Dali and other artists in the main lobby and entrance. The interior rooms and restaurants also feature the work of famed designers such as Super Potato and Wilson & Associates. Our suites and villas are accessed through private VIP lobbies featuring two-story ceilings painted with 24-carat gold filigree, handmade floor-to-ceiling tapestries and marble and lapis-lined floors, walls and exclusive VIP elevators. MGM Macau's centerpiece, the 1,088 square meter Grande Praça features a 25-meter high glass skydome and European-inspired facades, including the main facade which is fashioned after the Estação Rossio, Lisbon's central rail station. The Grande Praça is visible from a number of restaurants as well as areas of the upper gaming floor and is host to a variety of special exhibitions, shows, displays and various special occasions and events. The Grande Praça, with its aquarium tower in the center and seasonal decorations, has become a tourist attraction in Macau.

From the Grande Praça, patrons are able to access the casino on the main gaming floor. MGM Macau also maintains a convertible convention area with approximately 1,600 square meters of meeting space as well as a deluxe spa, swimming pool facilities and restaurants catering to a range of tastes. Our property is also seamlessly connected on multiple levels to the One Central complex, a shopping mall featuring retail stores for internationally recognized luxury brands, as well as serviced apartments and a Mandarin Oriental Hotel. MGM Macau and its first

expansion were completed with capital expenditures of approximately US\$1.2 billion. In addition, we continue to enhance the MGM Macau facilities, by taking actions such as expanding our VIP gaming areas in 2011 and 2017, adding new retail outlets beginning in 2015, remodeling our restaurant, Square Eight, in 2017 and completing the renovation of our main gaming floor in October 2019. Highlights of MGM Macau are described in greater detail below.

Casino and Gaming Products

Main Gaming Floor

MGM Macau's casino currently occupies approximately 28,551 square meters of floor area, offering 24-hour gaming and a full range of games. The layout of our main gaming floor is organized using the different market segments we target. Although most of the floor features an open floor plan, design elements shift in an effort to create an impression of increasing luxury and exclusivity as patrons ascend from lower to higher limit gaming.

Our Supreme gaming area on the casino main floor services top tier premium mass patrons as well as other invited patrons. The Supreme gaming area was designed by the well-known hospitality industry designer, Hirsch Bedner Associates and features raised floors, exclusive facilities and luxury amenities and two exclusive entry-ways—one from the main gaming floor as well as a more private entry from the hotel lobby.

VIP Gaming Areas

The majority of our existing VIP gaming area is located on the second floor which is accessible by exclusive elevators from our VIP lobby. The gaming rooms on the second floor comprise a mix of rooms operated by our in-house VIP team, while others are allocated to our gaming promoters. Our VIP rooms offer lounges, entertainment areas and access to a wide array of luxury amenities and services.

Our hotel tower's 35th floor features additional VIP gaming space with private VIP gaming rooms that are currently operated by our in-house VIP team. These VIP gaming rooms feature panoramic sea views and extensive private facilities. Additionally, the 35th floor has a full kitchen capable of servicing the culinary needs of the VIP floors, including all our suites and villas.

Gaming Product Statistics

Under the Subconcession Contract, MGM Grand Paradise currently has 552 approved gaming tables. The decision to allocate tables between MGM Macau and MGM Cotai, as well as among different gaming segments, is based upon a number of factors pertaining to profit maximization, including the popularity of particular games, and feedback and suggestions from our gaming promoters with respect to their clients' preferences and statistical gaming results.

As at December 31, 2020, MGM Macau contained:

- 279 approved gaming tables for all major types of table games such as baccarat, blackjack, craps, poker, Caribbean stud poker, roulette and sic bo. Baccarat is the most popular game among our patrons measured by the level of revenues generated per table; and
- a combination of 638 slot machines in operation as well as other electronic gaming units placed throughout the casino in areas and bet denominations designed to target players in the various tiers of membership in our Golden Lion Club. Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity in 2020.

Our MGM Macau VIP gross table games win, main floor gross table games win and slot machine gross win for the years indicated below are:

	Year Ended December 31,			
	2020	2020	2019	2018
	(US\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
VIP gross table games win	141,545	1,097,452	5,645,079	8,415,507
Main floor gross table games win.....	233,910	1,813,594	8,040,066	7,004,478
Slot machine gross win	42,243	327,529	1,217,710	1,504,785

Luxury Hotel

The 35-story MGM Macau hotel tower is 154 meters tall and houses 582 hotel rooms comprising 468 standard guestrooms, 99 luxury suites and 15 private luxury villas. Both internal and external corridors connecting to these rooms follow the exterior wave shape of the tower. In addition to the unique shape of the internal corridors, the beige tones of the interior corridors subtly darken along with the lighting as the corridor moves away from the elevator lobby toward either end of the tower to create a more unique and welcoming atmosphere than straighter and more conventional hotel corridors. For the years ended December 31, 2020, 2019 and 2018, our occupancy rates were 35.6%, 96.4% and 96.8%, respectively. The revenues per available room during the years ended December 31, 2020, 2019 and 2018 were HK\$593, HK\$1,951 and HK\$1,941, respectively. The figures for the year ended December 31, 2020 reflect the impact of the COVID-19 pandemic and the related closures and restrictions.

Highlights of our guest accommodations themselves include the following:

Standard Guestrooms

At 48 to 66 square meters in total floor area, our standard guestrooms are spacious, and the design of these rooms, as well as the wide assortment of luxury amenities, were chosen in response to the needs of gaming patrons and regional leisure and business travelers, with an eye toward attracting and retaining more multi-night leisure or business visitors to Macau. Our standard guestrooms have withstood the test of time with the contemporary and luxury features. Each room is fitted with designer fixtures and finishes, including marble and lushly carpeted flooring and an oversized bathtub from which outside window views are possible through the curtained glass bathroom wall. Our standard guestrooms occupy floors 5 to 17 in the hotel tower.

Luxury Suites

Our 99 luxury suites are located on floors 20 to 28 of the hotel tower and range from 138 to 220 square meters in total floor area. There are nine different luxury suite floor plans and two different color schemes: “espresso” and “cinnamon.” All one bedroom suites are equipped with one and a half bathrooms, while two-bedroom suites are equipped with two and a half bathrooms. In addition to all the amenities offered in our standard guestrooms, our luxury suites feature spacious walk-in closets, an entertainment area with a home theater system, heated marble bathroom floors, an oversized Jacuzzi tub and an additional flat screen TV in the bathroom concealed behind a mirror. All suites also feature a pantry with a full-sized refrigerator, microwave and espresso machine.

Private Luxury Villas

Our private luxury villas are designed to cater to our most discerning VIP patrons. Each of our 15 villas is located on floors 30 to 32 and is between 220 and 380 square meters in total floor area. Each villa has a grand entrance lined with marble to match one of the two themes of “Gold” and “Burgundy” (on floors 30 to 32). All of our villas feature contemporary designer furnishings, antique style mirrors and come with chef service, as well as a private pantry, full kitchen, separate lounge and entertainment areas and a Saint-Louis chandelier to illuminate the dining area. Both our suites and villas are accessed through the separate VIP lobby and its dedicated elevator bank.

Restaurants and Bars

MGM Macau features eight diverse restaurants catering to a broad range of international tastes. The restaurants at MGM Macau provide high quality food, service and décor, which we believe are additional reasons for customers to visit and stay at MGM Macau. MGM Macau's restaurants and bars include the following:

- Aux Beaux Arts, a French, 1930's style brasserie, is situated along the Grande Praça featuring an extensive wine list and an exclusive wine cellar, and also contains the ABA Bar, specializing in champagne and other festive libations.
- Imperial Court, which serves traditional and contemporary Cantonese cuisine created by the well-known celebrity Chef Chow Chung. In addition to Imperial Court's distinctively Eastern design cues and adornments its cuisine also pays respect to time-honored Chinese culinary traditions with a blend of contemporary flair. Imperial Court is situated off our VIP lobby and features six distinctive private rooms.
- Grand Imperial Court, located adjacent to the Level 2 VIP casino, which expands on the Chef Chow Chung's menu at Imperial Court to offer an even wider range of traditional and contemporary regional delicacies to our VIP gaming patrons as well as those simply in pursuit of a special meal. Grand Imperial Court also features its own Noodle House.
- Pastry Bar, situated on the ground floor, which features a wide array of confections and pastries. Pastry Bar also serves tea and coffee and offers lunch and dinner items in addition to decadent desserts.
- Rossio, MGM Macau's signature restaurant named after the Estação Rossio, Lisbon's central train station whose facade is replicated just outside the restaurant in the Grande Praça. Rossio's interior was designed by the world-famous Japanese design firm Super Potato and its open-style kitchen prepares a variety of Western and Eastern dishes to fulfill orders off the menu and to supply its own extensive international buffet.
- North by Square Eight, a contemporary yet casual dining restaurant, featuring specialty dishes from northern and central China.
- South by Square Eight, an enhanced Cantonese café concept by Square Eight, where master chefs in open kitchens bring to life the aromas, flavors and bustle of Hong Kong and Guangdong, 24 hours a day, seven days a week.

Other food and beverage offerings include the Pool Bar, as well as in-room dining for our hotel guests and on-the-floor dining for gaming customers.

Convention, Meeting and Reception Facilities

MGM Macau features approximately 1,600 square meters of convention, meeting and reception space, which includes a grand ballroom, three salons and the Vista, an area for private parties and gatherings. All areas feature advanced audio visual and internet capabilities, while the Vista, which overlooks the pool, also offers unobstructed views of the South China Sea from its floor-to-ceiling glass windows.

Retail

MGM Macau offers a shopper's paradise experience, from sought-after brands to works of art. Connected to One Central Macau, the flagship mall in Macau, MGM Macau offers a broad range of lifestyle, beauty, artisanal and experiential choices for its customers.

Tria Spa

Found only at MGM Cotai and MGM Macau, Tria Spa is staffed with expertly trained therapists who focus on tailor-made treatments to heal the mind, body and soul of each guest. Tria Spa provides a sensory spa journey for guests through its offering of Ancient Chinese, Ayurvedic and Himalayan healing rituals, as well as massages, wraps, scrubs and a range of results-driven facials.

Salon, Gym and Pool

MGM Macau operates a salon and fitness complex where fitness equipment, branded skin and body treatment products and clothing, accessories and athletic wear are available. The gym at MGM Macau is outfitted with state-of-the-art Technogym equipment and an outdoor swimming pool.

Art Collection

Precious works of art can be found throughout MGM Macau including the massive “Fiori de Paradiso” chandelier by renowned artist Dale Chihuly, which is located at the hotel lobby. Elsewhere on the grounds, patrons can find additional artwork, including lion sculptures and paintings by local and international artists.

MGM Cotai Resort and Casino Overview

Cotai, which derives its name from the surrounding islands, includes approximately 250 acres of reclaimed land between the islands of Coloane and Taipa. MGM Cotai, our 287,332 square meter property (total floor area), is prominently situated on 71,833 square meters of land along the Cotai Strip. MGM Cotai is the latest addition to the MGM portfolio in China.

MGM Cotai was designed by Kohn Pedersen Fox (KPF) as the “Jewelry Box” of Cotai. The building is designed to redefine the way people experience art and entertainment through innovative technology. Management believes that MGM Cotai is set to become a leading innovative integrated resort, bringing cutting edge entertainment experiences through the Spectacle and MGM Theater, Asia’s first dynamic theater.

MGM Cotai opened to the public on February 13, 2018, beginning its phased opening approach. The facility’s VIP gaming areas were opened in the second half of 2018 with the addition of a number of significant gaming promoters. In December 2018, we introduced Mansion One, the ultra-luxury gaming area for invitation-only premium mass customers. In late March 2019, we launched The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests.

MGM Cotai also maintains a convertible convention area with approximately 2,870 square meters of meeting space as well as a deluxe spa, swimming pool facilities and 12 diverse restaurants and bars catering to a range of tastes. Highlights of MGM Cotai are described in greater detail below.

Casino and Gaming Products

Main Gaming Floor

MGM Cotai’s casino currently occupies approximately 27,696 square meters of floor area, offering 24-hour gaming and a full range of games. Three high limit gaming areas, Dragon, Platinum and Supreme, are located in our main gaming area and provide dining, exclusive facilities and luxury amenities. Our Supreme gaming areas are exclusive to our gaming patrons with Supreme status in the Golden Lion Club.

Mansion One, the ultra-luxury gaming area attached to The Mansion, is available to invitation-only premium mass patrons, and is designed to significantly elevate the “premium mass experience” in Macau.

VIP Gaming Areas

Our VIP rooms are all uniquely designed, featuring dining lounges, balconies, and separate entrances and elevators for direct access to the VIP rooms. The gaming spaces are operated by our in-house VIP team and gaming promoters.

Gaming Product Statistics

Under the Subconcession Contract, MGM Grand Paradise currently has 552 approved gaming tables. The decision to allocate tables between MGM Macau and MGM Cotai, as well as among different gaming segments, is based upon a number of factors pertaining to profit maximization, including the popularity of particular games, and feedback and suggestions from our gaming promoters with respect to their clients' preferences and statistical gaming results.

As at December 31, 2020, MGM Cotai contained:

- 273 approved gaming tables for all major types of table games such as baccarat, blackjack, craps, poker, Caribbean stud poker, roulette and sic bo. Baccarat is the most popular game among our patrons measured by the level of revenues generated per table; and
- a combination of 655 slot machines in operation as well as other electronic gaming units placed throughout the casino in areas and bet denominations designed to target players in the various tiers of membership in our Golden Lion Club. Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity in 2020.

Our MGM Cotai VIP gross table games win, main floor gross table games win and slot machine gross win for the years indicated below are:

	Year Ended December 31,		
	2020	2020	2019
	(US\$'000)	(HK\$'000)	(HK\$'000)
VIP gross table games win	71,073	551,059	4,049,296
Main floor gross table games win.....	233,426	1,809,847	6,898,379
Slot machine gross win.....	30,074	233,176	1,030,491

Luxury Hotel

The MGM Cotai hotel tower is 151 meters tall and houses 1,390 hotel rooms comprising 1,248 standard guestrooms, 99 luxury suites, 16 skylofts and 27 The Mansion villas. For the years ended December 31, 2020, 2019 and 2018, our occupancy rates were 22.4%, 91.6% and 90.4%, respectively. The revenues per available room during the years ended December 31, 2020, 2019 and 2018 were HK\$327, HK\$1,428 and HK\$1,290, respectively. The figures for the year ended December 31, 2020 reflect the impact of the COVID-19 pandemic and the related closures and restrictions.

In keeping with MGM's reputation for best-in-class facilities, the guest rooms at MGM Cotai manifest a serene setting by blending sophisticated elegance and modern luxuries with comfortable and functional design. Staying true to MGM's ethos of making great moments at MGM, guests can relax and indulge at MGM Cotai with its up-market services.

Highlights of our guest accommodations themselves include the following:

Standard Guestrooms

Our standard guestrooms occupy floors 3 to 32 in the North Hotel Tower and 3 to 23 in the South Hotel Tower, and range from 43 to 51 square meters in total floor area. Contemporary and timeless in design, our standard guestrooms feature well-appointed and convenient layouts, with signature MGM amenities and the latest in technology, with wood floors that add a touch of warmth and a homey feeling.

Luxury Suites

Our 99 luxury suites are located on floors 15 to 23 of the South Hotel Tower and range from 87 to 94 square meters in total floor area. MGM Cotai's suites offer generous space with separate living and dining areas. Each suite has an oversized, marble master bathroom featuring a large vanity, deep soaking tub and separate steam shower.

Skyloft

Our 16 skylofts are contemporary duplex spaces inspired by New York City's lofts, with 128 square meters, situated above Cotai at the resort's North Hotel Tower. Selected skylofts include customized design elements, such as a digitally animated pool table to create an eccentric entertainment experience, as well as two sets of art collections themed "If You Can Dream" and "New Ink New Language" encompassing works by world-renowned artists such as Andy Warhol and Ma Desheng.

Our skylofts were designed to offer guests accommodation comprising spectacular design, dramatic views and exceptional personal service. Skylofts' guests will have access to the exclusive Sky Lounge, with dedicated check-in and private concierge service.

The Mansion Villas

The Mansion, featuring 27 lavish residential-style villas, is Macau's first VIP enclave for selected guests. An ultra-exclusive resort within a resort, it is available only to our most selective guests, and is designed to provide such guests with an unforgettable and sensational stay with heartfelt, intuitive and selective service. Set in a temperature-controlled four-story atrium, it features a private dining room and lounge among a lush and elaborate Moorish-inspired conservatory.

Our luxurious one, two and three-bedroom Moroccan-themed villas range in size from 215 square meters to 570 square meters. Each villa comes with personalized butler service and a dining room, and certain villas include balconies, oversized Jacuzzis and massage rooms.

Mansion One

Mansion One, the private ultra-luxury gaming area attached to The Mansion Villas was launched in December 2018. The product redefines the experience of premium mass and is exclusive to invitation-only premium mass patrons with strict criteria. Mansion One was uniquely designed to provide premium guests with an unforgettable gaming experience.

Restaurants and Bars

MGM Cotai features 12 diverse restaurants and bars catering to a broad range of international tastes. The restaurants at MGM Cotai provide high quality food, service and décor, which we believe are additional reasons for customers to visit and stay at MGM Cotai. MGM Cotai's restaurants and bars include the following:

- Aji, the first authentic Nikkei restaurant in Macau by Chef Mitsuharu Tsumura, one of the world's most acclaimed Nikkei experts.
- Bar Patua, a classic yet contemporary bar that serves crafted cocktails using uniquely oriental ingredients such as Chinese tea and herbs.
- Chún, a fine dining restaurant serving exquisite and creative Cantonese cuisine, and contains an alfresco terrace, which opens out to the spellbinding Spectacle and five private dining rooms.
- Coast, helmed by Chef Graham Elliot, a celebrity chef and television personality from popular cooking show Top Chef, offers dishes that capture the spirit of California and neighboring West Coast flavors.

- Five Foot Road is a stylish tea lounge featuring elegant calligraphic poems, where guests can savor a variety of beverages including traditional Sichuan Kung Fu tea and a selection of infused beverages. At the heart of the cuisine is the famed Sichuan chili and peppercorn, playing a central role on the menu focusing on authentic Sichuan ingredients and recipes with contemporary presentation from our trained Sichuan master chef.
- Grill 58, with its menu designed by Chef Mauro Colagreco, a Michelin three-star award-winning chef, is the must-go restaurant for exceptional meat and a destination for food and wine connoisseurs around the world.
- Hao Guo buzzes with fun and energy, and is ideal for families, groups and team events. Contemporary urban Asian interiors feature a timber motif and metallic tones, and contrast with views of a picturesque lake through floor-to-ceiling windows. The restaurant features a series of open, private and semi-private spaces and an outdoor terrace.
- Miàn Duì Miàn serves up tasty, fast and comforting fare, drawing together cuisine from the North and South of China. It offers noodles and dumpling dishes, and congee and rice dishes from around Asia, as well as carefully crafted traditional beverage favorites ranging from Hong Kong-style milk tea, lemon tea to freshly squeezed juices.

Other food and beverage offerings include Starbucks and the Pool Bar, as well as in-room dining for our hotel guests and on-the-floor dining for gaming customers.

Convention, Meeting and Reception Facilities

MGM Cotai features approximately 2,870 square meters of convention, meeting and reception space, including a spacious pillar-free Ballroom accommodating up to 1,000 guests, an intimate setting in Board Room and Vista which overlooks the resort's stunning reflective pool and lush greenery.

MGM Theater

The MGM Theater is Asia's first dynamic theater that can seat up to 2,000 people in more than ten different configurations. Every detail has been carefully selected and aimed at providing the optimum entertainment experience for guests.

The MGM Theater is the world's first theater to offer 28 million pixels of viewing pleasure to its audience by utilizing a giant 900-square-meter 4K (or ultra HD) LED screen, which is the world's largest permanent indoor LED screen and is the size of three tennis courts combined.

Empowered by the latest in technology and engineering, the MGM Theater can create custom arrangements for special events, from a traditional concert, fashion show or movie premiere layout to a 360-degree configuration for talk shows, product launches and international DJs. New shows performed at the MGM Theater include the "JABBAWOCKEEZ—true to yourself", "The Harry Potter Film Concert Series", "Fuerza Bruta Wayra" and "Legend Fighting Championship" in 2019. In 2020, we featured the livestream show of Dong Mingzhu and the "27th Huading Awards – China's Top 100 Film Satisfaction Survey Release Ceremony" at the MGM Theater.

Spectacle

As the epicenter of entertainment at MGM Cotai, the Spectacle comprises the world's largest area of permanent indoor LED screens, which showcases an exclusive array of digital art collected from around the globe. Featuring some of the world's renowned artists including: Joel Sartore, Magda Indigo, Garth Williams, Rob Kessler and Wolfgang Stuppy, Spectacle sets a platform for the artists to reveal the beauty of the world including several UNESCO World Heritage Sites of China. The digital art comprises the elements of nature, art, music, language, and culture for guests to discover and understand the world by inspiring them to perceive it in a different way.

Located at the heart of the resort, the Spectacle is over 4-stories high, spanning the length of a soccer field. It is a meticulously engineered column-free long-span diagrid structure. The space will seem to be alive, continually evolving and responding to changing conditions such as visitor behaviors, weather, time of day or season.

Retail

The retail space at MGM Cotai links the main entrance to the Lion Lobby and the luxurious Emerald Lobby. It features an eclectic, specially curated collection, bringing an amalgamation of lifestyle, beauty, luxury, artisanal and experiential choices for its customers.

Tria Spa

Found only at MGM Cotai and MGM Macau, Tria Spa is staffed with expertly trained therapists who focus on tailor-made treatments to heal the mind, body and soul of each guest. Tria Spa provides a sensory spa journey for guests through its offering of Ancient Chinese, Ayurvedic and Himalayan healing rituals, as well as massages, wraps, scrubs and a range of results-driven facials.

Salon, Gym and Pool

MGM Cotai operates a salon and fitness complex where fitness equipment, branded skin and body treatment products and clothing, accessories and athletic wear are available. The gym at MGM Cotai is outfitted with state-of-the-art Technogym equipment and an outdoor swimming pool.

Art Collection

The MGM Cotai Art Collection features over 300 captivating and thought-provoking artworks, including modern and contemporary Asian paintings and sculptures by renowned artists, freshly commissioned works by local and regional rising talents, and large-scale installations. Headlining the MGM Cotai Art Collection are 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing.

Within the Art Collection is the Chairman's Collection, bridging the East and West and Tradition with Technology through the theme of "A World Linked Through Art."

Subconcession

Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and SJM, a company in which a close family member of a Director of the Company had controlling beneficial interests at the time, a subconcession premium of US\$200 million (approximately HK\$1.55 billion) was paid by MGM Grand Paradise to SJM for the right to operate casino games of chance as well as other casino games in Macau for a period of 15 years, commencing on April 20, 2005.

On March 15, 2019, a Subconcession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Subconcessionaire, pursuant to which the Subconcession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (approximately HK\$194.17 million) as a contract premium upon signing such extension. In addition, MGM Grand Paradise paid SJM an amount of MOP20 million (approximately HK\$19.42 million) in connection with the extension of the gaming subconcession. See "Regulation—The Subconcession Contract" for further details.

On March 23, 2020, an addendum to the Subconcession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Subconcession Contract on June 26, 2022.

Land Concession

The Macau Government owns most of the land in Macau and, in most cases, private interests in real property located in Macau are obtained through long-term conditional land concessions and other grants of rights to use land from the government which contracts are published in Macau Official Gazette. Land concessions in Macau typically become unconditional upon compliance of the terms and conditions therein. The requirements and procedures on the government lease are established in the Land Law, enacted by Law no. 10/2013. Land concessions in Macau generally have 25 year terms. Any interested party may submit an application to the Public Works Department to renew the leasehold for another ten years upon payment of a renewal fixed premium. Pursuant to Ordinance no. 219/93/M, the renewal fixed premium corresponds to ten years of updated rent. There are common rates based on land use, which are generally applied to determine the cost of these land concessions.

On March 29, 2006, MGM Grand Paradise entered into a land concession contract with the Macau Government for the leasehold of an approximate 43,167 square meters parcel of land on the Macau Peninsula (on which MGM Macau was built), commencing from April 6, 2006. As specified in the land concession, MGM Grand Paradise had to pay a land premium, in a total of MOP299.0 million (approximately HK\$290.0 million). MGM Grand Paradise settled the amount of MOP1.8 million in specie, through completion of the reclamation works required in the land concession, paid MOP100 million in cash on February 24, 2006 and a total of MOP197.5 million (HK\$191.6 million) in semi-annual installments, the last being fully settled on November 7, 2007.

On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a land concession contract from the Macau Government to develop a resort and casino on a site comprised of approximately 71,833 square meters in Cotai, Macau (on which MGM Cotai was built). The land concession contract became effective when the Macau Government published the agreement in the Official Gazette of Macau on January 9, 2013 and has an initial term of 25 years. The total amount of the land premium was MOP1,291.2 million (approximately HK\$1,253.6 million) which comprised an initial payment of MOP450.0 million (approximately HK\$436.9 million) made in October 2012, with a remaining payable of MOP841.2 million (approximately HK\$816.7 million) to the Macau Government. The remaining payable accrued interest at 5% per annum, and was payable in eight equal instalments due every six months of MOP117.3 million (approximately HK\$113.9 million). The land premium payable for MGM Cotai was fully settled as at December 31, 2017.

We are also responsible for annual rent payments of approximately MOP2.9 million (approximately HK\$2.8 million) and MOP5.5 million (approximately HK\$5.3 million) for the land concession contracts of MGM Macau and MGM Cotai, respectively, which amounts may be revised by the Macau Government every five years.

ADVERTISING AND MARKETING

We advertise through several types of media and undertake various marketing activities to promote our operations. These activities capitalize upon our well-recognized MGM brand, our product offerings and our network of relationships with travel service providers. We seek to attract patrons through advertising, casino marketing, media and public relations, resort sales networks and special events.

We market MGM Macau and MGM Cotai directly to our gaming patrons through our loyalty programs, the Golden Lion Club and Mlife. Our loyalty programs provide a platform to reward patrons based on their value and customer lifecycle, through standard rewards of discounts and free points awarded for spending across the Group's properties with an emphasis on providing enhanced experiences for valuable patrons of our gaming and non-gaming facilities. Through Mlife, we are the only operator in Macau with a membership brand dedicated to non-gaming activities, which we believe gives us a competitive edge in being able to promote marketing campaigns within the Macau and Hong Kong markets. We are working to expand this reach within mainland China.

We believe our loyalty and marketing program enables us to effectively identify, target and adjust marketing activities to different categories of customers, and forms an important part of our strategy to successfully acquire, retain and grow customers for optimal profitability.

GAMING PATRONS

Our results of operations are substantially dependent upon casino revenue from high value individuals in the VIP gaming, main floor gaming and slot machines gaming operations. Our gaming patrons include main floor players, VIP players and gaming promoters who help source our VIP players.

Main floor players, including the premium mass market players we aim to attract, come to our properties for a variety of reasons, including our dual locations in the Macau market, direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors, and our non-gaming offerings. Unlike VIP players, who would otherwise be brought to MGM Macau and MGM Cotai by gaming promoters or through our own in-house efforts, no commission costs are payable in respect of our main floor players, including premium and mass market players. These players also account for a significant portion of our total gross profit.

VIP clients who come to our properties are patrons who participate in our In-house VIP Programs or in the VIP programs of our gaming promoters. Our VIP clients are typically wealthy persons who play mostly in our dedicated VIP rooms or designated gaming areas.

Our in-house VIP players are entitled to a variety of gaming-related rebates whereby they can earn a commission and an allowance for hotel rooms, food and beverage and other complimentary products or services. Gaming is conducted on a cash basis. We may selectively grant credit, often in the form of non-negotiable chips, to these players whose level of play and financial resources meet our approval criteria. For discussions on credit granted to our gaming patrons, see “Risk Factors—Risks Relating to Our Business and Operations—We are exposed to credit risk on credit extended to our patrons and gaming promoters.” Alternately, our VIP clients may come under our gaming promoters’ programs.

Gaming Promoters

Gaming promoters have historically played a critical role in the Macau gaming market and are an important component to our business and operations. All of these gaming promoters are Independent Third Parties licensed as gaming promoters by the DICJ. There is no limit imposed by the DICJ on the number of gaming promoters that we are allowed to engage. Our gaming promoters’ primary business activities involve providing certain services, including directing patrons to MGM Macau and MGM Cotai and using best efforts to actively promote MGM Macau’s and MGM Cotai’s facilities to existing and potential patrons in designated geographical areas. Many of our gaming promoters have affiliates that work with the other casino operators in Macau. The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Subconcession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability, and we have established procedures to screen prospective gaming promoters prior to their engagement, and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards.

Gaming promoters introduce many of our VIP players to MGM Macau and MGM Cotai and normally assist those patrons with their travel and entertainment arrangements. In addition, gaming promoters may extend credit to their clients. This extension of credit is one of the gaming promoters’ key functions. We believe that we have formed strong relationships with many of the top gaming promoters in Macau and have built a network of selected gaming promoters that help us market our properties while assisting in the support of VIP players at our properties.

The majority of our gaming promoters as at December 31, 2020 were compensated through a revenue sharing plan that is based on a percentage of win going to the gaming promoter for the VIP patrons they bring to MGM Macau and MGM Cotai. In addition to this commission, our commissioned gaming promoters also earn a complimentary allowance based upon a percentage of the table games turnover they generate, which can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses. There has been no material dispute with our gaming promoters with respect to any such payments or any other matters. From time to time and on a case-by-case basis pursuant to our procedures, we grant credit, which is non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements. For discussions on credit

granted to our gaming promoters, see “*Risk Factors—Risks Relating to Our Business and Operations—We are exposed to credit risk on credit extended to our patrons and gaming promoters.*”

GAMING OPERATIONS

The Subconcession Contract requires that our casino and gaming areas be open seven days a week, every day of the year. Our casinos operate on a 24-hour basis. Our casinos’ gaming activities are conducted through a number of gaming operations, including gaming floor, cage and treasury as well as security and surveillance operations. Our casinos’ gaming operations referred to herein include operations in all of areas that the VIP players and main floor players have access to, including gaming areas. On February 4, 2020, the Macau Government asked that all gaming operators in Macau suspend casino operations for a 15-day period that commenced on February 5, 2020. As a result, we suspended all operations at MGM Macau and MGM Cotai other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Our operations at MGM Macau and MGM Cotai resumed on February 20, 2020.

INTELLECTUAL PROPERTY

Our intellectual property rights, especially our rights to use the logo versions of “MGM,” are among our most valuable assets. We have sublicensed the right to use these logos and certain other “MGM”-related trademarks and service marks from MGM Branding, which has licensed those same trademarks from MGM Resorts International. We have registered or applied to register numerous trademarks in connection with our properties, facilities and development projects. MGM is an established brand associated with a number of concepts including entertainment and aspiration. Our brand plays a key role in our internal and external initiatives including marketing, sales, promotions, product development and employee programs. We consider our brand name to be important to our business and believe that the name recognition, reputation and image that we have developed attract customers to our facilities. It is our intent to pursue and maintain our trademark registrations and our trademark agreements with MGM Branding consistent with our goals for brand development and identification. As far as we are aware, our intellectual property rights have not been infringed in any material way by third parties since our initial listing on the Hong Kong Stock Exchange.

INFORMATION TECHNOLOGY

Our Digital & Technology Solutions team is responsible for ensuring all systems, applications and infrastructure are running at their optimal levels. This team works closely with management to understand our business needs and respond accordingly. Our Digital & Technology Solutions team consists of departments ranging from Resort Technologies to Business Solutions and Information Security to Network Infrastructure. Our information technology infrastructure includes firewalls, virus protection, intrusion protection and monitoring in conjunction with redundant services for all major applications. All of our systems, applications and infrastructure are implemented following our Project Management Framework and Change Management policy. Technology support is provided according to the applicable service level agreement based on the needs of those technology services. In line with our strategic goal of improving the cost-effectiveness of our operations, we intend to continue to evolve to provide further operational efficiencies. We will also focus on upgrading and maintaining our systems to meet international information technology compliance standards. We similarly aim to provide a stable and reliable technology environment that will allow our employees and our guests to readily access our integrated resort offerings and options for gaming and leisure.

EMPLOYEES

As at December 31, 2020, we had approximately 10,364 employees in Macau, Hong Kong and Zhuhai which includes MGM Macau, MGM Cotai and shared services team members

Most of our workforce has been recruited from Macau but we also employ experienced skilled labor, management staff and general line level staff recruited from outside Macau. The Macau Government has granted us permission to hire foreign workers subject to a quota. We believe that we will be able to continue to attract and

retain a sufficient number of qualified individuals to operate the hotel and casino but there can be no assurance that this will be the case.

To mitigate the impact of the COVID-19 pandemic, we have subsequently taken a number of measures to reduce payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave.

COMPETITION

We operate in a highly competitive industry. Gaming in Macau is permitted as a government-sanctioned monopoly concession awarded to three Concessionaires, who in turn are permitted, subject to the approval of the Macau Government, to each grant one subconcession to other gaming operators. Our subsidiary, MGM Grand Paradise, is one of the three Subconcessionaires. Each Concessionaire and Subconcessionaire can operate multiple casinos subject to the approval of the Macau Government.

The gaming operators in Macau currently consist of the six Concessionaires or Subconcessionaires. As at December 31, 2020:

- MGM Grand Paradise, our subsidiary, operated two casinos, namely MGM Macau and MGM Cotai.
- SJM operated 22 casinos in Macau, including The Hotel Lisboa, The Grand Lisboa, Oceanus, Taipa and 16 satellite casinos. The 16 satellite casinos include Ponte 16, Babylon, Casa Real, Landmark, Diamond, Emperor Palace, Fortuna, Grandview, Golden Dragon, Eastern, Kam Pek Paradise, Million Dragon, Le Royal Arc, Legend Palace, Macau Jockey Club and Royal Dragon. In addition, two casinos, namely Macau Palace and Greek Mythology, have their operations provisionally suspended.
- Galaxy operated six casinos, namely StarWorld, Galaxy, Broadway and the City Club casinos, which include Waldo, Rio and President.
- Venetian Macau, the Subconcessionaire of Galaxy, operated five casinos in Macau, namely The Venetian Macau, Sands Cotai Central, The Parisian Macau, The Plaza Macau and Sands Macau.
- Wynn Macau operated two casinos, namely Wynn Macau and Wynn Palace.
- Melco Resorts Macau, the Subconcessionaire of Wynn Macau, operated four casinos, namely Altira Macau, City of Dreams, Studio City and Grand Dragon. Melco Resorts Macau also operates Mocha Clubs.

As at December 31, 2020, there were 41 casinos in Macau. There are several development projects in Cotai that are expected to be completed in the coming years.

Our key competitors in Macau include the five other Concessionaires and Subconcessionaires, including SJM, Galaxy, Wynn Macau, Venetian Macau and Melco Resorts Macau. MGM Grand Paradise was the last of the six gaming operators in Macau to open a property. As such, we commenced operations later than many of our key competitors. Our overall gaming market share was 9.9% and 9.5% for the years ended December 31, 2020 and 2019, respectively.

We encounter competition from other major gaming centers located in other areas of Asia and around the world, including, but not limited to, Singapore, the Philippines, Cambodia, Vietnam, South Korea, Australia and Las Vegas, as well as online gaming and cruise ships that offer gaming. In addition, certain countries or regions have legalized, and others may in the future legalize, casino gaming (or online gaming), including Japan, Taiwan and Thailand. See “*Risk Factors—Risks Relating to Our Business and Operations—We face intense competition in Macau and elsewhere in Asia.*”

INSURANCE

Our credit agreements, the Subconcession Contract and other material agreements require us to procure and maintain a certain minimum level of insurance, a portion of which we are required to place with insurance companies based in Macau. We utilize the local Macau insurers supported by major Hong Kong and international insurers and reinsurers. We currently maintain an insurance program that includes, but is not limited to, property and business interruption, terrorism, public and product liability, crime, cyber and data liability, employee compensation, motor vehicle, fine art, directors and officers insurance, and a number of other coverages to meet identified risks and exposures of the company.

We believe that our insurance coverage is consistent with industry and regional practice and adequate and appropriate for our current operations and we expect to adjust our coverage going forward as identified risks and exposures change. See *“Risk Factors—Risks Relating to Our Business and Operations—Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase.”*

ENVIRONMENTAL MATTERS

We maintain a pollution insurance policy with respect to environmental impact on our business. We have had no material environmental incidents, all required permits and environmental approvals for construction were obtained and there was no administrative penalty imposed upon our Group as a result of any violation of environmental rules and regulations. In the absence of any complaints stating otherwise, our Macau legal advisors are of the opinion that our Group complies with Macau regulations and environmental rules and regulations in force.

LEGAL COMPLIANCE AND PROCEEDINGS

The Group has obtained all necessary approvals, licenses and permits required to conduct its business operations in Macau. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As of the date of this offering memorandum, no member of the Group was engaged in any material legal, arbitral or administrative proceedings and we are not aware of any material legal, arbitral or administrative proceedings pending or threatened by or against us.

The Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM Macau, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming Concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group has also been named as a defendant in legal proceedings filed in the Macau Court of First Instance by a contractor and by one of its sub-contractors, both claiming compensation for damages based on the alleged unlawful termination of two construction works contracts (contractor’s claim) and on unpaid executed construction works (sub-contractor’s claim). The Group intends to keep defending its position that it is not liable with respect to these claims. The Macau Court of First Instance declared, in the meantime, that the contractor, which is currently in bankruptcy proceedings, will have the proceedings continued by its receiver. On January 16, 2020, the Group obtained an interim injunction to freeze the contractor’s assets and on June 2, 2020, the Group filed its claim for credits against the contractor’s insolvency estate.

In addition, the Group has been named as a defendant in a claim filed by certain plaintiffs in the Hong Kong Court of First Instance in connection with a dispute regarding allegedly misappropriated funds. The plaintiffs seek to recover a sum that they claim was misappropriated from them by other defendants in the case before being transferred to a controlled entity of the Group. Immediately before the Group was named as a defendant in this claim, the plaintiffs obtained an interim injunction to freeze certain funds in a Hong Kong bank account of such controlled entity of the Group in the amount of HK\$36.3 million, equivalent to the sum claimed by the plaintiffs. The Group intends to vigorously defend the claim on the basis that it had no involvement in the alleged misappropriations.

No assurance can be provided as to the outcome of such proceedings. We do not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

REGULATION

General

As a casino Subconcessionaire, our subsidiary MGM Grand Paradise is subject to the regulatory control of the Macau Government. The government has adopted laws and administrative regulations governing the operations of casinos in Macau. Only Concessionaires or Subconcessionaires are permitted to operate casinos. Subconcessions may be awarded subject to the approval of the Macau Government and each current Concessionaire has issued one Subconcession (see “The Concession Regime” below for more details) as of the date of this offering memorandum. Each Concessionaire was required to enter into a concession contract with the Macau Government, and each Subconcessionaire was required to enter into a Subconcession Contract with one Concessionaire. The concession or Subconcession contracts form, together with the laws and administrative regulations enacted by the Macau Government, the framework for the regulation of the activities of each Concessionaire or Subconcessionaire.

Gaming Regulations

Under the laws and administrative regulations, Concessionaires and Subconcessionaires are subject to suitability requirements relating to background, associations and reputation, as are shareholders of 5% or more of each Concessionaire or Subconcessionaire’s share capital, as well as their officers, directors and key employees. The same requirements apply to any entity engaged to manage casino operations. Concessionaires and Subconcessionaires are required to satisfy minimum capitalization requirements, demonstrate and maintain adequate financial capacity to operate the concession and submit to continuous monitoring of their casino operations by the Macau Government. Concessionaires and Subconcessionaires are also subject to periodic financial reporting requirements and reporting obligations with respect to, among other things, certain contracts, financing activities and transactions with directors, financiers and key employees. Transfers or the encumbering of interests in Concessionaires or Subconcessionaires must be reported to the Macau Government and are ineffective without government approval. Concessionaires and Subconcessionaires must procure that transfers or the encumbering of indirect interests amounting to 5% or more of their share capital are reported to the Macau Government and made subject to government approval.

Each Concessionaire and Subconcessionaire is required to engage an executive director who must be a permanent resident of Macau and the holder of at least 10% of the capital stock of the Concessionaire. Ms. Pansy Ho, the Managing-Director of our subsidiary MGM Grand Paradise, currently meets the aforementioned requirements. Ms. Pansy Ho has a 10% voting interest in our subsidiary MGM Grand Paradise, but her economic interest is limited to MOP1.00. The appointment of the executive director and of any successor is ineffective without the approval of the Macau Government. All contracts placing the management of a Concessionaire’s or Subconcessionaire’s casino operations with a third party also are ineffective without the approval of the Macau Government.

Concessionaires and Subconcessionaires are subject to a special gaming tax of 35% of gross gaming revenue and must also make an annual contribution of up to 4% of gross gaming revenue for the promotion of public interests, social security, infrastructure and tourism. Concessionaires and Subconcessionaires are also obligated to withhold tax, according to the rate in effect as set by the government, from any commissions paid to gaming promoters. Such withholding rate may be adjusted from time to time.

The Macau Government may assume temporary custody and control over the operations of a concession in certain circumstances. During any such period, the costs of operations must be borne by the Concessionaire. The Macau Government also may terminate a concession for cause, including, without limitation, failure of the Concessionaire to fulfill its obligations under law or the concession contract.

The Macau Government has also enacted other gaming legislation, rules and policies. Further, it imposed policies, regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, the number of gaming tables that may be operated in Macau, location requirements for sites with gaming machine lounges, supply and requirements of gaming machines, equipment and systems, instruction in responsible gaming, restrictions on the utilization of mass market gaming tables for VIP operations, smoking in gaming areas and other matters. In addition, the Macau Government may consider enacting new regulations that may adversely affect our

gaming operations. Our inability to address the requirements or restrictions imposed by the Macau Government under such legislation could adversely affect our gaming operations. See “*Risk Factors—Risks Relating to Our Business and Operations— Conducting business in Macau involves certain economic and political risks.*”

Gaming Promoters

A gaming promoter, also known as a junket operator, is a person who, for the purpose of promoting casino gaming activity, arranges customer transportation and accommodations, and provides credit in their sole discretion, food and beverage services and entertainment in exchange for commissions or other compensation from a Concessionaire. Macau law provides that gaming promoters must be licensed by the Macau Government in order to do business with and receive compensation from Concessionaires. For a license to be obtained, direct and indirect owners of 5% or more of a gaming promoter (regardless of its corporate or sole proprietor status), its directors and key employees must be found suitable. Applicants are required to pay the cost of the license investigations and are required to maintain suitability standards during the license term. The term of a gaming promoter’s license is one calendar year, and licenses can be renewed for additional periods upon the submission of renewal applications. Natural person licensees are subject to a suitability verification process every three years and corporate licensees are subject to the same requirement every six years. The DICJ implemented certain instructions in 2009, which have the force of law, relating to commissions paid to and by gaming promoters. Such instructions also impose certain financial reporting and audit requirements on gaming promoters.

Changes in the management structure of gaming promoters must be reported to the Macau Government, and any transfer or the encumbering of interests in such gaming promoters is ineffective without prior government approval. To conduct gaming promotion activities, gaming promoters must be registered with one or more Concessionaires and must have written contracts with such Concessionaires, one original of which must be submitted to the Macau Government.

Macau law further provides that Concessionaires are jointly responsible with their gaming promoters for the activities of their representatives and their directors and contractors in the Concessionaires’ casinos, and for their compliance with applicable laws and regulations. Concessionaires must submit lists of their gaming promoters, and must update such lists on a quarterly basis. The Macau Government may designate a maximum number of gaming promoters and specify the number of gaming promoters a Concessionaire is permitted to engage. Concessionaires are subject to periodic reporting requirements with respect to commissions paid to their gaming promoters, and are required to oversee their activities and report instances of unlawful activity.

The Concession Regime

Following its decision to open Macau’s gaming industry, the Macau Government conducted an international tender process for gaming concessions in Macau. In 2002, the Macau Government awarded three gaming concessions to, SJM, Galaxy and Wynn Macau, respectively, pursuant to the terms of the Macau Gaming Law and other related legislation. The Macau Government subsequently and successively authorized three Subconcessions, permitting each of Galaxy, SJM and Wynn Macau to enter into the Subconcession contracts with their respective Subconcessionaires to operate casino games and other games of chance in Macau. SJM, Galaxy, and Wynn Macau entered into Subconcession Contracts with MGM Grand Paradise, Venetian Macau and Melco Resorts Macau, respectively. These contracts set out the terms and conditions of their Subconcession with their respective Concessionaire, as authorized by the Macau Government.

Our subsidiary, MGM Grand Paradise executed a Subconcession Contract with SJM on April 19, 2005, amended on March 15, 2019. SJM continues to develop and operate hotel and casino projects that are independent from us. If the SJM concession is terminated for any reason, the Subconcession will remain in effect. The granting of further Subconcessions is prohibited unless specifically authorized by the Macau Government.

The Subconcession Contract

The Subconcession Contract sets out the terms and conditions of the Subconcession granted to MGM Grand Paradise for the operation of casino games. MGM Grand Paradise does not have the right to grant a Subconcession to third parties pursuant to the Subconcession Contract.

Because the Subconcession is independent from SJM's concession, it will not be affected by any modification, suspension, redemption, termination or rescission of SJM's concession. In addition, an early termination of SJM's concession before June 26, 2022 would not result in the termination of the Subconcession. The Subconcession was authorized and approved by the Macau Government and our Macau legal advisor has advised us that the negotiation and formalization process complied with the applicable legal framework in Macau, namely the Macau Gaming Law. Pursuant to the Subconcession Contract, each of the Macau Government and SJM is obligated to cooperate with MGM Grand Paradise so that MGM Grand Paradise can fulfill its legal and contractual obligations under the Subconcession Contract. Furthermore, SJM has also undertaken not to enter into any additional Subconcessions during the MGM Subconcession as provided in the Subconcession Extension Contract.

The Subconcession Extension Contract, entered into on March 15, 2019, extended the Subconcession until June 26, 2022, for the consideration of MOP200 million to the Macau Government, settled by MGM Grand Paradise, and subject to MGM Grand Paradise providing an autonomous bank guarantee of MOP820 million to secure the satisfaction of the labor liabilities of MGM throughout the duration of the Subconcession and after the expiry of the Subconcession Contract until labor liabilities are fully liquidated and paid, and adhering to the Macau Central Providence System approved by Law 7/2017, both obligations were fulfilled by the deadline of June 15, 2019.

On March 23, 2020, an addendum to the Subconcession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Subconcession Contract on June 26, 2022.

MGM Grand Paradise may operate other gaming-related activities, provided that it receives prior approval from the Macau Government. If the Subconcession Contract is not extended or renewed upon its expiration on June 26, 2022, on that date all of its casino premises and gaming-related equipment would be automatically transferred to the Macau Government without compensation and we would cease to receive any revenues from such operations. See the sections headed "*Risk Factors—Risks Relating to Our Business and Operations—We will stop generating any revenues from our Macau gaming operations if we cannot secure an extension of the Subconcession in 2022 or if the Macau Government exercises its redemption right*" and "*Risk Factors—Risks Relating to Our Business and Operations—The Macau Government can terminate the Subconcession under certain circumstances without compensating us, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.*" Beginning on April 20, 2017, the Macau Government may redeem the Subconcession by providing MGM Grand Paradise at least one year's prior notice. In the event the Macau Government exercises this redemption right, MGM Grand Paradise is entitled to fair compensation or indemnity. Pursuant to the Subconcession Contract, the amount of such compensation or indemnity will be determined based on the amount of gaming and non-gaming revenue generated by MGM Macau, excluding the convention and exhibition facilities, during the taxable year prior to the redemption, before deducting interest, depreciation and amortization, multiplied by the number of remaining years before expiration of the Subconcession.

The Subconcession Contract requires, among other things:

- (i) approval of the Macau Government for transfers of shares in MGM Grand Paradise, or of any rights over or inherent to such shares, including the grant of voting rights or other stockholders' rights to persons other than the original owners, as well as for the creation of any charge, lien or encumbrance on such shares;
- (ii) approval of the Macau Government for transfers of shares, or of any rights over such shares, in any of our direct or indirect stockholders, provided that such shares or rights are directly or indirectly equivalent to an amount that is equal to or higher than 5.0% of MGM Grand Paradise's share capital; and

(iii) that the Macau Government be given notice of the creation of any encumbrance or the grant of voting rights or other stockholder's rights to persons other than the original owners on shares in any of the direct or indirect stockholders in MGM Grand Paradise, provided that such shares or rights are equivalent to an amount that is equal to or higher than 5.0% of MGM Grand Paradise's share capital. The requirements in provisions (ii) and (iii) above will not apply, however, to securities listed as tradable on a stock exchange.

The transfer or creation of encumbrances over Macau Grand Paradise's gaming assets (including casinos and gaming equipment and utensils) is also subject to approval of the Macau Government.

To ensure MGM Grand Paradise's suitability and financial capacity as a Subconcessionaire, the Macau Government requires MGM Grand Paradise's directors and executive staff in relevant positions in the casino and shareholders holding 5.0% or more of MGM Grand Paradise's share capital to be subject to suitability assessment and on-going suitability screening during the Subconcession term, and accept the persistent and long-term inspection and supervision exercised by the Macau Government. The Macau Government may investigate relevant individuals at any time and may object to suitability for any cause it deems reasonable. MGM Grand Paradise is required to ask bi-annually of its directors, executive staff in relevant positions in the casino and shareholders holding 5.0% or more of Macau Grand Paradise's share capital if they have any knowledge of any fact that might be relevant to their own or MGM Grand Paradise's suitability and to immediately notify the Macau Government should it become aware of any fact that may be material to the appropriate qualification of any directors, executive staff in relevant positions in the casino or shareholders holding 5.0% or more of Macau Grand Paradise's share capital.

Changes in MGM Grand Paradise's management, including its managing director, must be reported to the Macau gaming authorities and, in addition to their authority to object to a finding of suitability, the Macau gaming authorities have jurisdiction to disapprove a change in corporate position. If the Macau gaming authorities were to find one of our officers, directors or executive staff in relevant casino positions unsuitable for the position, we would have to sever all relationships with that person. In addition, the Macau gaming authorities may require us to terminate the employment of any person who refuses to be subject to a suitability review. Any person who refuses to after being ordered to do so by the Macau gaming authorities may be found unsuitable. We will be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or otherwise to have any other relationship with us, we:

- pay that person any dividend or interest upon its shares;
- allow that person to exercise, directly or indirectly, any voting right conferred through shares held by that person; or
- pay remuneration in any form to that person for services rendered or otherwise.

MGM Grand Paradise is also required to: (i) notify and obtain prior approval from the Macau Government before it may provide loans to, or enter into similar contracts with, MGM Grand Paradise's board of directors, shareholders or executive staff in relevant positions in its casino; and (ii) obtain the Macau Government's prior approval of any recapitalization plan proposed by MGM Grand Paradise's board of directors. The Chief Executive of Macau could also require MGM Grand Paradise to increase its issued share capital if he deems it necessary and duly justified on a case-by-case basis.

MGM Grand Paradise has certain payment obligations under the Subconcession Contract and pursuant to Macau Gaming Law, which include payment of a special gaming tax, annual gaming premiums and contributions to a public foundation in Macau and to urban development, the promotion of tourism and social security. Pursuant to the Subconcession Contract, MGM Grand Paradise also agreed to a committed investment of MOP4.0 billion (US\$0.5 billion) which has been completed. The following table sets out some of the major terms and conditions of the Subconcession Contract.

Committed investment	MOP4.0 billion (US\$0.5 billion)
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Term.....	to June 26, 2022
Special gaming tax	35.0% of gross gaming revenue
Annual gaming premium.....	MOP30.0 million (US\$3.8 million) per annum fixed premium
	MOP300,000 (US\$37,500) per annum per VIP gaming table
	MOP150,000 (US\$18,750) per annum per mass market gaming table
	MOP1,000 (US\$125) per annum per electric or mechanical gaming machine including slot machines
Special levies:	
Contribution to a public foundation in Macau.....	1.6% of gross gaming revenue—for promotion, development or study of culture, society, economy, education, science and charity events in Macau
Contribution to Macau Government	2.4% of gross gaming revenue—for urban development, tourism promotion and social security in Macau
Total	4.0% of gross gaming revenue

The Subconcession Contract may be terminated by agreement between MGM Grand Paradise and SJM but is independent of SJM's concession. SJM is not entitled to unilaterally terminate the Subconcession. Although the Subconcession Contract specifies that the Macau Government has the right to unilaterally terminate the Subconcession after consultation with SJM, the Subconcession Contract does not explicitly grant SJM any veto rights, nor require SJM's consent in order to allow the Macau Government to exercise its unilateral termination rights. Moreover, the Macau Government has reconfirmed that the Subconcession is separate from SJM's concession and that MGM Grand Paradise does not have any obligations to SJM pursuant to the Subconcession Contract, except with respect to the investment obligations under the Subconcession Contract which already have been completed.

The Macau Government has the right to unilaterally terminate the Subconcession Contract for non-compliance with fundamental obligations under the Subconcession Contract and applicable Macau laws including:

- operation of casino games without permission or operation of business beyond the scope of the Subconcession;
- suspension of gaming operations without reasonable grounds for more than seven consecutive days or more than 14 non-consecutive days within one calendar year;
- unauthorized total or partial transfer of gaming operations in violation of the relevant laws and administrative regulations governing the operation of casino games;
- failure to pay taxes, premiums, levies or other amounts payable to the Macau Government;
- refusal or failure to resume operations or failure to continue operations due to on-going serious disruption or organizational insufficiency;
- repeated failures in the implementation of supervision and inspection control or repeated failure to comply with decisions of the Macau Government, in particular, the DICJ instructions;
- systematic non-compliance with fundamental obligations stipulated under the concession regime;

- refusal or failure to provide or replenish the bank guarantee or surety in the Subconcession Contract within the prescribed period;
- bankruptcy or insolvency;
- fraudulent activity to the detriment of the public interest;
- serious violation of the rules applicable to the operation of casino games or causing harm to fairness of casino games;
- grant to a third party of managing powers over gaming activities; and
- non-compliance with obligations regarding transfer of shares.

MGM Grand Paradise has the opportunity to remedy any such non-compliance with its fundamental obligations under the Subconcession Contract within a period to be stipulated by the Macau Government.

These events could ultimately lead to the termination of the Subconcession without compensation to MGM Grand Paradise or result in potential liability to MGM Grand Paradise. Upon such termination, all of MGM Grand Paradise's casinos, slot machine operations and related equipment and property rights to the casino premises in Macau would be automatically transferred to the Macau Government without compensation to MGM Grand Paradise and we would cease to generate any revenue from MGM Grand Paradise's operations. In many of these instances, the Subconcession Contract does not provide a specific period within which any such events may be cured and, instead, we would rely on consultations and negotiations with the Macau Government to enable us to remedy any such default.

There are no renewal conditions imposed under the Subconcession Contract, which expires on June 26, 2022. The Macau Government may impose new conditions for renewal, for granting new extensions up to a maximum of five years total, and for granting the new concessions and subconcessions to the current Concessionaires and Subconcessionaires after expiry, which are still to be revised and approved.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors

The following table sets forth information regarding our Board of Directors as of the date of this offering memorandum.

Name	Position	Age
Mr. William Joseph Hornbuckle	Chairperson and executive Director	63
Ms. Pansy Catilina Chiu King Ho.....	Co-Chairperson and executive Director	58
Mr. Chen Yau Wong	Executive Director	67
Mr. John M. McManus.....	Executive Director	54
Mr. Kenneth Xiaofeng Feng.....	Non-executive Director	50
Mr. James Armin Freeman.....	Non-executive Director	52
Mr. Daniel J. Taylor	Non-executive Director	64
Ms. Ayesha Khanna Molino.....	Non-executive Director	40
Mr. Zhe Sun.....	Independent Non-executive Director	55
Ms. Sze Wan Patricia Lam.....	Independent Non-executive Director	54
Mr. Russell Francis Banham	Independent Non-executive Director	67
Mr. Simon Meng	Independent Non-executive Director	63

The biography of each Director is set out below:

Executive Directors

Mr. William Joseph Hornbuckle is the Chairperson and executive Director of the Company. He was a member of the Remuneration Committee of the Company until May 28, 2020. Mr. Hornbuckle has 40 years of experience in the gaming industry. He has served as a director of MGM Grand Paradise since November 16, 2009. Mr. Hornbuckle was appointed as President and Chief Operating Officer of MGM Resorts International since March 1, 2019 and was appointed as acting Chief Executive Officer and President of MGM Resorts International since March 22, 2020 and also became a member of the Board of Directors of the Company. He was appointed as Chief Executive Officer and President of MGM Resorts International on July 29, 2020. Mr. Hornbuckle was Chief Marketing Officer of MGM Resorts International from 2009 until 2012. From April 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He also served as the President and Chief Operating Officer of MGM Grand Las Vegas from 1998 to 2001. Prior to joining MGM Grand Las Vegas, Mr. Hornbuckle served as the President and Chief Operating Officer for Caesars Palace, Las Vegas. Mr. Hornbuckle is Chairman of the CityCenter JV Board of Directors (a joint venture with Dubai World), President of the T-Mobile Arena (a joint venture with AEG), and a member of the Las Vegas Stadium Authority. Mr. Hornbuckle also serves on the Board of Trustees for Three Square Food Bank in Las Vegas, Nevada and the Fulfillment Fund of Southern Nevada which aids and promotes children's education and is a founding member of the Bank of George in Las Vegas, Nevada, a banking and financial services institution where he serves on the Bank's holding company Board. Previously, Mr. Hornbuckle served on the boards for the United Way of Southern Nevada and the University of Nevada Las Vegas Foundation, Andre Agassi Foundation. From 1999 to 2003, he also served as a board member of the Las Vegas Convention and Visitors Authority. Mr. Hornbuckle graduated with a Bachelor of Science degree in Hotel Administration from University of Nevada, Las Vegas.

Ms. Pansy Catilina Chiu King Ho, JP, is the Co-Chairperson, an executive Director and a member of the Remuneration Committee of the Company. She serves as Managing Director of MGM Grand Paradise since June 1, 2005. She is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. Ms. Ho is the Group Executive Chairman and Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, positions she has held since 2017 and 1999 respectively. In addition, Ms. Ho is the Chairman of the Board of Directors of Estoril-Sol, SGPS, SA, a Portuguese listed gaming company. Also, Ms. Ho is the Vice Chairman of the Board of Directors of Macau International Airport Company Limited. She is also an independent non-executive Director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. In addition, she is a Chairperson of Hong Kong Federation of Women. In China, she is a Standing Committee Member of the Beijing Municipal Committee

of the Chinese People's Political Consultative Conference, a Vice President of Women's Chamber and an Executive President of Chamber of Tourism of the All-China Federation of Industry and Commerce. In Macau, Ms. Ho is a Committee Member of the Committee of Cultural Industries, the Chairperson of Global Tourism Economy Research Centre and the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Council, and was appointed as a Tourism ambassador by the United Nations World Tourism Organization in October 2018. Ms. Ho was appointed as Honorary Professor of School of Political Communication, Central China Normal University in November 2013. She was appointed as Honorary Fellowship from the Hong Kong Academy for Performing Arts and University of Hong Kong in June 2014 and September 2015 respectively. Ms. Ho was appointed as a Justice of the Peace and was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region on July 1, 2015 and October 1, 2020 respectively. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the Santa Clara University in the United States.

Mr. Chen Yau Wong is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong is a director of MGM Grand Paradise Limited since September 2007 and MGM Grand Paradise (HK) Limited since January 2010. Mr. Wong was a director of Grand Paradise Group (HK) Limited from December 2004 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a Financial Advisor and Operations Controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

Mr. John M. McManus is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. He also serves as the Executive Vice President, General Counsel and Secretary of MGM Resorts International since July 2010. Mr. McManus served as MGM Resorts International's Senior Vice President, Acting General Counsel and Secretary from December 2009 to July 2010, Senior Vice President, Deputy General Counsel and Assistant Secretary from September 2009 to December 2009 and Senior Vice President, Assistant General Counsel and Assistant Secretary from July 2008 to September 2009. Mr. McManus acted as counsel to various operating MGM subsidiaries from May 2001 to July 2008. Mr. McManus also serves as director of MGM Growth Properties LLC. Mr. McManus holds a Bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree from University of Miami.

Non-Executive Directors

Mr. Kenneth Xiaofeng Feng is a non-executive Director since May 24, 2018 and serves as President, Strategic and Chief Financial Officer, with effect from June 22, 2020. He was a member of the Audit Committee from May 24, 2018 to November 1, 2019. Mr. Feng is the Executive Vice President of MGM Asia Pacific Limited and has been employed by MGM Resorts International since 2001 in a variety of finance, advisory, strategic and development positions. Mr. Feng was closely involved in the negotiations and developments of both for the MGM Macau and for Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the Chinese Government). Mr. Feng was promoted first to Vice President - International Operations in 2007, Senior Vice President of MGM Resorts International in 2009, and to his present post in 2013. He is active in strategic, development and operations roles both with MGM China Holdings Limited and with Diaoyutai MGM Hospitality. Mr. Feng graduated from Nankai University in China with a degree in Bachelor of Science and also holds a Master of Science degree from Columbia University, USA.

Mr. James Armin Freeman is a non-executive Director and a member of the Audit Committee of the Company. He was appointed on March 6, 2019, resigned on June 27, 2019 and was re-appointed as a non-executive Director on August 1, 2019 and as member of the Audit Committee on November 1, 2019. Mr. Freeman joined MGM Resorts International in March 2010 and currently serves as Senior Vice President, Capital Markets and Strategy. Mr. Freeman's role with MGM Resorts International is to reshape the company's balance sheet through his leadership of debt and equity capital raising activities. In addition, Mr. Freeman assists with strategic planning, market analysis and strategic development. Mr. Freeman also serves as the lead, from a financial perspective, on merger and acquisition activity and continues to be active in special projects. Since joining the company, Mr.

Freeman has overseen significant capital markets transactions for MGM Resorts International and its subsidiaries including the initial public offering of the Company, the initial public offering of MGM Growth Properties LLC, and the US\$2.0 billion refinancing of CityCenter Holdings LLC, a 50% venture between MGM Resorts International and Infinity World Development Corp. Prior to joining MGM Resorts International, Mr. Freeman served as Senior Vice President and Chief Financial Officer of Fontainebleau Resorts. Prior to that, Mr. Freeman served as an Investment Banking Principal at Banc of America Securities. In this role, he executed significant debt and equity transactions for clients in the gaming, lodging and leisure industries. Mr. Freeman's experience includes a broad range of financial execution including project finance, acquisition finance, bank syndications, high yield offerings, convertible debt offerings and initial public offerings. Mr. Freeman earned his Bachelor of Science degree in Accounting from the University of Illinois and his Master of Business Administration with concentrations in Finance and Business Economics from the University of Chicago Booth School of Business.

Mr. Daniel J. Taylor is a non-executive Director of the Company since March 26, 2020 and a member of the Remuneration Committee since May 28, 2020. He sits on the board of MGM Resorts International since 2007 and MGM Growth Properties LLC since April 2016. He is the non-executive chairman of the board of directors of Light Efficient Design, a division of TADD LLC and a manufacturer and distributor of LED lighting products, primarily for the retrofit market, since July 2014. Mr. Taylor was an executive of Tracinda from 2007 to 2019. Mr. Taylor served as the President of Metro-Goldwyn-Mayer Inc. ("MGM Studios") from April 2005 to January 2006 and as the Senior Executive Vice President and Chief Financial Officer of MGM Studios from June 1998 to April 2005. He was the Vice President-Taxes at MGM/UA Communications Co., the predecessor company of MGM Studios, from 1985 to 1991. From 1978 to 1985 he worked as a Tax Manager at Arthur Andersen & Co., specializing in the entertainment and gaming practice. He was a Director of Inforte Corp. from October 2005 to 2007. Mr. Taylor acted as chairman of the board of directors of Delta Petroleum Corporation from May 2009 to August 2012, and as director from February 2008 to August 2012, and was also a member of the Audit Committee and Nominating and Corporate Governance Committee. Mr. Taylor graduated with a Bachelor of Science in Business Administration from Central Michigan University.

Ms. Ayesha Khanna Molino is a non-executive Director of the Company since August 6, 2020 and a member of the Audit Committee and the Nomination and Corporate Governance Committee since November 5, 2020. Ms. Molino has been the Senior Vice President for Government Affairs of MGM Resorts International since January 2017. Ms. Molino has brought significant policy experience to MGM Resorts International. Before joining MGM Resorts International, Ms. Molino served as Chief Counsel and formerly as Policy Adviser to the retired U.S. Senator for the State of Nevada Harry Reid. Prior to her tenure with Senator Reid from October 2011 to December 2016, Ms. Molino served as international trade counsel on the U.S. Senate Finance Committee under Senator Max Baucus from 2007 to 2011 and previously worked as an attorney in the Office of General Counsel at the U.S. Department of Commerce from 2005 to 2007. Ms. Molino has also been a trustee of the Ford's Theater since July 2017. Ms. Molino graduated with a Bachelor of Arts in Economics, History and Religious Studies from University of California, Riverside and holds a Juris Doctor degree from the George Washington University Law School. She is also a member (currently inactive) of the Virginia Bar Association.

Independent Non-Executive Directors

Mr. Zhe Sun is an independent non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company since September 27, 2010. Mr. Sun is an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange, a position he has held since April 18, 2017. He is currently an adjunct senior research scholar and co-director of the China Initiative at Columbia University's School of International and Public Affairs. Mr. Sun is the founding director of the Center for U.S.-China Relations at Tsinghua University at Beijing. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of eighteen books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

Ms. Sze Wan Patricia Lam is an independent non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since March 16, 2011. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng University of Hong Kong. Now based in Hong Kong, Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Mr. Russell Francis Banham is an independent non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since November 2014. Mr. Banham is also a non-executive Director, chairperson of the Audit Committee and a member of the Nomination and Remuneration Committee of Eureka Group Holdings Limited. He is a Non-executive director of National Atomic Company Kazatomprom, the Chairperson of its Audit Committee and a member of its Nomination and Remuneration Committee, Strategic Planning and Investments Committee and Health, Safety and Environment Committee. He is also a member of the Audit and Risk Management Committee of the Queensland Audit Office. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a Partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. In 2016, Mr. Banham completed the Company Directors' course at the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia.

Mr. Simon Meng is an independent non-executive Director, a member of the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee of the Company since December 9, 2019. Mr. Meng is a member of the International Advisory Board of the Shanghai Symphony Orchestra. He is a senior advisor of King & Wood Mallesons and registered as "foreign lawyer" in Hong Kong. Mr. Meng was a corporate M&A partner at Linklaters in Shanghai since May 1, 2017 to June 30, 2020, specializing in cross-border M&A, direct investments and joint ventures in China. He has significant experience in project development relating to energy, real estate and urban transportation sectors in China and has advised numerous Chinese and multinational corporations. Mr. Meng is admitted to practice law in the New York State and in France. He practiced in Paris, New York and Hong Kong with Cleary Gottlieb Steen & Hamilton between 1990 and 1996 before joining Freshfields in Hong Kong in late 1996. Prior to joining Linklaters, Mr. Meng was a partner of King & Wood Mallesons from 2012 until April 2017, Herbert Smith from April 2000, and Sidley Austin from October 1998. Mr. Meng holds a CERT certificate in Cybersecurity Oversight by Carnegie Mellon University and National Association of Corporation Directors. Mr. Meng obtained a Bachelor of Laws from Beijing University, a Master of Public Law, a Master of Business Law and a Doctor of Law from Bordeaux University, and a Master of Comparative Jurisprudence from the New York University.

The Board has established three committees, being the Audit Committee, Remuneration Committee, and the Nomination and Corporate Governance Committee. The table below details the membership and composition of each of the four committees as of the date of this offering memorandum.

Name of Director	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee
Ms. Pansy Catilina Chiu King Ho	—	Member	—
Mr. Chen Yau Wong.....	—	—	Member
Mr. John M. McManus	—	—	Member
Mr. James Armin Freeman	Member	—	—
Mr. Daniel J. Taylor.....	—	Member	—
Mr. Zhe Sun	Member	Chairperson	Member
Ms. Sze Wan Patricia Lam	—	Member	Chairperson

Name of Director	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee
Mr. Russell Francis Banham	Chairperson	Member	Member
Mr. Simon Meng.....	Member	Member	Member
Ms. Ayesha Khanna Molino.....	Member	—	Member

Our Senior Management

On May 11, 2020, we announced the retirement of our Chief Executive Officer Grant R. Bowie, which took effect on May 31, 2020. The Company does not currently have plans to search for a new Chief Executive Officer. On August 6, 2020, Mr. Bowie also resigned as an executive Director of the Company as part of his retirement plans. Mr. Bowie remains as an advisor of the Company for a period up to December 31, 2022. Ms. Pansy Ho continues to act as managing director of MGM Grand Paradise and certain other senior executive roles have been restructured to complement the expertise of the management team.

As of the date of this offering memorandum, details of our senior management are as follows:

Mr. Kenneth Xiaofeng Feng is our President, Strategic and Chief Financial Officer. For Mr. Feng's full biography, see "*Our Directors—Non-Executive Directors.*"

Mr. Zhi Qi (Hubert) Wang is our President and Chief Operating Officer. Mr. Wang joined the Company as Chief Financial Officer in July 2011 and serves as President and Chief Operating Officer with effect from June 2020. He oversees our casino and hospitality operations, digital technology services and security operations for both MGM Macau and MGM Cotai. Mr. Wang is a seasoned executive with a wealth of knowledge in the operation of integrated resorts and corporate finance, and plays a key role in both daily operations and corporate strategies and affairs. Mr. Wang has been instrumental in leading yield management and continuous improvement business initiatives. He has also successfully led the execution of key technology and business process innovations for our business. Mr. Wang was in charge of many rounds of successful refinancing and amendments, including our senior notes offerings in 2019 and 2020. He had worked for a number of large integrated resort companies in the United States before he joined the Company. Mr. Wang holds a graduate degree in Master of Business Administration.

Mr. Antonio Jose Menano is our Company Secretary and Executive Vice President, Legal & General Counsel. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than ten years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Acção Social de Macau. He graduated with a law degree from the University of Coimbra.

Ms. Yuen Ying (Wendy) Yu is our Executive Vice President, Human Resources with responsibilities for all Human Resources functions at both MGM Macau and MGM Cotai. Ms. Yu has been with the Company since July 2009 after having spent two decades being actively involved in the transformation of Macau's hospitality and human resources industries. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then was hired as Human Resources Manager of Holiday Inn Macau from its pre-opening stage. Subsequently she moved and worked for an assignment in Shanghai with the New World Group. Upon returned to Macau, she left the corporate world for a one-year stint as a lecturer for the Institute of Tourism Education in Macau. She then joined the Westin Resort Macau where she held the position of Director of Human Resources and was in charge of the organizational realignment when the Westin brand was integrated into the Starwood Family. From 2003 to 2008, Ms. Yu was the Vice President of Human Resources for Wynn Resorts (Macau) S.A. as part of the opening team. Prior to joining our Company, Ms. Yu returned to Starwood Hotels and Resorts to set up their opening teams for their Sheraton and St. Regis projects in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in Personnel Management from the University of East Asia Macau (now University of Macau).

Mr. Han Tian is our Senior Vice President of Gaming Operations & Strategic Marketing. Mr. Tian has been with the Company since November 2007. He has a proven track record of developing company's data driven management culture from enterprise data warehouse to advanced customer analytics. In addition, he is responsible

for the strategy and execution of the Company's gaming product optimization as well as gaming marketing programs including loyalty and customer relationship management programs. Prior to joining our Company, Mr. Tian worked for MGM Resorts International in Las Vegas. Mr. Tian holds a graduate degree in Master of Business Administration from University of Nevada, Las Vegas.

Mr. Sean Christopher Lanni is our Senior Vice President of International Marketing. Mr. Lanni has been with the Company since July of 2016. He is responsible for leading our business development and sales efforts. In this role he is tasked with the development and execution of many of the marketing strategies for both MGM Macau and MGM Cotai. He originally joined MGM Resorts International in 2007 where he was involved in both the gaming and hospitality efforts in Asia. He has held senior level positions in business development and marketing operations throughout MGM Resorts International until officially joining the MGM China team in 2016. Mr. Lanni holds a Bachelors Degree in Economics from Santa Clara University.

Mr. Michael G. Holubowskyj is our Senior Vice President of Security. Mr. Holubowskyj has been with the Company since November 2008. He is responsible for overseeing all security operations in MGM Macau and MGM Cotai. Mr. Holubowskyj has 32 years of experience in the security and policing field. Before joining our Company, Mr. Holubowskyj was the Head of Security Services for the Hong Kong Jockey Club from 2007 to 2008. Prior to that he was the Director of Security for Wynn Resorts (Macau) S.A. from 2006 to 2007 and from 2004 to 2006 Mr. Holubowskyj worked as the Director of Security, Safety, Fire and Health Services for Hong Kong Disneyland. Before joining the private sector, Mr. Holubowskyj spent 17 years in law enforcement with the Hong Kong Police Force where he attained the rank of Superintendent of Police. He graduated from the University of London with a Bachelor of Science (Honors) in Mathematics and Statistics. He also obtained a Master's degree in Business Administration from Heriot Watt University in the United Kingdom.

Ms. Weng Kei (Catarina) Lio is our Vice President of Brand Marketing. Ms. Lio has been with the Company since July 2017. She is responsible for leading the Brand marketing to protect and promote MGM brand message by harnessing the combined capabilities of Public Relations, Arts & Culture and Brand & Campaign, to trigger interest and translate this into sales by leveraging the persuasive power of Digital marketing, Program & Events and Creative Services. Prior to joining the Company, Ms. Lio served as Chief Operating Officer of Ogilvy Group Hong Kong. Her extensive experience in transforming multi-million dollar global accounts equips her with the knowledge and insights to lead operating strategies that transform businesses, lead on accounts like Sands China, Hongkong Land, Asia Miles, Huawei and Philips since 2009. Prior to that she was Executive Director of Conde Group. Ms. Lio started her career in Macau with TDM – Teledifusão de Macau, S.A. as journalist and journalism background came in handy later when she worked in Macao Water as Public Relations & Communications officer during on-going Salinity social issue. Ms. Lio graduated with a Bachelor's degree in Business Administration, majoring in Marketing at University of Macau.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, and listed on the NYSE (NYSE: MGM). MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of the Company's issued share capital as of December 31, 2020), and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital as of the date of December 31, 2020).

First Renewed Deed of Non-compete Undertakings

Each of MGM Resorts International and Ms. Pansy Ho entered into a Deed of Non-compete Undertakings with us on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party. On September 30, 2019, the parties entered into the First Renewed Deed of Non-compete Undertakings to renew and replace the Deed of Non-compete Undertakings, effective from April 1, 2020. The First Renewed Deed of Non-compete Undertakings aligns the term of such undertakings with the extended term of the Subconcession. The terms of the First Renewed Deed of Non-compete Undertakings are substantially the same as the Deed of Non-compete Undertakings.

Pursuant to the First Renewed Deed of Non-compete Undertakings, MGM Resorts International and Ms. Pansy Ho have unconditionally, irrevocably and severally undertaken with our Group that they shall not, and shall procure that all members of the MGM Group and the PH Group, respectively, shall not (except through our Group) directly or indirectly, (i) engage in any casino gaming business in the "Restricted Zone," which consists of the PRC, Macau, Hong Kong and Taiwan, or (ii) invest in the debt or equity securities of or provide financial support in the form of guarantees or other material financial assistance to any person who engages in any casino gaming business in the Restricted Zone. MGM Resorts International and Ms. Pansy Ho have also undertaken to, and for the benefit of our Group that they shall, procure that no person that is a non-controlled joint venture as to the MGM Group and PH Group, respectively, shall engage in any of the foregoing activities (except through our Group).

In the event that circumstances arise which amount to a breach by Ms. Pansy Ho of her obligations under the foregoing paragraph by virtue of the interests or activities of Shun Tak, Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), SJM or any of their respective subsidiaries, Ms. Pansy Ho shall have a period of 30 days to cure such breach, during which period she shall not be involved in the management or operation of our Group. Ms. Pansy Ho shall be deemed to have cured such breach if, during such period, either (i) she procures the disposal of such number of shares in us which reduces the aggregate direct and indirect shareholding of the PH Group in us to less than 20% of our then issued share capital or (ii) she procures that the interests or activities of Shun Tak, SJM or STDM and their respective subsidiaries no longer cause a breach or she procures the reduction of the direct and indirect interests of the PH Group in Shun Tak, SJM or STDM to a level which no longer causes a breach.

The First Renewed Deed of Non-compete Undertakings also restricts each of the PH Group and the MGM Group from holding directly or indirectly (whether as beneficial or registered owner), any shares or other securities or interest in any company which engages or is involved in, directly or indirectly, any casino gaming business in the Restricted Zone, unless such shares or securities are listed on a recognized stock exchange referred to in the First Renewed Deed of Non-compete Undertakings as of the date of the making of the investment and continues to be so listed, the shareholding held in such company (when aggregated with all shares held by the PH Group or the MGM Group and their related non-controlled joint venture, as the case may be), directly or indirectly, does not exceed 5% of the issued voting share capital of such listed company, and neither the PH Group nor the MGM Group have the right to control the composition of a majority of the directors of such listed company or any of its subsidiaries. The foregoing shall not prohibit either of the PH Group or the MGM Group from having invested, whether through any debt and equity investment, in any company in an aggregate amount of less than US\$1,000,000.

Notwithstanding the foregoing, each of the PH Group and the MGM Group may:

(i) perform or receive any of the benefits provided under any specified related party agreements or any extensions, amendments or supplements to or replacements of such related party agreements agreed from time to time;

(ii) engage in internet gaming operations; and

(iii) engage in marketing activities within the Restricted Zone for their facilities engaged in casino gaming business outside of the Restricted Zone or for any business that the First Renewed Deed of Non-compete Undertakings does not prohibit within the Restricted Zone.

Pursuant to the First Renewed Deed of Non-compete Undertakings, it has been agreed that:

(i) any member of the MGM Group or the PH Group shall not be obliged to dispose of any securities or other interests in any person that are acquired before the date on which such person becomes a Competitor (as defined therein) provided that this clause is without prejudice to the continuing obligations of a party to procure that such person does not engage in the activities prohibited by the First Renewed Deed of Non-compete Undertakings;

(ii) the PH Group may hold any interest in the shares and securities of Shun Tak and Ms. Pansy Ho may be a director and/or officer of Shun Tak and any of its subsidiaries as long as Shun Tak does not (otherwise than by virtue of any direct or indirect interest in shares of SJM and provided SJM remains a listed company and is managed independently of Shun Tak) engage or hold any interest in any casino gaming business in the Restricted Zone, subject to the exceptions set out above;

(iii) the PH Group may hold any interest in the shares and securities of STDM (as long as the PH Group does not control, directly or indirectly, STDM and STDM's engagement or interest in the casino gaming business within the Restricted Zone is solely through SJM and SJM's shares remain listed on the Hong Kong Stock Exchange);

(iv) Ms. Pansy Ho may hold office as a director of STDM provided that procedures are adopted by Ms. Pansy Ho and/or STDM that ensure that Ms. Pansy Ho is not subject to any conflicts of interest or other restrictions which are not managed appropriately and would or would be likely to cause her to limit her ability, to any material extent, to participate in the business of our Group without restriction; and

(v) any person that controls MGM Resorts International and its subsidiaries (other than MGM, any MGM Holding Company and their respective subsidiaries) may engage in the casino gaming business in the Restricted Zone, and continue any involvement or holding of any financial or business interest that would otherwise be prohibited by the First Renewed Deed of Non-compete Undertakings ("Permitted Activity"), provided that such Permitted Activity is not carried out through the MGM Group or under any trademark or other intellectual property which is subject to the First Renewed Branding Agreement.

Each of Ms. Pansy Ho and MGM Resorts International is required to make an annual declaration in our annual report on her or its compliance with the undertakings under the First Renewed Deed of Non-compete Undertakings. Our independent non-executive Directors review Ms. Pansy Ho's and MGM Resorts International's compliance with the First Renewed Deed of Non-compete Undertakings on an annual basis.

The First Renewed Deed of Non-compete Undertakings will cease to have any effect on the earlier of:

(i) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange;

(ii) the last day of the term of MGM Grand Paradise's Subconcession; or

(iii) in respect of either of the PH Group or the MGM Group, following the date upon which their shareholding represents less than 20% of our then issued share capital.

RELATED PARTY TRANSACTIONS

The following is a summary of material transactions that we have engaged in with our direct and indirect Shareholders, affiliates of our Shareholders and other related parties. We believe each of these arrangements, as described below, has been entered into on an arm's-length basis or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties. We believe that the related party transactions were conducted in the ordinary and usual course of the Company's business. For a further discussion of related party transactions, see Note 31 to our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2019 and Note 32 to our audited consolidated financial statements as of and for the year ended December 31, 2018, included elsewhere in this offering memorandum.

Related Party Transactions

During the years ended December 31, 2020, 2019 and 2018, the Group engaged in transactions with MGM Resorts International, Ms. Pansy Ho and their respective affiliates described below.

MGM Marketing Agreement

MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and MGM China entered into the MGM Marketing Agreement on May 17, 2011. As the annual caps under the MGM Marketing Agreement expired on December 31, 2013, the parties entered into the First Renewed MGM Marketing Agreement, effective January 1, 2014, which superseded the MGM Marketing Agreement in its entirety. Effective January 1, 2017, the parties replaced and renewed the First Renewed MGM Marketing Agreement with the Second Renewed MGM Marketing Agreement, which had a term of the three years, ending on December 31, 2019. Upon the expiry of the term of the Second Renewed MGM Marketing Agreement on December 31, 2019, the parties entered into the Third Renewed MGM Marketing Agreement on December 27, 2019 to replace and renew the Second Renewed MGM Marketing Agreement for a term of one year, commencing from January 1, 2020. On January 7, 2021, the parties entered into the Fourth Renewed MGM Marketing Agreement to replace and renew the Third Renewed MGM Marketing Agreement for a term from January 7, 2021 to June 26, 2022.

The purpose of the Fourth Renewed MGM Marketing Agreement is to continue to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to our existing and future properties. The terms of the Fourth Renewed MGM Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

Pursuant to the Fourth Renewed MGM Marketing Agreement, MGM Resorts International and its designated affiliates are entitled to receive marketing fees for referrals of gaming customers made to resort, hotel and casino properties owned or operated by the Macau Group.

The marketing fees payable were equal to 3% of the theoretical win associated with gaming play by customers referred (excluding any play with gaming promoters). The marketing fees payable under the Fourth Renewed MGM Marketing Agreement were based upon factors including the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangements under the Third Renewed MGM Marketing Agreement.

The marketing fees payable under the Fourth Renewed MGM Marketing Agreement to the MGM Group by our Group for referrals of gaming customers made to resort, hotel and casino properties owned or operated by the Macau Group for the period from January 7, 2021 to December 31, 2021 is subject to an annual cap of HK\$22,000,000 and for the period from January 1, 2022 to June 26, 2022 is subject to an annual cap of HK\$12,000,000.

The annual caps under the Fourth Renewed MGM Marketing Agreement were based upon factors including (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals and, in particular, the trend of the gaming market's gaming revenue growth in operation of MGM Cotai; (iii) the conclusion of the infrastructure

developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming customers; (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; and (v) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2018 and 2019 and the 11 months ended November 30, 2020 (unaudited) under the Third Renewed MGM Marketing Agreement.

For the years ended December 31, 2020, 2019 and 2018, the aggregate total consideration paid to the MGM Group by our Group pursuant to the Third Renewed MGM Marketing Agreement and the Second Renewed MGM Marketing Agreement, as applicable, was HK\$4.2 million (approximately US\$0.5 million), HK\$14.4 million and HK\$15.6 million which fell within the annual caps of HK\$35,000,000 for the year ending December 31, 2020, HK\$65,000,000 for the year ended December 31, 2019 and HK\$60,000,000 for the year ended December 31, 2018, respectively.

Development Agreement

MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and MGM China entered into the Development Agreement on May 17, 2011. As the term of the Development Agreement expired on December 31, 2013, the parties entered into the First Renewed Development Agreement, effective January 1, 2014, which superseded the Development Agreement in its entirety. Effective January 1, 2017, the parties replaced and renewed the First Renewed Development Agreement with the Second Renewed Development Agreement, which had a term of the three years, ending on December 31, 2019.

Upon the expiry of the term of the Second Renewed Development Agreement on December 31, 2019, the parties entered into the Third Renewed Development Agreement on December 27, 2019 to replace and renew the Second Renewed Development Agreement for a term of three years, commencing on January 1, 2020. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Third Renewed Development Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The major purpose of the Third Renewed Development Agreement is that, through the development services provided, we will have access to the expertise of MGM Resorts International and NCE (a company wholly owned by Ms. Pansy Ho) in the design, construction, management and operation of high quality casino projects. The terms of the Third Renewed Development Agreement were arrived at after arm's length negotiations between the relevant parties.

Pursuant to the Third Renewed Development Agreement, we have agreed to appoint MGM Branding, and MGM Branding has agreed to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects. MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE has severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the Third Renewed Development Agreement.

The Group has agreed to pay development fees to MGM Branding in consideration for the development services provided. The development fee payable is equal to 2.625% of the project costs for each project commenced in China, Macau, Hong Kong and Taiwan during the term of the Third Renewed Development Agreement (whether or not completed during the term). The development fees payable under the Third Renewed Development Agreement were determined based upon, amongst others, the potential projects that we may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

The Group is entitled to terminate the appointment of MGM Branding as the provider of development services if it fails to comply with its obligations to provide the services or if MGM Branding or any member of the MGM Group (excluding our Group) is involved in an insolvency or bankruptcy proceeding. MGM Branding is entitled to terminate the provision of development services if the Group fails to comply with its obligations under the Third

Renewed Development Agreement, for thirty days following notice and opportunity to cure, including the payment of the development fee or if any member of our Group is involved in an insolvency or bankruptcy proceeding.

The annual caps for each project contemplated under the Third Renewed Development Agreement are US\$5,000,000 for the year ending December 31, 2020 and US\$15,000,000 for each of the years ending December 31, 2021 and December 31, 2022.

The annual caps under the Third Renewed Development Agreement were determined based upon factors including (i) the Group's expected future developments and (ii) the historical development fees paid by the Group to MGM Branding for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited) under the Second Renewed Development Agreement.

No consideration was paid by the Group to MGM Branding for the years ended December 31, 2020 and 2019. The aggregate total consideration paid by the Group to MGM Branding related to MGM Cotai project for the year ended December 31, 2018 was HK\$13.9 million which fell within the cap pursuant to the Second Renewed Development Agreement.

Master Service Agreement and Related Arrangements

Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2011. As the term of the Master Service Agreement expired on December 31, 2013, the parties entered into the First Renewed Master Service Agreement, effective January 1, 2014, which renewed the Master Service Agreement. Effective January 1, 2017, the parties replaced and renewed the First Renewed Master Service Agreement with the Second Renewed Master Service Agreement. As the term of the Second Renewed Master Service Agreement expired on December 31, 2019, the parties entered into the Third Renewed Master Service Agreement on December 27, 2019 to replace and renew the Second Renewed Master Service Agreement for a term of three years, with effect from January 1, 2020. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Third Renewed Master Service Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The purpose of the Third Renewed Master Service Agreement is to provide a framework for the provision of products and services between the Group and the Shun Tak Group. The Third Renewed Master Service Agreement and the existing transactions continue to enable the Group to foster its hospitality-related business in Macau and to enhance its overall revenue. The terms of the Third Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties.

The services and products provided or to be provided by the Shun Tak Group include the sale of ferry tickets at discounted bulk purchase rates, the sale of travel products including accommodation and transportation, provision of laundry services, transportation services provided by Shun Tak & CITS Coach Macao Ltd, advertising services and property cleaning services to the Group. The services and products provided or to be provided by the Group include provision of rental of hotel rooms at wholesale room rates to the Shun Tak Group.

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length negotiations between the parties and by reference to the prevailing market price. Existing agreements entered into under the Master Service Agreement, the First Renewed Master Service Agreement and the Second Renewed Master Service Agreement shall, unless stated otherwise, remain in full force and effect and subject to the terms of the Third Renewed Master Service Agreement. Agreements or service contracts entered into under the Third Renewed Master Service Agreement are in writing for a fixed term of not more than three years.

The Group and the Shun Tak Group have entered into agreements or service contracts with details of the service scope and fees determined/to be determined at arm's length negotiations between the relevant member(s) of the

Group and the relevant member(s) of the Shun Tak Group by reference to prevailing market prices and on normal commercial terms.

The annual caps on net amounts payable under the Third Renewed Master Service Agreement by our Group to the Shun Tak Group and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated under the Third Renewed Master Service Agreement for the financial years ending December 31, 2020, 2021 and 2022 are as follows:

Period (for the year ended)	Annual cap on payments to Shun Tak Group (HK\$)	Annual cap on payments from Shun Tak Group (HK\$)
December 31, 2020.....	250,000,000	2,500,000
December 31, 2021.....	250,000,000	2,500,000
December 31, 2022.....	250,000,000	2,500,000

The annual caps on amounts payable by the Group to the Shun Tak Group under the Third Renewed Master Service Agreement were based upon factors including (i) historical amounts paid for services contemplated by the Second Renewed Master Service Agreement for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited); (ii) the estimated quantity of ferry tickets sales and the volume of services in respect of the travel agency services, transportation services, laundry services, advertising services, property cleaning services, meet and greet services and provision of rental of hotel rooms at agreed rates which may be required by the Group during each of the three years ending December 31, 2020, 2021 and 2022; and (iii) the anticipated increase in demand for services from the Shun Tak Group due to the Group's expected increase in business volume and revenue over the next few years and in particular, the operation of MGM Cotai.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Third Renewed Master Service Agreement were based upon factors including (i) historical amounts of revenue received for services contemplated by the Second Renewed Master Service Agreement for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited); (ii) the anticipated demand for the relevant products and services; (iii) the operation of MGM Cotai and increase of the Group's capacity to provide services to the Shun Tak Group; and (iv) the anticipated room rates for hotel rooms during each of the three years ending December 31, 2020, 2021 and 2022.

For the years ended December 31, 2020, 2019 and 2018, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$44.5 million (approximately US\$5.7 million), HK\$90.6 million and HK\$91.2 million, respectively, which were within the annual caps for the years ended December 31, 2020, 2019 and 2018 of HK\$250,000,000, HK\$450,000,000 and HK\$400,000,000, respectively. The aggregate total consideration payable by the Shun Tak Group to the Group for the years ended December 31, 2020, 2019 and 2018 was HK\$12 thousand (approximately US\$1.5 thousand), HK\$498 thousand and HK\$634 thousand, respectively, which fell within the annual caps for the years ended December 31, 2020, 2019 and 2018 of HK\$2,500,000, HK\$4,500,000 and HK\$4,000,000, respectively.

Branding Agreement

The Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the Branding Agreement on May 17, 2011, pursuant to which the Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries. As the terms of the Branding Agreement expired on March 31, 2020, the parties entered into the First Renewed Branding Agreement on September 30, 2019 to replace and renew the Branding Agreement.

Pursuant to the First Renewed Branding Agreement, the Company agrees to pay MGM Branding license fees in consideration of the license granted to the Company to use certain trademarks owned by MGM Resorts International and its subsidiaries. Such license is only granted for use in Hong Kong, Macau, China and Taiwan. The Company has agreed to pay MGM Branding monthly license fees calculated on a basis equal to 1.75% of our consolidated reported monthly revenues (determined in accordance with IFRS), subject to the annual caps shown below. The license fees payable under the First Renewed Branding Agreement were determined based on, amongst others, the

intellectual property licensing fees charged by comparable market peers and the historical fee arrangements under the Branding Agreement.

The annual caps for the continuing connected transactions contemplated under the First Renewed Branding Agreement for the two years ending December 31, 2020 and 2021 and the period ending June 26, 2022 are as follows:

	For the year ending December 31, 2020 (US\$'000)	For the year ending December 31, 2021 (US\$'000)	For the period ending June 26, 2022 (US\$'000)
Annual cap of license fees payable for:			
MGM Macau and MGM Cotai	82,300	88,200	45,600
Additional properties the Group may develop	20,000	24,000	28,800
Total	102,300	112,200	74,400

The annual caps under the First Renewed Branding Agreement were determined by reference to, amongst others, (i) the historical license fees paid by the Group to MGM Branding for the two years ended December 31, 2017 and 2018, and the six months ended June 30, 2019 under the Branding Agreement; (ii) the anticipated revenues of the Company; (iii) an increase of US\$20 million in the annual caps during the calendar year in which an additional property is opened for business and an increase in the respective annual caps by 20% for each calendar year during the term of the First Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

In connection with the First Renewed Branding Agreement, the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the Branding Agreement Side Letter on September 30, 2019.

Pursuant to the Branding Agreement Side Letter, MGM Grand Paradise undertook that, if: (a) there is an extension of the term of the Subconcession; and (b) MGM Grand Paradise notifies the Company, MGM Branding, MGM Resorts International, MRIH, and NCE in writing that it desires to enter into a replacement branding agreement in connection with an extension of the term of the Subconcession, subject to compliance with the Listing Rules requirements or, alternatively, any waivers obtained from strict compliance with such requirements, it would enter into such replacement branding agreement on the basis that any such replacement branding agreement will be on similar terms and conditions to the First Renewed Branding Agreement (as amended and/or modified).

Pursuant to the First Renewed Branding Agreement, the license fees for MGM Macau and MGM Cotai paid by the Group for the year ended December 31, 2020 amounted to HK\$89.2 million (approximately US\$11.5 million) which was within the annual cap of US\$82,300,000 for the year ended December 31, 2020. Pursuant to the Branding Agreement, the license fees for MGM Macau paid by the Group for the years ended December 31, 2019 and 2018 amounted to HK\$216.1 million and HK\$236.5 million, respectively, which were within the annual caps for the years ended December 31, 2019 and 2018 of US\$107,495,424 and US\$89,579,520, respectively. The license fees for MGM Cotai paid by the Group for the years ended December 31, 2019 and 2018 amounted to HK\$181.7 million and HK\$100.2 million, respectively, which were within the annual caps for the years ended December 31, 2019 and 2018 of US\$24,000,000 and US\$20,000,000, respectively.

Consultancy Services Agreement

On January 13, 2021, MGM Grand Paradise and Occasions entered into the Consultancy Services Agreement, which sets out the principal framework upon which any of Occasions or its subsidiaries or associated companies (collectively, the "Occasions Group") may provide services to any member of the Group from time to time, for a term commencing from January 13, 2021 and ending on December 31, 2023. Occasions is a comprehensive integrated communications group, with offices in Macau, Hong Kong, Beijing and Shanghai. It has been providing services to the Group since the opening of the first property in Macau and has an in-depth understanding of MGM's brand positioning, operation, business model, culture, management and team to devise appropriate brand strategies. Since September 2020, Ms. Pansy Ho has indirectly held 50% of the issued share capital of Occasions, making Occasions an associate of Ms. Pansy Ho and a related party of the Company.

The services being provided and to be provided by any member of Occasions Group to any member of the Group from time to time pursuant to the Consultancy Services Agreement include project management and client servicing and reporting; brand consultancy and marketing; public relations and media relations; key opinion leaders, celebrities and VIP customer relationship building; social media campaign creative and execution; new and current partnership, co-brand opportunities identification and collaboration (brands, tenants, art, retail space, restaurants, spectacle or theatre); campaign activations; retail marketing; and casino marketing.

Each category of services shall be provided by the Occasions Group to the Group in accordance with the terms of the Consultancy Services Agreement and be subject to the subsequent agreement of the terms and conditions determined after arm's length negotiations in relation to the provision of each particular product or service and by reference to the prevailing market prices. The agreements shall be recorded in writing for a fixed term of not more than three years and set out the basis of the calculation of payments to be made. The provision of any product or service by the Occasions Group to the Group shall, unless otherwise specifically agreed by the parties in writing, be on a mutually non-exclusive basis.

The annual caps for the continuing connected transactions contemplated under the Consultancy Services Agreement are HK\$116 million, HK\$126 million and HK\$130 million for the years ended December 31, 2021, 2022 and 2023, respectively. The annual caps under the Consultancy Services Agreement were determined by reference to, among other things, (i) the historical fees paid by the Group to the Occasions Group in respect of the services for the two years ended December 31, 2018 and 2019 and the eleven months ended November 30, 2020; and (ii) the anticipated much increased demand for the services as a result of the expected market relaunch and the preparation of the concession renewal retender.

The historical fees paid by the Group to the Occasions Group in respect of the services rendered under the Consultancy Services Agreement were approximately HK\$33.4 million, HK\$28.2 million and HK\$5.8 million for each of the years ended December 31, 2018, 2019 and 2020, respectively.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

Existing Notes

On May 16, 2019, the Company issued the Existing 2024 Notes and the Existing 2026 Notes. The net proceeds from the issuance were used to pay down outstanding borrowings under the Senior Secured Credit Facility. Interest on the Existing 2024 Notes and Existing 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

On June 18, 2020, the Company issued the Existing 2025 Notes. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the Existing 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

The Existing Notes are general unsecured obligations of the Company. The Existing Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The Existing Notes are subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing such debt and rank senior to all of the Company's future subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the Existing Notes.

The Existing 2024 Notes and the Existing 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee. The Existing 2025 Notes were issued pursuant to an indenture, dated June 18, 2020, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The Existing Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The Existing Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company the Revolving Credit Facility. The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and for ongoing working capital needs and general corporate purposes of the Group.

Principal and Interest

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio. As at December 31, 2020, HK\$3.78 billion of the Revolving Credit Facility was undrawn and available for utilization up to May 2024. Each drawdown under the Revolving Credit Facility is to be repaid in full no later than May 15, 2024. As at December 31, 2020, the Group paid interest at HIBOR plus 2.75% per annum.

General Covenants

The Revolving Credit Facility contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.50 to 1.00 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each quarter end.

Due to the impact of the COVID-19 pandemic, the Company entered into several amendment agreements in respect of the financial covenants under the Revolving Credit Facility on February 21, 2020, April 9, 2020, October 15, 2020 and February 24, 2021 to reflect certain amendments to the permitted leverage ratio and the permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020.....	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020.....	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020.....	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020.....	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
March 31, 2021.....	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021.....	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021.....	Not Applicable ⁽³⁾	Not Applicable ⁽³⁾
December 31, 2021.....	Not Applicable ⁽³⁾	Not Applicable ⁽³⁾
March 31, 2022.....	Not Applicable ⁽⁴⁾	Not Applicable ⁽⁴⁾
June 30, 2022.....	Not Applicable ⁽⁴⁾	Not Applicable ⁽⁴⁾
September 30, 2022.....	Not Applicable ⁽⁴⁾	Not Applicable ⁽⁴⁾
December 31, 2022.....	Not Applicable ⁽⁴⁾	Not Applicable ⁽⁴⁾
Each accounting date occurring on and after March 31, 2023.....	2.50:1.00	4.50:1.00

(1) Amendment on February 21, 2020 under the Revolving Credit Facility.

(2) Amendment on April 9, 2020 under the Revolving Credit Facility.

(3) Amendment on October 15, 2020 under the Revolving Credit Facility.

(4) Amendment on February 24, 2021 under the Revolving Credit Facility.

Compliance with Covenants

The Company has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2020 and 2019.

Mandatory Prepayments

Pursuant to the Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided in relation to the Revolving Credit Facility.

Second Revolving Credit Facility

Overview

On May 26, 2020, the Company entered into the agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a Second Revolving Credit Facility in an aggregate amount of HK\$2.34 billion (approximately US\$301.8 million), with a final maturity date of May 15, 2024, with an option to increase the amount of the facility to up to HK\$3.9 billion (approximately US\$503.0 million), subject to certain conditions. On June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion (approximately US\$402.4 million).

The Second Revolving Credit Facility is available for drawdown to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) (approximately US\$1.3 billion) has been fully drawn. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group.

Principal and Interest

The Second Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio. As at December 31, 2020, HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to May 2024. Each drawdown under the Second Revolving Credit Facility is to be repaid in full no later than May 15, 2024.

General Covenants

The Second Revolving Credit Facility contains general covenants restricting the ability of the Restricted Group from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Second Revolving Credit Facility is required to be no greater than 4.50 to 1.00 at each quarter end occurring on or after September 30, 2021. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each such quarter end.

Due to the impact of the COVID-19 pandemic, on each of October 14, 2020 and February 24, 2021, the Company entered into an amendment agreement in respect of the Second Revolving Credit Facility to delay the effective date of the financial covenants regarding the permitted leverage ratio and the permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
September 30, 2021	Not Applicable ⁽¹⁾	Not Applicable ⁽¹⁾
December 31, 2021	Not Applicable ⁽¹⁾	Not Applicable ⁽¹⁾
March 31, 2022	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
June 30, 2022	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2022	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
December 31, 2022	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
Each accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

(1) Amendment on October 14, 2020 under the Second Revolving Credit Facility.

(2) Amendment on February 24, 2021 under the Second Revolving Credit Facility.

Mandatory Prepayments

Pursuant to the Second Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Second Revolving Credit Facility if a Change of Control occurs or there is a

sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Second Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided in relation to the Second Revolving Credit Facility.

Secured Credit Facilities

The Company and MGM Grand Paradise, as co-borrowers, had previously entered into the Senior Secured Credit Facility which, pursuant to various amendments, provided for a HK\$15.6 billion term loan facility and a HK\$7.8 billion revolving credit facility. During the year ended December 31, 2019, the Senior Secured Credit Facility was replaced in its entirety by the net proceeds from the Existing 2024 Notes, the Existing 2026 Notes and the Revolving Credit Facility as described above. As a result, the Group recognized a loss of HK\$171.1 million on extinguishment of debt during the year ended December 31, 2019.

DESCRIPTION OF NOTES

In this description, the “Company” refers to MGM China Holdings Limited and not to any of its subsidiaries. You can find the definitions of certain other terms used in this description under the subheading “*Certain Definitions*” below.

The Company will issue Senior Notes due 2027 (the “**Notes**”) under an indenture (as may be amended or supplemented from time to time, the “**Indenture**”) between the Company and Wilmington Savings Fund Society, FSB, as trustee (the “**Trustee**”), in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under, incorporate or include, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. Holders of Notes will not be entitled to any registration rights. See “*Transfer Restrictions*.”

The terms of the Notes will include those stated in the Indenture. The following description is a summary of the material provisions of the Indenture and the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be available as set forth below under “*Additional Information*.”

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes

General Terms. The Notes:

- will be senior notes;
- will be redeemable at our option prior to maturity as described in “*Optional Redemption*,” “*Gaming Redemption*” and “*Redemption for Tax Reasons*,” below; and
- will not be redeemable at the option of the holder, except pursuant to a repurchase offer upon the occurrence of a Change of Control Triggering Event or a Special Put Option Triggering Event, and will not have any provision for sinking funds.

Ranking. The Notes:

- will be general unsecured obligations of the Company;
- will rank *pari passu* in right of payment with all existing and future senior Indebtedness of the Company, including the Existing Notes and outstanding obligations under our Revolving Credit Facilities;
- will be effectively subordinated to all of the Company’s existing and future secured Indebtedness to the extent of the value of the collateral securing such Indebtedness; and
- will be effectively senior in right of payment to the obligations of the Company with respect to any existing and future subordinated Indebtedness and any related guarantees thereon.

None of the Company’s Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of the Company’s Subsidiaries, the Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Principal, Maturity and Interest

The Company will issue US\$750,000,000 in aggregate principal amount of Notes in this offering. The Company may issue additional Notes under the Indenture (the “**Additional Notes**”) from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture; *provided that*, if any issuance of Additional Notes is not fungible with the Notes for United States federal income tax purposes, such Additional Notes shall have different CUSIP and other identifying numbers than any previously issued Notes but shall otherwise be treated as a single class with all other Notes issued under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this “*Description of Notes*,” references to the Notes include any Additional Notes actually issued. The Company will issue the Notes in denominations of US\$200,000 and integral multiples of US\$1,000 in excess of US\$200,000. The Notes will mature on February 1, 2027.

Interest on the Notes will accrue at the rate of 4.75% per annum and is payable semi-annually in arrears on February 1 and August 1, except that the first payment of interest, to be made on February 1, 2022, will be in respect of the period from and including March 31, 2021 to but excluding February 1, 2022. Interest on overdue principal and interest will accrue at a rate that is 1.0% higher than the then-applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding January 17 and July 17.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of 12 30-day months.

Methods of Receiving Payments on the Notes

All payments on the Notes will be made by wire by the paying agent and registrar unless the Company elects to make interest payments by check mailed to the holders of the Notes at their addresses set forth in the register of holders.

Paying Agent and Registrar for the Notes

Wilmington Savings Fund Society, FSB will initially act as paying agent and registrar with respect to the Notes. The Company may change the paying agents and the registrars without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any Note selected for redemption. Also, the Company will not be required to transfer or exchange any Note for a period of 15 days before the mailing of a notice of redemption of Notes to be redeemed.

Additional Amounts

All payments by or on behalf of the Company or the surviving entity described under the caption “—*Certain Covenants— Merger, Consolidation or Sale of Assets*” (the “**Surviving Person**”) under or with respect to (including any principal of, and premium (if any) and interest on) the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (“**Taxes**”) imposed or levied by or within any jurisdiction in which the Company or the Surviving Person is organized, resident or doing business for tax purposes or any jurisdiction from or through which payment is made (including the jurisdiction of any paying agent), or, in each case, any political subdivision or taxing authority thereof or therein (each, as

applicable, a “**Relevant Jurisdiction**”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

In the event that any such withholding or deduction is so required, the Company or the Surviving Person, as the case may be, will make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate governmental authority as required by applicable law and pay such additional amounts (“**Additional Amounts**”) as will result in receipt of such amounts that would have been received had no such withholding or deduction been required; *provided that* no Additional Amounts will be payable with respect to any Note:

(1) for or on account of:

- (a) any Taxes that would not have been imposed but for:
 - (i) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possession of power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership, or a corporation) of such Note, as the case may be, and the Relevant Jurisdiction, including without limitation, such holder or beneficial owner being or having been a citizen, domiciliary or resident of such Relevant Jurisdiction, being or having been treated as a resident of such Relevant Jurisdiction, being or having been present or engaged in a trade or business in such Relevant Jurisdiction or having or having had a permanent establishment in such Relevant Jurisdiction, other than any connection arising from the mere receipt, ownership, holding or disposition of the Notes or the receipt of payments thereunder or merely by reason of the exercise or enforcement of rights under any Notes;
 - (ii) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, or premium (if any) or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the holder or beneficial owner of such Note to comply with a timely request of the Company or the Surviving Person addressed to such holder or beneficial owner to provide information or other evidence concerning such holder’s or beneficial owner’s nationality, residence, identity or connection with the Relevant Jurisdiction if such information or other evidence is required by applicable law to obtain an exemption from, or reduction in the rate of, Tax; or
 - (iv) the presentation of any Note for payment by or on behalf of a holder of Notes who would have been able, without unreasonable cost, effort or delay, to avoid such withholding or deduction by presenting the relevant Note to another paying agent;
- (b) any estate, inheritance, gift, sales, transfer, capital gains, personal property or similar Tax or any excise Tax imposed on the transfer of Notes;
- (c) any Taxes that are payable other than by withholding or deduction from payments of principal of, or premium (if any) or interest on the Note;
- (d) any tax, duty, assessment or other governmental charge which is required to be deducted or withheld under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any amended or successor versions of such Sections (“**FATCA**”), any regulations or other guidance thereunder, or any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(e) any combination of Taxes referred to in the preceding clauses (a), (b), (c) and (d); or

- (2) with respect to any payment of the principal of, or premium (if any) or interest on, such Note to or for the account of a fiduciary, partnership, limited liability company or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to that fiduciary, or a partner or member of that partnership or an interest holder in that limited liability company or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member, interest holder or beneficial owner held directly the Note with respect to which such payment was made.

In addition to the foregoing, the Company and the Surviving Person will pay and indemnify the holder for any present or future stamp, issue, registration, court, property, transfer or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes (including without limitation, interest and penalties with respect thereto) levied by any Relevant Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture or any other document or instrument referred to therein.

If the Company or the Surviving Person, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Company or the Surviving Person, as the case may be, will deliver to the Trustee on a date that is at least three business days prior to the date of that payment (unless the obligation to pay Additional Amounts arises, or the Company or the Surviving Person becomes aware of such obligation, after the third business day prior to that payment date, in which case the Company or the Surviving Person, as the case may be, shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the paying agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary and shall not be responsible for the calculation of any Additional Amounts. Upon request, the Company or the Surviving Person will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Company or the Surviving Person will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Company or the Surviving Person will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. Upon request, the Trustee will make available to holders copies of those receipts or other documentation, as the case may be.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Company is organized, resident or doing business for tax purposes or any jurisdiction from or through which payment is made.

Optional Redemption

At any time prior to February 1, 2024, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes issued under the Indenture at a redemption price of 104.75% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (1) at least 65% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding the Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 60 days of the date of the closing of such Equity Offering.

At any time prior to February 1, 2024, the Company may on any one or more occasions redeem all or part of the Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to (but excluding) the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of 12 30-day months) at the Adjusted Treasury Rate, plus 50 basis points, plus, in either of the above cases, accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of redemption on the Notes to be redeemed.

Except pursuant to the preceding paragraphs and as set forth under “—*Gaming Redemption*” and “—*Redemption for Tax Reasons*,” the Notes will not be redeemable at the Company’s option prior to February 1, 2024.

On or after February 1, 2024, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable date of redemption, if redeemed during the 12-month period beginning on February 1 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2024.....	102.3750%
2025.....	101.1875%
2026 and thereafter	100.0000%

“**Adjusted Treasury Rate**” means, with respect to any redemption date:

- the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life (as defined below), yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or
- if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Adjusted Treasury Rate shall be calculated on the third Business Day preceding the redemption date or, in the case of a satisfaction and discharge or a defeasance, on the third Business Day prior to the date on which the Company deposits the amount required under the Indenture.

“**Comparable Treasury Issue**” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would

be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such securities (“**Remaining Life**”).

“**Comparable Treasury Price**” means (1) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“**Equity Offering**” means any public sale or private issuance of Capital Stock (other than Disqualified Stock) of (1) the Company or (2) a direct or indirect parent of the Company to the extent the net proceeds from such sale or issuance are contributed in cash to the common equity capital of the Company (in each case other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Company).

“**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Company.

“**Reference Treasury Dealer**” means any primary U.S. Government securities dealer in New York City selected by the Company.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date or, in the case of a satisfaction and discharge or a defeasance, on the third Business Day prior to the date on which the Company deposits the amount required under the Indenture.

Any such redemption and notice as set forth in the preceding paragraphs may, at the discretion of the Company, be subject to the satisfaction of one or more conditions precedent. If such redemption is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company’s discretion, the redemption date may be delayed until such time (*provided*, however, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as so delayed. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company’s obligations with respect to such redemption may be performed by another Person.

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In connection with a discharge or defeasance of the Company’s obligations under the Indenture, the Company may deliver a notice of redemption more than 60 days in advance of the date of redemption. See “—*Satisfaction and Discharge*.”

Gaming Redemption

Notwithstanding any other provision hereof, if any Gaming Authority requires a holder or beneficial owner of Notes to be licensed, qualified or found suitable under any applicable Gaming Law and the holder or beneficial owner (1) fails to apply for a license, qualification or finding of suitability within 30 days after being requested to do so (or such lesser period as required by the Gaming Authority) or (2) is notified by a Gaming Authority that it will not be licensed, qualified or found suitable, the Company will have the right, at its option, to:

- (1) require the holder or beneficial owner to dispose of its Notes within 30 days (or such lesser period as required by the Gaming Authority) following the earlier of:

- (a) the termination of the period described above for the holder or beneficial owner to apply for a license, qualification or finding of suitability if the holder fails to apply for a license, qualification or finding of suitability during such period; or
 - (b) the receipt of the notice from the Gaming Authority that the holder or beneficial owner will not be licensed, qualified or found suitable by the Gaming Authority; or
- (2) redeem the Notes of the holder or beneficial owner at a redemption price equal to:
- (a) the price required by applicable law or by order of any Gaming Authority; or
 - (b) the lesser of:
 - (i) the principal amount of the Notes; and
 - (ii) the price that the holder or beneficial owner paid for the Notes,

in either case, together with accrued and unpaid interest on the Notes to (but excluding) the earlier of (1) the date of redemption or such earlier date as is required by the Gaming Authority or (2) the date of the finding of unsuitability by the Gaming Authority, which may be less than 30 days following the notice of redemption.

Immediately upon a determination by a Gaming Authority that a holder or beneficial owner of Notes will not be licensed, qualified or found suitable, the holder or beneficial owner will not have any further rights with respect to the Notes to:

- (1) exercise, directly or indirectly, through any Person, any right conferred by the Notes; or
- (2) receive any interest or any other distribution or payment with respect to the Notes, or any remuneration in any form from the Company for services rendered or otherwise, except the redemption price of the Notes described in this section.

The Company is not required to pay or reimburse any holder or beneficial owner of Notes who is required to apply for such license, qualification or finding of suitability for the costs relating thereto. Those expenses will be the obligation of the holder or beneficial owner.

Redemption for Tax Reasons

The Notes may be redeemed, at the option of the Company or the Surviving Person, in whole but not in part, upon giving not less than 10 days' nor more than 60 days' notice to the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in, or amendment to, an existing official position, or the stating in writing of an official position, regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (collectively, a "**Change in Tax Law**"),

which change, amendment, application or interpretation is proposed and becomes effective or, in the case of an official position, is announced, on or after the date of the Indenture (or, if the Relevant Jurisdiction became a Relevant Jurisdiction on a later date, such later date), the Company or the Surviving Person, as the case may be, is,

or on the next interest payment date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Company or the Surviving Person, as the case may be, taking reasonable measures available to it; *provided that* changing the jurisdiction of incorporation of the Company, the Surviving Person, or any Subsidiary shall not be considered a reasonable measure; and *provided, further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Company or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or the Surviving Person, as the case may be, will deliver to the Trustee:

- (1) an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or the Surviving Person, as the case may be, taking reasonable measures available to it; and
- (2) an opinion of counsel of recognized international standing to the effect that the requirement to pay such Additional Amounts is the result of a Change in Tax Law.

The Trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders of the Notes.

Any Notes that are redeemed will be canceled.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Open Market Purchases and Cancellation of Notes

The Company or any Subsidiary may purchase any of the Notes in the open market or by tender or by any other means at any price, as long as such acquisition does not otherwise violate the terms of the Indenture, as the case may be. All Notes purchased or otherwise redeemed by the Company will be canceled and any Notes purchased or otherwise redeemed by the Company or any Subsidiary will not be reissued or resold to any Person other than the Company or a Subsidiary.

Repurchase at the Option of Holders

Change of Control

If a Change of Control Triggering Event occurs, each holder of the Notes will have the right to require the Company to repurchase all or any part (equal to US\$200,000 or an integral multiple of US\$1,000 in excess of US\$200,000) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment (the "**Change of Control Payment**") in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to (but excluding) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full as described under "*—Optional Redemption*" or "*—Redemption for Taxation Reasons.*"

Within ten days following any Change of Control Triggering Event, the Company will mail a notice to each holder of the Notes with a copy to the Trustee describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase Notes on the date (the "**Change of Control Payment Date**") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

On the Change of Control Payment Date, the Company will, with respect to the Notes, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

A Change of Control Offer may be made in advance of a Change of Control Triggering Event, and conditioned upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw Notes in a Change of Control Offer and the Company, or any third party making such an offer in lieu of the Company as described below, purchases all of such Notes properly tendered and not withdrawn by such holders, the Company or such third party will have the right, upon not less than 10 days' nor more than 60 days' prior notice, provided that such notice is given not more than 30 days following such repurchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase on a date specified in such notice (the "**Second Change of Control Payment Date**") and at a price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest on the Notes repurchased to, but excluding, the Second Change of Control Payment Date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Company will not be required to make a Change of Control Offer with respect to the Notes upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (2) a notice of redemption has been given pursuant to the Indenture as described above under the captions "*—Optional Redemption*" or "*—Redemption for Tax Reasons*," pursuant to which the Company has exercised its right to redeem the Notes in full, unless and until there is a default in payment of the applicable redemption price. The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," under New York law, which governs the Indenture, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries, taken as a whole, to another Person or group may be uncertain.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Change of Control Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control Triggering Event may cause a default under these other agreements, even if the Change of Control Triggering Event itself does not. In the event a Change of Control Triggering Event occurs at a time when the Company is prohibited from purchasing the Notes, the Company could seek the consent of its senior lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will breach the terms of such borrowings by purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase as well as its ability to refinance any borrowings from senior lenders may be limited by the Company's then existing financial resources. See "*Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon the occurrence of certain events.*"

Special Put Option

If a Special Put Option Triggering Event occurs, each holder of the Notes will have the right to require the Company to repurchase all or any part of such holder's Notes pursuant to a Special Put Option Offer (as defined below) on the terms set forth in the Indenture. In the Special Put Option Offer, the Company will offer to purchase the Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full as described under "*Optional Redemption*" or "*Redemption for Taxation Reasons.*"

Within ten days following the occurrence of a Special Put Option Triggering Event, except to the extent that the Company has exercised its right to redeem the Notes in full by delivery of a notice of redemption as described under "*Optional Redemption*" or "*Redemption for Taxation Reasons,*" the Company shall mail a notice (a "**Special Put Option Offer**") to each holder of the Notes with a copy to the Trustee and the paying agent stating:

- (1) that a Special Put Option Triggering Event has occurred and that such holder has the right to require the Company to repurchase such holder's Notes at a repurchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);
- (2) the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed); and
- (3) the instructions determined by the Company, consistent with this covenant, that a holder must follow in order to have its Notes repurchased.

On the date of repurchase pursuant to a Special Put Option Offer, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Special Put Option Offer;
- (2) deposit with the paying agent an amount equal to the repurchase price, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (the "**Special Put Option Payment**"), in respect of all Notes or portions of Notes properly tendered; and

- (3) deliver or cause to be delivered to the Trustee, the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly mail to each holder of Notes properly tendered the Special Put Option Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any.

The provisions described above that require the Company to make a Special Put Option Offer following a Special Put Option Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Special Put Option Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a termination, rescission or expiration of any Gaming License held by the Company and its Subsidiaries.

The Company will not be required to make a Special Put Option Offer with respect to the Notes upon a Special Put Option Triggering Event if (1) a third party makes the Special Put Option Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Special Put Option Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Special Put Option Offer, or (2) a notice of redemption has been given in accordance with the terms of the Indenture, as described above under the caption "*Optional Redemption*" or "*Redemption for Taxation Reasons*," pursuant to which the Company has exercised its right to redeem the Notes in full, unless and until there is a default in payment of the applicable redemption price.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

Notes repurchased by the Company pursuant to a Special Put Option Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of Notes issued and outstanding.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Special Put Option Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Special Put Option Triggering Event may cause a default under these other agreements, even if the Special Put Option Triggering Event itself does not. In the event a Special Put Option Triggering Event occurs at a time when the Company is prohibited from purchasing the Notes, the Company could seek the consent of its senior lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will breach the terms of such borrowings by purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase as well as its ability to refinance any borrowings from senior lenders may be limited by the Company's then existing financial resources. See "*Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon the occurrence of certain events.*"

Compliance with Securities Laws

To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control or Special Put Option Offer provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these provisions of the Indenture by virtue of such compliance.

Selection and Notice

If fewer than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a pro rata basis, by lot or by any other method the Trustee deems fair and appropriate, unless otherwise required by law or applicable stock exchange or DTC or other depositary requirements. No Notes of US\$200,000 or less can be redeemed or purchased in part. However, if all of the Notes of a holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such holder, even if less than US\$200,000, will be redeemed or purchased.

Notices of redemption or purchase will be delivered at least 10 but not more than 60 days before the redemption or purchase date to each holder of Notes to be redeemed or purchased at its registered address, except that redemption or purchase notices may be delivered more than 60 days prior to a redemption or purchase date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, and that no minimum notice period is required for a redemption as described under “—*Gaming Redemption*.”

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of a Note upon cancellation of the original Note; *provided* that the unredeemed portion of the Notes has a minimum denomination of \$200,000. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Certain Covenants

Merger, Consolidation or Sale of Assets

As long as any Notes are outstanding, the Company will not, directly or indirectly, (1) consolidate or merge with or into another Person (whether or not the Company is the surviving entity) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either (a) the Company is the surviving entity or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of Hong Kong, Macau, Singapore, the Cayman Islands, the British Virgin Islands, Bermuda, the Isle of Man, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all the Obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture; and
- (3) immediately after such transaction, no Default or Event of Default shall have occurred and is continuing.

For the avoidance of doubt, a pledge, mortgage, charge, lien, encumbrance, hypothecation or grant of any other security interest on an asset or property shall not be considered as a sale, assignment, transfer, conveyance or disposal of such asset or property.

Reports

- (1) If at any time the Notes are outstanding and the ordinary shares of the Company are not listed on an internationally recognized stock exchange, the Company will file with the Trustee:
 - (a) within 120 days after the end of each fiscal year, an annual report in a form substantially similar to the Company’s annual report for the year ended December 31, 2020 filed with The Stock Exchange of Hong Kong Stock Limited (the “**HKSE**”), including (A) a “Management Discussion and Analysis” of

- financial condition and results of operations and (B) consolidated financial statements (including statements of comprehensive income, financial position, changes in equity and cash flows) prepared in accordance with IFRS and audited by an internationally recognized firm of independent accountants; and
- (b) within 90 days after the end of the second quarter of each fiscal year, a semi-annual report in a form substantially similar to the Company's interim report for the six months ended June 30, 2020 filed with the HKSE, including (A) a "Management Discussion and Analysis" of financial condition and results of operations and (B) half-year condensed consolidated financial statements (including statements of comprehensive income, financial position, changes in equity and cash flows) prepared in accordance with IFRS and reviewed pursuant to Hong Kong Standard on Review Engagements 2410 (or any equivalent or successor provision) by an internationally recognized firm of independent accountants.
- (2) If at any time Notes are outstanding and the common stock of MGM Resorts is not listed on the New York Stock Exchange or another internationally recognized stock exchange, the Company will file with the Trustee, within 45 days after the end of the first and third quarters of each fiscal year, an unaudited quarterly condensed consolidated income statement of the Company prepared in accordance with IFRS.
 - (3) If the Company is required to file any reports under paragraphs (1) or (2) above, the Company will also:
 - (a) issue a press release to an internationally recognized wire service no fewer than three business days prior to the first public disclosure of each such report, announcing the date on which such report will become publicly available and directing noteholders, prospective investors, broker-dealers and securities analysts to contact the investor relations office of the Company to obtain copies of such report; and
 - (b) maintain a website to which noteholders, prospective investors, broker-dealers and securities analysts are given access and to which the reports and press releases required by paragraphs (1), (2) and 3(a) above are posted within the time periods required.
 - (4) During any period in which the Company is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company shall provide to (i) any holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of any holder or beneficial owner of a Note.
 - (5) The filing requirements specified in paragraphs (1) and (2) above will be deemed satisfied if the specified materials are available on the EDGAR system of the SEC, on the website of HKSE and/or on the Company's website within the applicable time period specified above (provided that if posted to a secure internet portal, the Company will separately electronically deliver such reports to the Trustee).
 - (6) Delivery of the reports, information and documents described in this "Reports" covenant to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officer's Certificate). The Trustee shall have no responsibility to determine if reports have been provided to holders or filed on the EDGAR system of the SEC or posted on any website or other online data system or if the Company has complied with the obligations set forth in paragraph (4) above.

Events of Default and Remedies

Each of the following is an "**Event of Default**" with respect to the Notes:

- (1) default for 30 days in the payment when due of interest on the Notes;

- (2) default in the payment when due (at maturity, upon redemption, repurchase or otherwise) of the principal of, or premium, if any, on the Notes;
- (3) failure by the Company:
 - (a) to comply with any payment obligations (including, without limitation, obligations as to the timing or amount of such payments) described under the caption “—Repurchase at the Option of Holders—Change of Control” or “—Repurchase at the Option of Holders—Special Put Option,” or
 - (b) to comply with the provisions described under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets”;
- (4) failure by the Company for 60 days after receipt of written notice from the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture not identified in clauses (1), (2) or (3) above;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries), whether such Indebtedness or Guarantee existed on the date of the Indenture, or is created after the date of the Indenture, if that default results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates US\$50.0 million or more (or the Dollar Equivalent thereof), if such acceleration is not annulled within 30 days after written notice as provided in the Indenture;
- (6) failure by the Company or any of its Significant Subsidiaries to pay final non-appealable judgments (not paid or covered by insurance as to which the relevant insurance company has not denied responsibility) rendered against the Company or any Significant Subsidiary aggregating in excess of US\$50.0 million (or the Dollar Equivalent thereof), which judgments are not paid, bonded, discharged or stayed for a period of 60 days; or
- (7) certain events of bankruptcy or insolvency described in the Indenture.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of the Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability, claim or expense. Except to enforce the right to receive payment of principal, interest or premium, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability, claim or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator, organizer, equity holder or member of the Company, as such, will have any liability for any Obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such Obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the United States federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of its Obligations discharged with respect to the outstanding Notes (“**Legal Defeasance**”) except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Company’s Obligations with respect to the Notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee and the Company’s Obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture (“**Covenant Defeasance**”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption “—*Events of Default and Remedies*” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee or its designee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public auditors, to pay the principal of, or interest and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to such Trustee confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to such Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which the Company is bound;
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which any such Person is bound;
- (6) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel to the effect that, assuming no intervening bankruptcy of the Company between the date of deposit and the 183rd day following the deposit and assuming that no holder of Notes is an “insider” of the Company under applicable bankruptcy law, after the 183rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally;
- (7) the Company must deliver to the Trustee an Officer’s Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (8) the Company must deliver to the Trustee an Officer’s Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture and the Notes may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or

Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of holders of at least 90% in aggregate principal amount of the then outstanding Notes (including Additional Notes), an amendment, supplement or waiver may not:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption “—*Repurchase at the Option of Holders—Change of Control*”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “—*Repurchase at the Option of Holders—Change of Control*”); or
- (8) make any change in the preceding amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of Certificated Notes (*provided that* the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (3) to provide for the assumption of the Company’s Obligations under the Notes in the case of a merger or consolidation or sale of all or substantially all of the Company’s assets, as applicable, in accordance with the Indenture;
- (4) to make any change that would provide any additional rights or benefits to the holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such holder;
- (5) to conform the text of the Indenture or the Notes to any provision of this “*Description of Notes*” to the extent that such provision in this “*Description of Notes*” was intended to be a verbatim recitation of a provision of the Indenture or the Notes, which intent may be evidenced by an Officer’s Certificate to that effect;
- (6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture;

- (7) to evidence and provide for the acceptance of appointment by a successor Trustee;
- (8) to comply with the procedures of DTC, Euroclear or Clearstream;
- (9) to allow a Person to Guarantee the Company's Obligations under the Indenture and the Notes by executing a supplemental indenture with respect to the Notes (or to release any such Person from such a Guarantee as provided or permitted by the terms of the Indenture and such Guarantee);
- (10) other than with respect to matters listed in the preceding paragraph, to comply with requirements of applicable Gaming Laws or to provide for requirements imposed by applicable Gaming Authorities; or
- (11) to provide for the Notes to become secured (or to release such security as permitted by the Indenture and the applicable security documents).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
 - (b) all Notes that have not been delivered to the Trustee for cancellation will become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee or its designee as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public auditors, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal and premium, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which the Company is bound;
- (3) the Company has paid or caused to be paid all sums payable by the Company under the Indenture; and
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the Trustee becomes a creditor of the Company, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions. However, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person would exercise under the circumstances in the conduct of his/her own affairs.

Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of the Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability, claim or expense.

Indemnification for Judgment Currency

The obligations of the Company to any holder of the Notes or the Trustee under the Indenture or the Notes will, notwithstanding any judgment in a currency (the “**Judgment Currency**”) other than U.S. dollars, be discharged only to the extent that on the day following receipt by such party of any amount in the Judgment Currency, such party may in accordance with normal banking procedures purchase U.S. dollars with the Judgment Currency.

If the amount of U.S. dollars so purchased is less than the amount originally to be paid to such party in U.S. dollars, the Company agrees as a separate obligation and notwithstanding such judgment, to the extent permitted by applicable law, to pay the difference, and, if the amount of U.S. dollars so purchased exceeds the amount originally to be paid to such party, such party agrees to pay to or for the account of such payor such excess; provided that such party shall not have any obligation to pay any such excess as long as an Event of Default has occurred and is continuing, in which case such excess may be applied by such party to such obligations.

Governing Law, Consent to Jurisdiction and Service of Process

The Indenture and the Notes provide, with certain exceptions, for the application of the internal laws of the State of New York. The Company will irrevocably submit to the jurisdiction of any New York state or United States federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the Indenture or the Notes and (ii) arising under any United States federal or state securities laws. The Company will appoint Corporation Service Company as its agent for service of process in any such action or proceeding.

Enforceability of Judgments

Since substantially all of the assets of the Company and its Subsidiaries are outside the United States, any judgment obtained in the United States against the Company, including judgments with respect to the payment of principal, premium, interest and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge by writing to MGM China Holdings Limited, Avenida Dr. Sun Yat Sen, Edificio MGM MACAU NAPE, Macau, Attention: Antonio Menano, Company Secretary and Executive Vice President of Legal & General Counsel.

Book-Entry, Delivery and Form

The Notes are being offered and sold to qualified institutional buyers (“**Rule 144A Notes**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”). The Notes also may be offered and sold in offshore transactions (“**Regulation S Notes**”) in reliance on Regulation S under the Securities Act (“**Regulation S**”). Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess of US\$200,000. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Rule 144A Global Notes**”). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (“**DTC**”), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “**Restricted Period**”), beneficial interests in the Regulation S Global Notes may be held only through the Euroclear System (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—*Exchanges between Regulation S Notes and Rule 144A Notes.*”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive Notes in registered certificated form (“**Certificated Notes**”) except in the limited circumstances described below. See “—*Exchange of Global Notes for Certificated Notes.*” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “*Transfer Restrictions.*” Regulation S Notes will also bear the legend as described under “*Transfer Restrictions.*” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “**Participants**”) and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “**Indirect Participants**”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) that are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Clearstream Banking, S.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or “holders” thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “*Transfer Restrictions*,” transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the relevant Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the relevant Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the Trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depository;
- (2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or
- (3) if DTC or a successor depository so requests following a Default or Event of Default with respect to the applicable series of Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legends referred to in "Transfer Restrictions," unless such legends are not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Transfer Restrictions."

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a Person:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Company will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, and interest, if any), by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Company will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a

Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time.

"Board of Directors" means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the Person or Persons who are the managing member, members or managers or any controlling committee or managing members or managers thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

"Business Day" means any day other than a Legal Holiday.

"Capital Stock" means:

- (1) in the case of a corporation, corporate stock or shares;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests (whether general or limited); and
- (4) any other interests or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Change of Control” means the occurrence of any of the following:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than to MGM Resorts or a Related Party thereof;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company or any successor thereto;
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as defined in clause (1) above), other than MGM Resorts and any of its Related Parties becomes the Beneficial Owner, directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company, measured by voting power rather than number of Equity Interests; or
- (4) the first day on which the Company ceases to own, directly or indirectly, at least 60% of the outstanding Equity Interests of (and at least a 60% economic interest in) the Subconcessionaire.

“Change of Control Offer” has the meaning assigned to that term in the Indenture.

“Change of Control Triggering Event” means the occurrence of a Change of Control and, if the Notes are rated by both Rating Agencies, a Ratings Event.

“Default” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“Disqualified Stock” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Existing Notes” means, collectively, the Company’s outstanding 5.375% senior notes due 2024, 5.25% senior notes due 2025 and 5.875% senior notes due 2026.

“Fair Market Value” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by (1) an appropriate officer of the Company, in the case of any value equal to or less than US\$25.0 million (or the Dollar Equivalent thereof) or (2) the Board of Directors of the Company, in the event of any value greater than US\$25.0 million (or the Dollar Equivalent thereof), in each case, unless otherwise provided in the Indenture.

“Gaming Authority” means any agency, authority, board, bureau, commission, department, office or instrumentality of any nature whatsoever of any national or foreign government, any state, province or city or other political subdivision or otherwise, whether on the date of the Indenture or thereafter in existence, including the Government of the Macau Special Administrative Region and any other applicable gaming regulatory authority or agency, in each case, with authority to regulate the sale or distribution of liquor or any gaming operation (or

proposed gaming operation) owned, managed or operated by the Company or its Affiliates, including the Subconcessionaire.

“Gaming Law” means the gaming laws, rules, regulations or ordinances of any jurisdiction or jurisdictions to which MGM Resorts, the Company or any of their respective Affiliates, including the Subconcessionaire, is, or may be, at any time subject.

“Gaming License” means the license, concession, subconcession or other authorization from any Government Authority which authorizes, permits, concedes or allows the Company or any of its Subsidiaries, at the relevant time, to own or manage casino or gaming areas or operate casino games of fortune and chance.

“Government Securities” means securities that are:

- (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or
- (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; which, in either case, are not callable or redeemable at the option of the issuer thereof, and will include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Security or a specific payment of principal of or interest on any such Government Security held by such custodian for the account of the holder of such depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Security or the specific payment of principal of or interest on the Government Security evidenced by such depository receipt.

“Guarantee” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“Hedging Obligations” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates and/or commodity prices.

“Holder” or **“holder”** means any registered holder, from time to time, of the Notes. Only registered holders will have any rights under the Indenture.

“IFRS” means International Financial Reporting Standards as in effect from time to time.

“Indebtedness” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

- (3) in respect of banker's acceptances;
- (4) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (5) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "**Indebtedness**" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness;
- (3) in the case of a Guarantee of Indebtedness, the maximum amount of the Indebtedness guaranteed under such Guarantee; and
- (4) in the case of Indebtedness of others secured by a Lien on any asset of the specified Person, the lesser of:
 - (a) the face amount of such Indebtedness (plus, in the case of any letter of credit or similar instrument, the amount of any reimbursement obligations in respect thereof), and
 - (b) the Fair Market Value of the asset(s) subject to such Lien.

Notwithstanding anything contained in the Indenture to the contrary, any obligation of the Company incurred in the ordinary course of business in respect of casino chips or similar instruments shall not constitute "**Indebtedness**" for any purpose under the Indenture.

"**Investment Grade**" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's), a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) or the equivalent Investment Grade credit rating from any additional Rating Agency or Rating Agencies selected by the Company, as applicable.

"**Issue Date**" means the date on which the Notes (other than any Additional Notes) are originally issued.

"**Legal Holiday**" means a Saturday, a Sunday or a day on which banking institutions in New York, New York, Hong Kong, Macau or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

"**Lien**" means, with respect to any asset, (i) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, (ii) any lease in the nature thereof or (iii) any agreement to deliver a security interest in any asset.

"**MGM Resorts**" means MGM Resorts International, a Nevada corporation.

“Moody’s” means Moody’s Investors Service, Inc., or any successor to its statistical rating business, except that any reference to a particular rating by Moody’s will be deemed to be a reference to the corresponding rating by any such successor.

“Obligations” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness (including, without limitation, interest accruing at the then applicable rate provided in such documentation after the maturity of such Indebtedness and interest accruing at the then applicable rate provided in such documentation after the filing of a petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any debtor under such documentation, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding).

“Officer” means the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, Treasurer or Secretary of the Company, or any Director of the Board of the Company or any Person acting in that capacity.

“Officer’s Certificate” means a certificate signed, on behalf of the Company by an Officer of the Company, that meets the requirements set forth in the Indenture.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“Rating Agencies” means (a) each of Moody’s and S&P and (b) if either Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company (as certified by a resolution of the Company’s Board of Directors) as a replacement agency for Moody’s or S&P, or each of them, as the case may be.

“Rating Date” means the date that is 60 days prior to the earlier of (a) a Change of Control or (b) public notice of the occurrence of a Change of Control or the intention by the Company to effect a Change of Control.

“Ratings Event” means, with respect to the Notes, on, or within 60 days after, the earlier of (a) the occurrence of a Change of Control and (b) the first public notice of the Company’s intention to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies on such 60th day; *provided*, that no such extension shall occur if any of the Rating Agencies rates the Notes with an Investment Grade rating that is not subject to review for possible downgrade on such 60th day), one of the following shall occur: (1) if the Notes are rated by one or both Rating Agencies on the Rating Date as Investment Grade, the Notes are rated below an Investment Grade rating by each of the Rating Agencies, or (2) if the Notes are rated below Investment Grade by both Rating Agencies, a downgrade by one or more gradations (including gradations within ratings categories as well as between rating categories) or withdrawal of the rating of the Notes by either of the Rating Agencies has occurred.

“Related Party” means any Affiliates of MGM Resorts and any Person acting solely in the capacity of an underwriter (as such term is defined under Section 2(a)(11) of the Securities Act) in connection with a bona fide public or private offering of the Company’s Capital Stock.

“Revolving Credit Facilities” means the Revolving Credit Facility and the Second Revolving Credit Facility.

“Revolving Credit Facility” means the Company’s unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility agreement dated August 12, 2019 between, among others, the Company and Bank of America, National Association, as amended and modified from time to time.

“S&P” means Standard & Poor’s Ratings Group or any successor to its statistical rating business, except that any reference to a particular rating by S&P shall be deemed to be a reference to the corresponding rating by any such successor.

“Second Revolving Credit Facility” means the Company’s second unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility dated May 26, 2020 between, among others, the Company and certain lenders, as amended and modified from time to time.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Significant Subsidiary” means any Subsidiary that (a) contributed at least 10% of the Company’s and its Subsidiaries’ total consolidated income from continuing operations before income taxes and extraordinary items for the most recently ended fiscal year of the Company or (b) owned at least 10% of Total Assets as of the last day of the most recently ended fiscal year of the Company.

“Special Put Option Triggering Event” means:

- (1) any event after which none of the Company or any Subsidiary of the Company has such licenses, concessions, subconcessions or other permits or authorizations as are necessary for the Company and its Subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as the Company and its Subsidiaries are entitled to at the Issue Date, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole; or
- (2) the termination, rescission, revocation or modification of any Gaming License which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any Gaming License; *provided* that such renewal, tender or other process results in the granting or renewal of the relevant Gaming License.

“Subconcessionaire” means MGM Grand Paradise Limited, a private company limited by shares (*“sociedade anónima”*) incorporated under the laws of Macau.

“Subsidiary” means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof); or
- (3) any limited liability company (a) the manager or managing member of which is such Person or a Subsidiary of such Person or (b) the only members of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“Total Assets” means at any date, the total assets of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with IFRS.

“Voting Stock” of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the Notes, but does not purport to be a complete analysis of all potential tax considerations. The discussion addresses only persons that purchase Notes in the original offering, hold the Notes as capital assets within the meaning of Section 1221 of the Code, and, in the case of U.S. Holders (as defined below), use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, passive foreign investment companies, controlled foreign corporations, real estate investment trusts, corporations that accumulated earnings to avoid U.S. federal income tax, partnerships or other pass-through entities and investors in such entities, U.S. expatriates, dealers in securities or currencies, traders who elect to mark their investment to market, persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an “applicable financial statement,” U.S. Holders that hold the Notes through non-U.S. brokers, and persons holding the Notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or non-U.S. taxes, or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws, the Medicare tax on net investment income or the alternative minimum tax). This discussion is based upon the Code, U.S. Treasury regulations issued thereunder and judicial and administrative interpretations thereof, each as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been, or are expected to be, sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, THE CAYMAN ISLANDS, HONG KONG AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, “U.S. Holder” means the beneficial owner of a Note that for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States,
- a corporation organized in or under the laws of the United States or any political subdivision thereof,
- a trust subject to the control of one or more United States persons and the primary supervision of a U.S. court or that has validly elected to be treated as a United States person, or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

“Non-U.S. Holder” means a person that is a beneficial owner of a Note other than a U.S. Holder.

The treatment of partners in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that owns Notes may depend on the status of such partners and the status and activities of the partnership and such persons should consult their own tax advisors about the consequences of an investment in the Notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Company may be required to make payments on a Note that would change the yield of the Note. See “*Description of Notes—Optional Redemption*” and “*—Repurchase at the Option of Holders—Change of Control.*” This obligation may implicate the provisions of Treasury regulations relating to contingent payment debt instruments (“CPDIs”). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are “remote or incidental” or certain other circumstances apply. The Company intends to take the position that the Notes are not CPDIs. Our determination that the Notes are not subject to the CPDI regulations is binding on a holder, unless such

holder discloses its contrary position in the manner required by applicable Treasury regulations. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a holder may be required to accrue income on the Notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of the contingency. If the Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

Interest

Stated interest paid to a U.S. Holder, and any Additional Amounts with respect to withholding tax on the Notes (including the amount of tax withheld from payments of interest and Additional Amounts), will be includible in the U.S. Holder's gross income as ordinary interest income at the time interest and Additional Amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which, if not previously included in such U.S. Holder's income, will be taxable as ordinary interest income as discussed above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be equal to the amount that the U.S. Holder paid for the Note. Any such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to interest and Additional Amounts received in respect of the Notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the Notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net income basis with respect to interest and Additional Amounts received in respect of the Notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the Notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of interest (including Additional Amounts) on the Notes, and to proceeds from the sale, exchange or other taxable disposition (including redemption) of the Notes, to a U.S. Holder. Backup withholding may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of Notes generally will be

entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld, provided the required information is furnished to the IRS in a timely manner.

“Specified Foreign Financial Asset” Reporting

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The Notes generally are expected to constitute “specified foreign financial assets” unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CAYMAN ISLANDS AND HONG KONG STAMP DUTY TAX CONSIDERATIONS

Prospective investors should consult their professional advisers regarding the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes unless the Notes are executed in, or brought into, the Cayman Islands or produced before the Cayman Islands Courts.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Act (1999 Revision), the Governor in Cabinet undertook with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (1999 Revision).

These concessions shall be for a period of 20 years from 20 July 2010, being the date of the undertaking.

Hong Kong

No Hong Kong stamp duty is payable on any issue, sale or purchase or other disposal of debentures, loan stocks, funds, bonds or notes (i) which are denominated in a currency other than Hong Kong dollars (provided that such debentures, loan stocks, funds, bonds or notes are not redeemable in Hong Kong dollars and may not at the option of any person be redeemed in Hong Kong dollars) or (ii) the register of holders of which is maintained outside of Hong Kong. Therefore, the issue, sale or purchase or other disposal of the Notes will not be subject to Hong Kong stamp duty.

PLAN OF DISTRIBUTION

BofA Securities, Inc., Bank of China Limited, Macau Branch and Industrial and Commercial Bank of China (Macau) Limited are acting as Representatives of each of the Initial Purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of the Notes (US\$)
BofA Securities, Inc.	150,000,000
Bank of China Limited, Macau Branch.....	112,500,000
Industrial and Commercial Bank of China (Macau) Limited.....	112,500,000
Bank of Communications Co., Ltd. Macau Branch	75,000,000
BNP Paribas	45,000,000
SMBC Nikko Securities America, Inc.	45,000,000
UBS AG Hong Kong Branch ²	45,000,000
Barclays Capital Inc.	30,000,000
Banco Nacional Ultramarino, SA.....	30,000,000
Deutsche Bank AG, Singapore Branch	30,000,000
J.P. Morgan Securities PLC	30,000,000
Scotia Capital (USA) Inc.....	15,000,000
China Construction Bank Corporation Macau Branch.....	15,000,000
China International Capital Corporation Hong Kong Securities Limited	7,500,000
Union Gaming Securities Asia Limited	7,500,000
Total	US\$750,000,000

If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

Commissions and Discounts

The Representatives have advised us that the Initial Purchasers propose initially to offer the Notes at the issue prices set forth on the cover page of this offering memorandum. After the initial offering, the offering prices or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Notes Have Not Been And Are Not Being Registered

The Notes have not been and will not be registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another

² UBS AG is incorporated in Switzerland with limited liability

exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under “*Transfer Restrictions*.”

Listing

The Company will seek a listing of the Notes on the Hong Kong Stock Exchange and has received a confirmation from the Hong Kong Stock Exchange of the eligibility of a listing of the Notes by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange. The Notes will be new securities for which there is no existing market. We have been advised by certain of the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about March 31, 2021, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as “T+4”). Under Rule 15c6-1 under the U.S. Exchange Act, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two business days will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the day of pricing or the next two business days should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, during the period starting from the date of this offering memorandum and ending on the date that the Notes are delivered to investors, without first obtaining the prior written consent of the Representatives, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of our debt securities or securities exchangeable for or convertible into our debt securities, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Short Positions

In connection with this offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of Initial Purchasers make any representation that the Representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Conflicts of Interest

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Furthermore, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge or are likely to hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the Initial Purchasers, namely, BofA Securities, Inc., Bank of China Limited, Macau Branch, Industrial and Commercial Bank of China (Macau) Limited, Bank of Communications Co., Ltd. Macau Branch, BNP Paribas, SMBC Nikko Securities America, Inc., Barclays Capital Inc., Banco Nacional Ultramarino, SA, Deutsche Bank AG, Singapore Branch, J.P. Morgan Securities PLC and Scotia Capital (USA) Inc., or their affiliates are lenders under the Revolving Credit Facility and, accordingly, may receive a portion of the net proceeds of this offering through any repayment of borrowings under the Revolving Credit Facility. Certain of the Initial Purchasers, namely Industrial and Commercial Bank of China (Macau) Limited, Bank of Communications Co., Ltd. Macau Branch and Bank of China Limited, Macau Branch or their affiliates are lenders under the Second Revolving Credit Facility. See *“Description of Other Material Indebtedness.”*

In connection with the offering of the Notes, each of the Initial Purchasers and their respective affiliates may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account the Notes and any other securities of the Company or related investments and may offer or sell such Notes, other securities or other investments otherwise than in connection with this offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No Material Adverse Change

Other than has disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes and the Data Privacy Notice may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of Wilmington Savings Fund Society, FSB, or any successor paying agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of Wilmington Savings Fund Society, FSB, or any successor paying agent.

Selling Restrictions

General

No action has been or will be taken by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any jurisdiction except in compliance with any applicable rules and regulations of such jurisdiction.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or their respective affiliates on behalf of us in such jurisdiction.

United Kingdom

Each Initial Purchaser has agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CWUMPO”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Macau

The Notes may not be offered, sold or delivered to members of the public in Macau.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. Each Initial Purchaser has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any EEA Retail Investor in the European Economic Area ("EEA"). For the purposes of this provision:

- (1) the expression "EEA Retail Investor" means a person who is one (or more) of the following:
 - (A) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II");
 - (B) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (C) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended, the "EU Prospectus Regulation"); and
- (2) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any UK Retail Investor in the United Kingdom ("UK"). For the purposes of this provision:

- (1) the expression "UK Retail Investor" means a person who is one (or more) of the following:
 - (A) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time);

- (B) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or
 - (C) not a qualified investor as defined in Article 2 of the EU Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time); and
- (2) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) and the Notes will be offered pursuant to exemptions under the SFA. Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons (a) an institutional investor, (b) a relevant person, or (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, securities (as defined in Section 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined under Section 275(2) of the SFA or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA, (2) where no consideration is or will be given for the transfer, (3) where the transfer is by operation of law, (4) as specified in Section 276(7) of the SFA, or (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1)(c) of the SFA – In connection with this offering, the classification of the Notes offered or sold under this offering are “prescribed capital markets” products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the “FIEA.” The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of notes offered (which we collectively refer to herein as the “Restricted Notes”) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

- (1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S.
- (2) The purchaser understands that the Restricted Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that such Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) to us, (ii) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iv) to an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) that, prior to such transfer, furnishes to the trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes and, if such transfer is in respect of an aggregate principal amount of notes less than \$250,000, an opinion of counsel acceptable to the Issuers that such transfer is in compliance with the Securities Act, (v) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (vi) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (vi) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in clause (A) above.
- (3) The purchaser understands that the Restricted Notes will, unless otherwise agreed to by us and the holder thereof, bear a legend substantially to the following effect (which we refer to as the “Restricted Notes Legend”):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE ISSUERS, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (IV) TO AN “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE

FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (VI) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (VI) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE.

Each purchaser of notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect (which we refer to as the “Regulation S Legend”):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Indenture that the transfer of any such Restricted Notes have been made in accordance with Rule 904 under the Securities Act. We understand that under current market practices settlement of the transfer of any such notes may be effected through the facilities of DTC, but that prior to the 40th day after the later of the commencement of this offering and the last original issue date of the Notes, any such transfer may only occur through the facilities of Euroclear and/or Clearstream, Luxembourg.

Each purchaser of the Notes will be deemed to have represented and agreed as follows:

- (1) (x) either: (A) the purchaser is not a “Plan” (which term includes (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended, or “ERISA,” (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code), or to provisions under applicable Federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (which we refer to as “Similar Laws”) and (iii) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements and it is not purchasing the Notes on behalf of, or with the “plan assets” of, any Plan; or (B) the purchaser’s purchase, holding and subsequent disposition of the Notes either (i) are not a prohibited transaction under ERISA or the Code and are otherwise permissible under all applicable Similar Laws or (ii) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws and (y) it will not sell or transfer such Notes other than to a purchaser that is deemed to make the same representations and warranties; and
- (2) the purchaser will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants.

Each purchaser of Notes acknowledges that neither we nor the initial purchasers nor any person representing us or the initial purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained or incorporated by reference in this offering memorandum. Each purchaser of Notes represents that it is relying only on this offering memorandum in making its investment decision with respect to the

Notes. Each purchaser of Notes agrees that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase Notes.

Each purchaser understands that no action has been taken in any jurisdiction by us or any of the guarantors or the initial purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of Notes will be subject to the selling restrictions set forth herein.

Each purchaser of Notes acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. Each purchaser of Notes agrees that if any of the acknowledgments, representations or agreements it is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify us and the initial purchasers. If any purchaser is purchasing any Notes as a fiduciary or agent for one or more investor accounts, it represents that it have sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser agrees that it will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes, if then applicable.

LEGAL MATTERS

We are being represented by Milbank LLP with respect to certain matters of United States federal and New York laws, by Herbert Smith Freehills with respect to certain matters of Hong Kong law and by DSL Lawyers with respect to certain matters of Macau law. Certain legal matters as to Cayman Islands law will be passed upon for us by Walkers (Hong Kong). Certain legal matters with respect to legal matters of United States federal and New York law in connection with this offering will be passed upon for the Initial Purchasers by White & Case. Certain legal matters as to Macau law will be passed upon for the Initial Purchasers by Henrique Saldanha—Advogados & Notários and certain legal matters as to Cayman Islands law will be passed upon for the Initial Purchasers by Maples and Calder (Hong Kong) LLP.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu, independent auditors, as stated in their report appearing herein.

The offices of Deloitte Touche Tohmatsu are located at One Pacific Place, 88 Queensway, Hong Kong.

MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司

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MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

Report and Consolidated Financial Statements
For the year ended December 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of MGM China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 81, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loss allowance of trade receivables	
<p>We have identified the loss allowance of the Group's trade receivables of HK\$292.0 million as at December 31, 2020 as a key audit matter due to the inherent level of uncertainty in the estimate.</p> <p>As disclosed in note 4 to the consolidated financial statements, the estimation of loss allowance of trade receivables requires significant accounting estimates and judgment.</p> <p>As disclosed in notes 19 and 26 to the consolidated financial statements, management's assessment of trade receivables, most of which are casino receivables, under the expected credit loss model is based on a specific review of the customers' accounts by taking into account the age of the receivables, the counterparty's financial condition, collection history, the impact of the COVID-19 pandemic on the customers' ability to settle, general economic conditions, forward-looking information and any other known information.</p>	<p>Our procedures in relation to the assessment on the reasonableness of the loss allowance of trade receivables included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the process and internal controls over the granting of credit to customers, collection processes and management's review controls over the assessment of the collectability of trade receivables and the appropriateness of the expected credit loss policy and estimated loss allowance;• Evaluating the appropriateness of the management's assessment on loss allowances for credit-impaired debtors by reviewing available information relating to the financial standing of these individual debtors;• Assessing the appropriateness of management's basis and judgement in determining the loss allowance on trade receivables as at December 31, 2020, including collection history, general economic conditions and other forward looking information affecting the customers' ability to settle which form their basis of estimated loss rates applied in each category in the provision matrix under the expected credit loss model; and• Testing the information used by management to develop the provision on a sample basis, which includes testing the age analysis of the trade receivables as at December 31, 2020.

Impairment assessment of non-financial assets

We have identified the impairment assessment of non-financial assets, which mainly include property and equipment of HK\$24,949.8 million and right-of-use assets of HK\$1,326.9 million as at December 31, 2020, as a key audit matter due to the inherent subjectivity within the estimation of the present value of the future cash flows, a key component in determining the recoverable amount of the non-financial assets.

As stated in note 4 to the consolidated financial statements, the Group has considered the future economic conditions, increased competition in Macau, regulatory environment and in particular the impact caused by the COVID-19 pandemic as part of the impairment assessment and the resulting evaluation of the recoverable amount of the non-financial assets.

The determination of recoverable amount of the non-financial assets involves identification of cash generating unit(s) and value-in-use calculations, which requires significant management judgment and estimations. The value-in-use method requires the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs. Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.

Changes in the key assumptions on which the recoverable amount of the non-financial assets are based could significantly affect the Group's assessment, resulting in an impairment loss being recognized.

Our procedures in relation to the impairment assessment of non-financial assets included:

- Obtaining an understanding of the process and internal controls over the impairment assessment including the Group's identification of cash-generating unit(s), assessment of indicators of impairment and the preparation of the value-in-use calculations to estimate the recoverable amount;
- Evaluating the reasonableness of the key inputs and assumptions used in the value-in-use calculations against historical performance, economic and industry indicators, publically available information and the Group's strategic plans;
- Involving our internal valuation specialists to assess the appropriateness of the discount rates and methodology used;
- Testing the mathematical accuracy of the Group's value-in-use calculations; and
- Evaluating the sensitivity analysis performed by the management in respect of the key inputs to assess the extent of impact on the value-in-use calculations.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Jimmy Toy.

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong
 February 26, 2021

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
OPERATING REVENUE			
Casino revenue	6	4,384,081	20,423,463
Other revenue	6	711,902	2,341,573
		<u>5,095,983</u>	<u>22,765,036</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes	7	(2,404,651)	(10,615,274)
Inventories consumed		(290,639)	(677,086)
Staff costs	8	(2,916,868)	(3,722,251)
Loss allowance on trade receivable, net		(92,642)	(28,267)
Other expenses and losses	9	(1,057,709)	(2,194,364)
Depreciation and amortization	10	(2,467,666)	(2,564,457)
		<u>(9,230,175)</u>	<u>(19,801,699)</u>
Operating (loss)/profit		(4,134,192)	2,963,337
Interest income		9,232	21,238
Finance costs	11	(1,118,409)	(1,128,075)
Net foreign currency gain		52,024	85,190
(Loss)/profit before tax		<u>(5,191,345)</u>	<u>1,941,690</u>
Income tax expense	12	(10,186)	(10,462)
(Loss)/profit for the year attributable to owners of the Company		<u>(5,201,531)</u>	<u>1,931,228</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>5,212</u>	<u>123</u>
Total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(5,196,319)</u>	<u>1,931,351</u>
(Loss)/earnings per Share – Basic	15	<u>(HK136.9 cents)</u>	<u>HK50.8 cents</u>
(Loss)/earnings per Share – Diluted	15	<u>(HK136.9 cents)</u>	<u>HK50.8 cents</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
ASSETS			
Non-current assets			
Property and equipment	16	24,949,783	26,708,339
Right-of-use assets	17	1,326,893	1,382,457
Sub-concession premium	18	141,698	244,845
Other assets		7,438	32,137
Prepayments, deposits and other receivables		19,029	37,385
Restricted cash	20	36,439	-
Total non-current assets		<u>26,481,280</u>	<u>28,405,163</u>
Current assets			
Inventories		159,847	163,723
Trade receivables	19	292,040	531,943
Prepayments, deposits and other receivables		99,746	133,727
Amounts due from related companies	31	330	1,370
Cash and cash equivalents	20	2,635,511	3,270,296
Total current assets		<u>3,187,474</u>	<u>4,101,059</u>
TOTAL ASSETS		<u><u>29,668,754</u></u>	<u><u>32,506,222</u></u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2020

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
EQUITY			
Capital and reserves			
Share capital	23	3,800,000	3,800,000
Share premium and reserves	23	1,217,664	6,660,134
TOTAL EQUITY		<u>5,017,664</u>	<u>10,460,134</u>
LIABILITIES			
Non-current liabilities			
Borrowings	21	21,155,040	16,604,526
Lease liabilities	17	184,826	191,120
Payables and accrued charges	22	8,210	13,100
Construction retention payable		10,932	813
Total non-current liabilities		<u>21,359,008</u>	<u>16,809,559</u>
Current liabilities			
Lease liabilities	17	32,110	45,349
Payables and accrued charges	22	3,199,112	4,825,255
Construction retention payable		35,250	307,564
Amounts due to related companies	31	18,244	48,085
Income tax payable		7,366	10,276
Total current liabilities		<u>3,292,082</u>	<u>5,236,529</u>
TOTAL LIABILITIES		<u>24,651,090</u>	<u>22,046,088</u>
TOTAL EQUITY AND LIABILITIES		<u>29,668,754</u>	<u>32,506,222</u>

The consolidated financial statements on pages 6 to 81 were approved and authorized for issue by the Board of Directors on February 26, 2021 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020**

	NOTES	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000 Note 23	Other reserves HK\$'000 Note 23	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2019		3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the year		-	-	-	-	-	-	-	1,931,228	1,931,228	1,931,228
Exchange differences on translation of foreign operations		-	-	-	-	-	-	123	-	123	123
Total comprehensive income		-	-	-	-	-	-	123	-	123	123
Exercise of share options	23&24	504	7,434	-	(1,896)	-	-	123	1,931,228	1,931,351	1,931,351
Share repurchase and cancellation		-	-	-	-	-	-	-	-	-	6,042
- repurchases of Shares	23	(504)	(6,438)	-	-	-	-	-	-	(6,438)	(6,942)
- transfer	23	-	-	504	-	-	-	-	(504)	-	-
Forfeiture of share options	24	-	-	-	(4,775)	-	-	-	4,775	-	-
Recognition of share-based Payments	24	-	-	-	70,308	-	-	-	-	70,308	70,308
Dividends paid	14	-	-	-	-	-	-	-	(486,404)	(486,404)	(486,404)
At December 31, 2019 and January 1, 2020		3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134
Loss for the year		-	-	-	-	-	-	-	(5,201,531)	(5,201,531)	(5,201,531)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	5,212	-	5,212	5,212
Total comprehensive income/(loss)		-	-	-	-	-	-	5,212	-	5,212	5,212
Transfer to legal reserve		-	-	-	-	-	-	5,212	(5,201,531)	(5,196,319)	(5,196,319)
Exercise of share options	23&24	349	4,711	-	(1,184)	-	1,372	-	(1,372)	3,527	3,876
Share repurchase and cancellation		-	-	-	-	-	-	-	-	-	-
- repurchases of Shares	23	(349)	(2,861)	-	-	-	-	-	-	(2,861)	(3,210)
- transfer	23	-	-	349	-	-	-	-	(349)	-	-
Forfeiture of share options	24	-	-	-	(15,034)	-	-	-	15,034	-	-
Recognition of share-based Payments	24	-	-	-	68,583	-	-	-	-	68,583	68,583
Dividends paid	14	-	-	-	-	-	-	-	(315,400)	(315,400)	(315,400)
At December 31, 2020		3,800,000	10,406,223	14,729	522,507	293,725	(13,131,933)	2,565	3,109,848	1,217,664	5,017,664

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		(5,191,345)	1,941,690
Adjustments for:			
Depreciation and amortization		2,467,666	2,564,457
Interest expense		1,097,511	940,939
Loss on extinguishment of debt		-	171,051
Loss on disposal or write-off of property and equipment and other assets		13,287	14,778
Interest income		(9,232)	(21,238)
Loss allowance on trade receivables, net		92,642	28,267
Share-based payments		68,583	70,308
Net foreign currency gain		(57,849)	(84,473)
Operating cash flows before movements in working capital		(1,518,737)	5,625,779
Decrease/(increase) in inventories		4,082	(2,575)
Decrease/(increase) in trade receivables		147,261	(237,573)
Decrease/(increase) in prepayments, deposits and other receivables		32,413	(5,563)
Decrease in amounts due from related companies		1,040	690
Decrease in payables and accrued charges		(1,566,147)	(1,082,983)
(Decrease)/increase in amounts due to related companies		(29,841)	25,554
Increase in restricted cash		(36,439)	-
Cash (used in)/generated from operations		(2,966,368)	4,323,329
Income tax paid		(13,134)	(11,973)
Income tax refunded		32	740
Interest received		9,581	21,514
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		<u>(2,969,889)</u>	<u>4,333,610</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(838,797)	(1,121,973)
Payment of Sub-concession premium	18	-	(213,592)
Proceeds from disposal of property and equipment and other assets		76	739
Proceeds from insurance claims		6,763	4,945
NET CASH USED IN INVESTING ACTIVITIES		<u>(831,958)</u>	<u>(1,329,881)</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	21	5,560,000	1,000,000
Proceeds from issuance of unsecured senior notes	21	3,876,173	11,772,525
Repayments of credit facilities	21	(4,790,000)	(14,860,000)
Payments of debt finance costs		(106,983)	(309,937)
Payments of lease liabilities	17	(39,825)	(19,206)
Interest paid		(1,022,155)	(821,609)
Dividends paid		(315,400)	(486,404)
Proceeds from exercise of share options		3,955	6,230
Payments on repurchase of Shares	23	(3,210)	(6,942)
		<u>3,162,555</u>	<u>(3,725,343)</u>
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES			
		<u>3,162,555</u>	<u>(3,725,343)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(639,292)	(721,614)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,270,296	3,992,107
Effect of foreign exchange rate changes, net		<u>4,507</u>	<u>(197)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents		<u><u>2,635,511</u></u>	<u><u>3,270,296</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

MGM China Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company's Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company's immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

The consolidated financial statements are presented in HK\$, which is the functional currency of the Company and its subsidiaries.

Impact of COVID-19

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China's individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM MACAU and MGM COTAI were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, certain health safeguards such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system remain in effect at the present time. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period. However, they must obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid 'green' code result for the Macau Health Code system and the Guangdong health-declaration system respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid 'green' Macau Health Code. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period. Additionally, tourist visas issuance (including individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively.

1. GENERAL – continued

Impact of COVID-19 – continued

At the date of this report, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the year ended December 31, 2020 and will likely continue to impact the Group's results given the uncertainty of the length of time of the pandemic. Visitation to Macau and volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments.

To address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, a number of initiatives were undertaken in the current financial year:

- the Company entered into an amendment to the financial covenants under the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 21;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion to HK\$5.24 billion, with an option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- on October 14, 2020, the Company entered into an amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio. On October 15, 2020, the Company entered into a third amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. On February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 21;
- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year; and
- certain capital expenditures that were planned to begin during the year have been deferred.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied, for the first time, the following amendments to IFRS relevant to the Group:

Amendments to IFRS 3	Definition of Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in IFRS Standards	

In addition, the Group has early applied the Amendment to IFRS 16 *COVID-19 Related Rent Concessions* in the current year. The application of the above amendments to IFRS in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue not yet adopted

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to IAS 8	Definition of Accounting Estimates ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2021

³ Effective for annual periods beginning on or after January 1, 2022

⁴ Effective for annual periods beginning on or after January 1, 2023

The Group considers that these new standards and amendments would not have a significant impact on the Group's results of operations and financial position in the foreseeable future.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS on the historical cost basis of accounting. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

Due to the impact of COVID-19, the Group experienced a significant decline in its financial results during the year ended December 31, 2020 primarily because of the continuing impact of restrictions on travel and operations. At December 31, 2020, the Group had net current liabilities of approximately HK\$104.6 million (December 31, 2019: HK\$1,135.5 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's assessment of key variables including future economic conditions (in particular, the expected duration of the impact of COVID-19); competition in Macau including opening of new properties; and the regulatory environment. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 21) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

Significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary services provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the amount collected from the customer for such goods and services net of discounts. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

In determining the transaction price, the promised amount of consideration for the effects of the time value of money is adjusted if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

Art works and paintings are not depreciated as their current residual value is expected to be greater than their carrying amount.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Property and equipment - continued

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

Impairment of tangible and intangible assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets (other than financial assets) - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based upon taxable profit for the year. Taxable profit differs from profit/loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Other assets

Operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss are amortized using the straight-line method over their estimated useful lives of two years.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies, restricted cash and cash and cash equivalents.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for the Group's financial assets.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Initial recognition and subsequent measurement of financial assets

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets, as appropriate, on initial recognition.

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 solely payments of principal and interest on the principal amount outstanding.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies, restricted cash and cash and cash equivalents). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognizes lifetime expected credit loss for trade receivables. An assessment is performed including analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired.

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Significant increase in credit risk - continued

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- 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; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data adjusted by forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Measurement and recognition of expected credit loss - continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables, construction payables, customer advances and other, outstanding chips liabilities, other casino liabilities, construction retention payable, amounts due to related companies and borrowings) are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Non-substantial modifications of financial liabilities

When borrowings are subsequently renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of those borrowings, the Group recalculates the gross carrying amount of the borrowings as the present value of the renegotiated or modified contractual cash flows that are discounted at the borrowings' original effective interest rates and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified borrowings and are amortized over the remaining term of the modified borrowings.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Offsetting of financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance; and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

Sub-concession premium

Premium payments made for the grant of the Sub-Concession Contract (see note 18) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies - continued

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

Leases

Definition of a lease

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Short-term leases and lease of low-value

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of the lease payments that are unpaid at that date. 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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities - continued

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Lease modifications - continued

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-related rent concessions

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

The Group as a grantor for right of use

When assets are granted out under an agreement for the right of use, the asset is included in the consolidated statement of financial position based upon the nature of the asset. Income from right of use (net of any incentives given to retailers) is recognized on a straight-line basis over the terms of the relevant right of use. Contingent fees based upon the net sales of the retailers arising under right of use are recognized as revenue in the period in which they are earned.

Equity-settled share-based payment transactions

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions - continued

Share options granted to Directors and employees of the Group - continued

When the terms of an equity-settled award are modified, the fair value of original share options granted at the original grant date continues to expense over the original vesting period. An additional expense, measured at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee over the modified vesting period. Where an award is cancelled by the entity or by the counterparty, any unrecognised element of the fair value of the award is expensed immediately through profit or loss.

Share options granted to consultants of the Group

Share options 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 they are measured by reference to the fair value of the share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates may result in outcomes that may require a material adjustment to the carrying amount of the asset or liability within the next financial year. Key sources of estimation uncertainty and critical judgments at the end of the reporting period, which have a significant effect on the consolidated financial statements are discussed below:

Loss allowance of trade receivables

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and assessments of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their estimated recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age of the receivables, the customers' financial condition, collection history, any other known information about the customers, general economic conditions, forecasts and forward-looking information including the impact of the COVID-19 pandemic on the customers' ability to settle. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss and carrying amount of trade receivables in the period of change.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Impairment of non-financial assets

The Group follows the requirements of *IAS 36 Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts.

Due to the uncertainties in connection with the COVID-19 pandemic, the Group has estimated the recoverable amount of non-financial assets to determine whether non-financial assets are impaired. The calculation of recoverable amount of the non-financial assets involves identification of the cash-generating unit(s) and the value-in-use calculations, which requires significant judgment and estimations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that take into consideration the future economic conditions (including the impact of the COVID-19 pandemic), competition in Macau, and the regulatory environment (including the renewal of the gaming sub-concession). Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.

No impairment loss was recognized as the recoverable amounts of the assets are greater than the carrying value. Changes in the key assumptions and estimates on which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

Valuation of lease liabilities and right-of-use assets

The Group has several lease contracts that include extension options. In determining the lease term, the Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew the lease including relevant factors that create an economic incentive for it to exercise the renewal. The Group has included the renewal period as part of the lease term for leases of land. After the initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

Useful lives of property and equipment

The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

5. SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the chief operating decision-maker when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM MACAU and MGM COTAI. Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, customers, services and products provided, and the regulatory environment in which they operate.

Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment. Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to loss/profit for the year attributable to owners of the Company:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Adjusted EBITDA (unaudited)	(1,371,723)	6,183,131
Share-based payments	(68,583)	(70,308)
Corporate expenses (unaudited)	(212,933)	(549,703)
Pre-opening costs ⁽¹⁾ (unaudited)	-	(20,548)
Loss on disposal/write-off of property and equipment and other assets	(13,287)	(14,778)
Depreciation and amortization	(2,467,666)	(2,564,457)
Operating (loss)/profit	(4,134,192)	2,963,337
Interest income	9,232	21,238
Finance costs	(1,118,409)	(1,128,075)
Net foreign currency gain	52,024	85,190
(Loss)/profit before tax	(5,191,345)	1,941,690
Income tax expense	(10,186)	(10,462)
(Loss)/profit for the year attributable to owners of the Company	<u>(5,201,531)</u>	<u>1,931,228</u>

⁽¹⁾ Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM COTAI.

Almost all of the non-current assets of the Group are located in Macau.

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentaries and other incentives. Casino revenue comprises:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
VIP gross table games win	1,648,511	9,694,375
Main floor gross table games win	3,623,441	14,938,445
Slot machine gross win	<u>560,705</u>	<u>2,248,201</u>
Gross casino revenue	5,832,657	26,881,021
Commissions, complimentaries and other incentives	<u>(1,448,576)</u>	<u>(6,457,558)</u>
	<u><u>4,384,081</u></u>	<u><u>20,423,463</u></u>

Other revenue comprises:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Hotel rooms	289,823	1,140,394
Food and beverage	312,523	996,235
Retail and other	<u>109,556</u>	<u>204,944</u>
	<u><u>711,902</u></u>	<u><u>2,341,573</u></u>

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned and (3) customer advances and other, which are primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

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

	<u>Outstanding Chips</u> <u>Liabilities</u> ⁽ⁱ⁾		<u>Loyalty Programs</u> <u>Liabilities</u>		<u>Customer Advances</u> <u>and Other</u> ⁽ⁱⁱ⁾	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	1,682,714	1,694,055	145,875	131,636	619,946	1,607,727
Balance at December 31	<u>1,031,086</u>	<u>1,682,714</u>	<u>151,278</u>	<u>145,875</u>	<u>689,567</u>	<u>619,946</u>
(Decrease)/increase	<u><u>(651,628)</u></u>	<u><u>(11,341)</u></u>	<u><u>5,403</u></u>	<u><u>14,239</u></u>	<u><u>69,621</u></u>	<u><u>(987,781)</u></u>

(i) The change of HK\$651.6 million in outstanding chip liabilities was mainly caused by realization to revenue by gaming play and redemption for cash during the year ended December 31, 2020.

(ii) The change of HK\$987.8 million in customer advances and other was mainly related to the utilization of funds previously deposited by customers for gaming play which were recorded as revenue during the year ended December 31, 2019.

7. GAMING TAXES

According to the Sub-Concession Contract as described in note 18, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated.

8. STAFF COSTS

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Salaries and discretionary and performance related incentive payments	2,192,528	3,047,011
Retirement benefits scheme contributions	103,766	94,584
Share-based payments	67,606	67,792
Other benefits	552,968	512,864
	<u>2,916,868</u>	<u>3,722,251</u>

Defined contribution plan

Prior to May 2019, the Group operated a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for eligible Macau resident employees to join the non-mandatory central provident fund (the "CPF") system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group's existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to full vesting of their contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$5.7 million (2019: HK\$8.5 million).

The total expense recognized in the profit or loss of HK\$103.8 million (2019: HK\$94.6 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan during the year ended December 31, 2020. As at December 31, 2020, contributions of approximately HK\$17.8 million (2019: HK\$17.8 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

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9. OTHER EXPENSES AND LOSSES

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Repairs and maintenance	243,898	261,025
Utilities and fuel	209,294	253,026
Advertising and promotion	198,974	658,937
Other support services	145,392	301,131
License fees (note 31)	89,180	397,725
Loss on disposal/write-off of property and equipment and other assets	13,287	14,778
Auditor's remuneration	8,703	9,616
Other	148,981	298,126
	<u>1,057,709</u>	<u>2,194,364</u>

10. DEPRECIATION AND AMORTIZATION

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Depreciation in respect of:		
- Property and equipment	2,259,652	2,269,022
- Right-of-use assets	78,742	63,653
Amortization in respect of:		
- Sub-concession premium	103,147	126,900
- other assets	26,125	104,882
	<u>2,467,666</u>	<u>2,564,457</u>

11. FINANCE COSTS

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Interest on unsecured senior notes	763,299	413,203
Interest on unsecured credit facilities	253,206	106,262
Interest on secured credit facilities	-	380,248
Amortization of debt finance costs	67,735	42,646
Loss on extinguishment of debt (note 21)	-	171,051
Interest on lease liabilities	13,271	13,677
Bank fees and charges	20,898	16,085
Total borrowing costs	1,118,409	1,143,172
Less: capitalized interest allocated to construction in progress (see note 16)	-	(15,097)
	<u>1,118,409</u>	<u>1,128,075</u>

12. INCOME TAX EXPENSE

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	(9,612)	(9,612)
Mainland China Income Tax	(665)	(974)
Over provision in prior year	<u>91</u>	<u>124</u>
Income tax expense	<u>(10,186)</u>	<u>(10,462)</u>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. Pursuant to the approval notice 88/2020 issued by the Macau Government dated March 30, 2020, this exemption was renewed for the period from April 1, 2020 to June 26, 2022. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for current and prior years.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise was required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. In May 2019, MGM Grand Paradise applied for an extension of this agreement through June 26, 2022, the date the Sub-Concession Extension Contract expires. This extension is subject to approval and the amount of the dividend withholding tax has not been determined by the Macau Government up to the date of approval of these consolidated financial statements. An amount of MOP7.4 million (equivalent to approximately HK\$7.2 million) was provided by the Group for the dividend withholding tax for the period from April 1, 2020 to December 31, 2020.

Hong Kong Profits Tax is calculated at the maximum rate of 16.5% of the estimated assessable profit for the current and prior years. Taxation assessable on profit generated in Mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 15% to 20%.

12. INCOME TAX EXPENSE – continued

The income tax expense for the year can be reconciled to the loss/profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
(Loss)/profit before tax	<u>(5,191,345)</u>	<u>1,941,690</u>
Tax calculated at rates applicable to profits/losses in the respective jurisdictions	640,856	(225,515)
Effect of tax exemption granted to MGM Grand Paradise	-	752,324
Effect of tax losses not recognized	(541,620)	(454,919)
Effect of expenses not deductible for tax purposes	(190,564)	(101,028)
Effect of income not taxable for tax purposes	121,557	67,467
Effect of utilization of tax losses previously not recognized	-	78
Effect of temporary differences not recognized	(33,336)	(39,374)
Lump sum dividend tax	(9,612)	(9,612)
Over provision in prior year	91	124
Others	<u>2,442</u>	<u>(7)</u>
Income tax expense	<u><u>(10,186)</u></u>	<u><u>(10,462)</u></u>

At the end of the reporting period, the Group has unused tax losses as follows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Macau Complementary Tax losses which will expire in one to three years	11,448,813	8,937,249
Hong Kong Profits Tax losses which may be carried forward indefinitely	133,962	118,010
Mainland China Enterprise Income Tax losses which will expire in one to five years	<u>421</u>	<u>-</u>
Unused tax losses	<u><u>11,583,196</u></u>	<u><u>9,055,259</u></u>

As at December 31, 2020, the Group has a deductible temporary difference of approximately HK\$1,777.0 million (2019: approximately HK\$1,499.2 million).

No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

	<u>Fees</u> HK\$'000	<u>Salary and other benefits</u> HK\$'000	<u>Contributions to retirement benefits scheme</u> HK\$'000	<u>Share-based payments</u> HK\$'000	<u>Discretionary and performance related incentive payments ⁽ⁱ⁾</u> HK\$'000	<u>Total</u> HK\$'000
Year ended December 31, 2020						
<i>Executive Directors⁽¹⁾:</i>						
William Joseph Hornbuckle	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
John M. McManus ⁽²⁾	-	-	-	-	-	-
James Joseph Murren ⁽³⁾	-	-	-	-	-	-
Grant R. Bowie (<i>Chief executive officer</i>) ⁽⁴⁾	-	18,012	1,361	19,635	-	39,008
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁵⁾	-	4,530	125	2,818	1,749	9,222
James Freeman	-	-	-	-	-	-
Daniel J. Taylor ⁽⁶⁾	-	-	-	-	-	-
Ayesha Khanna Molino ⁽⁷⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors⁽⁸⁾:</i>						
Zhe Sun	796	-	-	-	-	796
Sze Wan Patricia Lam	796	-	-	-	-	796
Russell Francis Banham	1,086	-	-	-	-	1,086
Simon Meng	652	-	-	-	-	652
Total emoluments	<u>3,330</u>	<u>22,542</u>	<u>1,486</u>	<u>22,453</u>	<u>1,749</u>	<u>51,560</u>
Year ended December 31, 2019						
<i>Executive Directors⁽¹⁾:</i>						
James Joseph Murren	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
William Joseph Hornbuckle	-	-	-	-	-	-
Grant R. Bowie (<i>Chief executive officer</i>)	-	16,581	1,368	14,484	17,087	49,520
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁵⁾	-	1,977	5	258	1,466	3,706
James Freeman ⁽⁹⁾	-	-	-	-	-	-
John M. McManus ⁽²⁾	-	-	-	-	-	-
Daniel J. D'Arrigo ⁽¹⁰⁾	-	-	-	-	-	-
William M. Scott IV ⁽¹¹⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors⁽⁸⁾:</i>						
Zhe Sun	863	-	-	-	-	863
Sze Wan Patricia Lam	863	-	-	-	-	863
Russell Francis Banham	1,177	-	-	-	-	1,177
Peter Man Kong Wong ⁽¹²⁾	177	-	-	-	-	177
Simon Meng ⁽¹³⁾	44	-	-	-	-	44
Total emoluments	<u>3,124</u>	<u>18,558</u>	<u>1373</u>	<u>14,742</u>	<u>18,553</u>	<u>56,350</u>

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

Notes:

- (1) *The executive Directors' emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.*
- (2) *John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.*
- (3) *James Joseph Murren resigned as a chairperson and executive Director with effect from March 26, 2020.*
- (4) *Grant R. Bowie resigned as a chief executive officer on May 11, 2020 with effect from May 31, 2020 and resigned as an executive Director with effect from August 6, 2020.*
- (5) *The emoluments and retirement benefits paid or payable to Kenneth Xiaofeng Feng was for his services in connection with the management of the affairs of the Group.*
- (6) *Daniel J. Taylor was appointed as a non-executive Director with effect from March 26, 2020.*
- (7) *Ayesha Khanna Molino was appointed as a non-executive Director with effect from August 6, 2020.*
- (8) *The independent non-executive Directors' emoluments were for services as Directors of the Company.*
- (9) *James Freeman was appointed as a non-executive Director with effect from March 6, 2019 and resigned with effect from June 27, 2019. He was re-appointed as a non-executive Director with effect from August 1, 2019.*
- (10) *Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.*
- (11) *William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.*
- (12) *Mr. Peter Man Kong Wong passed away on March 11, 2019.*
- (13) *Simon Meng was appointed as an independent non-executive Director with effect from December 9, 2019.*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2020 and 2019.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

Of the five individuals with the highest emoluments in the Group, two (2019: one) were Directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining three (2019: four) individuals were as follows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Salaries and other benefits	12,612	18,358
Contributions to retirement benefits scheme	641	724
Share-based payments	10,529	10,736
Discretionary and performance related incentive payments ⁽ⁱ⁾	3,795	9,100
	<u>27,577</u>	<u>38,918</u>

Their emoluments were within the following bands:

	<u>2020</u> No. of employees	<u>2019</u> No. of employees
HK\$7,000,001 to HK\$7,500,000	1	-
HK\$7,500,001 to HK\$8,000,000	-	1
HK\$8,500,001 to HK\$9,000,000	-	1
HK\$9,000,001 to HK\$9,500,000	1	-
HK\$10,500,001 to HK\$11,000,000	1	-
HK\$11,000,001 to HK\$11,500,000	-	1
HK\$11,500,001 to HK\$12,000,000	-	1

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2020 and 2019.

Note:

⁽ⁱ⁾ Discretionary and performance related incentive payments for the years ended December 31, 2020 and 2019 are provided based upon the Group's performance and the individual's contribution to the Group for the respective years.

14. DIVIDENDS

On May 24, 2019, a final dividend of HK\$0.034 per Share for the year ended December 31, 2018, amounting to approximately HK\$129.2 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 20, 2019.

On August 1, 2019, an interim dividend of HK\$0.094 per Share for the six months ended June 30, 2019, amounting to approximately HK\$357.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on August 29, 2019.

14. DIVIDENDS - continued

On May 28, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 19, 2020.

The Board did not recommend an interim dividend payment for the six months ended June 30, 2020 and does not recommend the payment of a final dividend for the year ended December 31, 2020.

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss/earnings per Share for the years ended December 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted loss/earnings per Share for the years ended December 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options (see note 24).

The calculation of basic and diluted loss/earnings per Share is based upon the following:

	<u>2020</u>	<u>2019</u>
(Loss)/profit		
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted loss/earnings per Share (HK\$'000)	<u>(5,201,531)</u>	<u>1,931,228</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss/earnings per Share ('000)	3,800,062	3,800,057
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	<u>-</u>	<u>3,231</u>
Weighted average number of Shares for the purpose of diluted loss/earnings per Share ('000)	<u>3,800,062</u>	<u>3,803,288</u>
(Loss)/earnings per Share – Basic	<u>(HK136.9 cents)</u>	<u>HK50.8 cents</u>
(Loss)/earnings per Share – Diluted	<u>(HK136.9 cents)</u>	<u>HK50.8 cents</u>

⁽¹⁾ The computation of the diluted loss per share for the year ended December 31, 2020 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

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16. PROPERTY AND EQUIPMENT

	Buildings and improvements	Leasehold improvements	Furniture, fixtures and equipment	Gaming machines and equipment	Computer equipment and software	Art works and paintings	Vehicles	Construction in progress	Grand total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST									
At January 1, 2019	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	1,781,527	36,368,208
Additions	96,457	361	14,530	62,519	24,601	12,889	6,789	300,982	519,128
Transfers from construction in progress	1,649,293	-	231,729	5,607	19,477	57,538	-	(1,963,644)	-
Transfers to other assets	-	-	-	-	-	-	-	(12,076)	(12,076)
Adjustment upon finalization of costs	(515,765)	-	-	-	-	-	-	-	(515,765)
Disposal/write-off	(15,149)	(2,004)	(7,884)	(18,676)	(3,850)	-	-	(2,393)	(49,956)
Exchange difference	-	99	36	-	10	-	-	-	145
At December 31, 2019 and January 1, 2020	29,264,987	2,153,538	2,759,149	863,551	859,979	252,721	51,363	104,396	36,309,684
Additions	25,652	735	17,526	20,979	6,867	298	-	449,432	521,489
Transfers from construction in progress	71,065	-	25,070	45,964	2,441	-	-	(144,540)	-
Transfers to other assets	-	-	-	-	-	-	-	(185)	(185)
Disposal/write-off	(13,093)	(3,080)	(6,128)	(18,182)	(3,778)	-	-	(6,283)	(50,544)
Exchange difference	-	2,377	886	-	253	-	-	-	3,516
At December 31, 2020	29,348,611	2,153,570	2,796,503	912,312	865,762	253,019	51,363	402,820	36,783,960
DEPRECIATION									
At January 1, 2019	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	-	(15,562)	-	(7,364,763)
Eliminated on disposal/write-off	494	1,999	7,642	18,368	3,850	-	-	-	32,353
Charge for the year	(1,378,630)	(103,790)	(451,328)	(136,309)	(190,601)	-	(8,364)	-	(2,269,022)
Exchange difference	-	77	5	-	5	-	-	-	87
At December 31, 2019 and January 1, 2020	(5,119,624)	(2,061,447)	(1,290,464)	(489,785)	(616,099)	-	(23,926)	-	(9,601,345)
Eliminated on disposal/write-off	2,128	3,052	5,044	15,489	3,776	-	-	-	29,489
Charge for the year	(1,435,085)	(20,764)	(472,844)	(136,002)	(186,912)	-	(8,045)	-	(2,259,652)
Exchange difference	-	(1,800)	(616)	-	(253)	-	-	-	(2,669)
At December 31, 2020	(6,552,581)	(2,080,959)	(1,758,880)	(610,298)	(799,488)	-	(31,971)	-	(11,834,177)
CARRYING AMOUNT									
At December 31, 2020	22,796,030	72,611	1,037,623	302,014	66,274	253,019	19,392	402,820	24,949,783
At December 31, 2019	24,145,363	92,091	1,468,685	373,766	243,880	252,721	27,437	104,396	26,708,339

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (2020: nil) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% per annum to expenditure on qualifying assets during the year ended December 31, 2019.

The Company and the principal contractors reached a settlement agreement in connection with the construction costs of MGM COTAI in December 2019. During the year ended December 31, 2019, HK\$1,899.8 million was transferred from construction in progress to respective classes of property and equipment pertaining to the assets in use of MGM COTAI.

17. LEASES

The Group as a lessee

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5 years, but may have extension options as described below.

Information about leases for which the Group is a lessee is presented below.

	Right-of-use assets			
	Leasehold land HK\$'000	Buildings HK\$'000	Equipment and others HK\$'000	Total HK\$'000
At January 1, 2019	1,340,337	30,779	38,421	1,409,537
Addition	-	23,460	12,878	36,338
Depreciation charge	(36,959)	(14,709)	(11,985)	(63,653)
Foreign exchange difference	-	235	-	235
At December 31, 2019 and January 1, 2020	1,303,378	39,765	39,314	1,382,457
Addition	-	9,809	12,797	22,606
Depreciation charge	(36,960)	(23,023)	(18,759)	(78,742)
Foreign exchange difference	-	572	-	572
At December 31, 2020	<u>1,266,418</u>	<u>27,123</u>	<u>33,352</u>	<u>1,326,893</u>

A maturity analysis of lease liabilities based on undiscounted cash flows is reported as follows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Within one year	42,182	56,181
Over one year but not exceeding two years	21,057	39,502
Over two years but not exceeding five years	44,803	33,964
Over five years	<u>394,753</u>	<u>402,892</u>
	502,795	532,539
Less: Effect of discounting at incremental borrowing rate	<u>(285,859)</u>	<u>(296,070)</u>
	<u>216,936</u>	<u>236,469</u>
Current	32,110	45,349
Non-current	<u>184,826</u>	<u>191,120</u>
	<u>216,936</u>	<u>236,469</u>

17. LEASES - continued

The Group as a lessee - continued

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Variable lease payments not included in the measurement of lease liabilities	406	3,555
COVID-19-related rent concessions	(2,157)	-
Expenses relating to short-term leases	32,141	82,712
Expenses relating to leases of low value assets	<u>353</u>	<u>327</u>

The following are the amounts recognized in statement of cash flows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Total cash outflow for leases	<u>89,338</u>	<u>106,709</u>

Apart from the land concession contracts, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to future lease payments pertaining to extension options which the Group is not reasonably certain to exercise is HK\$39.6 million (2019: HK\$38.7 million).

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2020 and 2019, there was no such triggering event.

As at December 31, 2020 and 2019, there are no lease contracts that contain residual value guarantees provided to the lessor or leases which are not yet commenced.

The Group as the grantor of the right of use

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers.

The following are the amounts recognized in profit or loss:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Payments that are fixed or depend on an index or a rate	31,354	46,645
Variable payments that do not depend on an index or a rate	<u>52,224</u>	<u>75,818</u>
	<u>83,578</u>	<u>122,463</u>

17. LEASES - continued

The Group as the grantor of the right of use - continued

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Within one year	45,258	60,814
More than one year and not longer than five years	<u>47,738</u>	<u>58,747</u>
	<u>92,996</u>	<u>119,561</u>

18. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At December 31, 2018 and January 1, 2019	1,560,000
Additions	<u>213,592</u>
At December 31, 2019 and December 31, 2020	<u>1,773,592</u>
AMORTIZATION	
At January 1, 2019	(1,401,847)
Charge for the year	<u>(126,900)</u>
At December 31, 2019 and January 1, 2020	(1,528,747)
Charge for the year	<u>(103,147)</u>
At December 31, 2020	<u>(1,631,894)</u>
CARRYING AMOUNT	
At December 31, 2020	<u>141,698</u>
At December 31, 2019	<u>244,845</u>

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 28). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

19. TRADE RECEIVABLES

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Trade receivables	436,848	654,241
Less: Loss allowance	(144,808)	(122,298)
	<u>292,040</u>	<u>531,943</u>

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group also issues markers and credit to approved gaming customers ("VIP gaming customers") following background checks and assessments of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Trade receivables from hotel customers are not significant at the end of the reporting period.

As at January 1, 2019, trade receivables from contracts with customers amounted to HK\$322.6 million.

The following is an analysis of trade receivables, net of loss allowance, by age presented based upon marker issuance date or invoice date:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Within 30 days	137,967	218,010
31 – 90 days	5,661	202,759
91 – 180 days	6,540	88,732
Over 180 days	141,872	22,442
	<u>292,040</u>	<u>531,943</u>

As at December 31, 2020, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$156.9 million (2019: HK\$326.0 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$142.0 million (2019: HK\$51.1 million) are 90 days past due or more and are not considered as in default. The Group's management considers that there is no default based upon the repayment history and creditworthiness of these individual customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2020 and 2019 are set out in note 26.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Cash at bank and on hand	1,669,474	2,067,772
Short-term bank deposits	<u>966,037</u>	<u>1,202,524</u>
Cash and cash equivalents, current	2,635,511	3,270,296
Restricted cash, non-current	<u>36,439</u>	<u>-</u>
Cash and cash equivalents and restricted cash	<u><u>2,671,950</u></u>	<u><u>3,270,296</u></u>

The cash and cash equivalents and restricted cash are denominated in the following currencies:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
HK\$	2,426,175	2,927,268
US\$	122,974	208,605
Renminbi ("RMB")	57,581	42,046
Singapore dollar ("SG\$")	16,703	61,612
Other	<u>48,517</u>	<u>30,765</u>
	<u><u>2,671,950</u></u>	<u><u>3,270,296</u></u>

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are placed for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2020 and 2019.

Restricted cash represents cash in a bank account of a controlled entity which was restricted in use by court order in 2020. As the controlled entity was not involved in the claim which resulted in the court order, the Company considers that the injunction should be dismissed and is taking the necessary steps to defend its position and obtain release of the funds.

21. BORROWINGS

During the year ended December 31, 2020, the Company completed the following significant refinancing transactions:

- entered into the Second Revolving Credit Facility, increasing the available undrawn credit facilities by HK\$2.34 billion to HK\$5.24 billion, with an option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions;
- the issuance of senior notes with an aggregate principal amount of US\$500 million. The net proceeds were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes;
- increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion; and
- entered into amendments to the financial covenants under the Revolving Credit Facility and Second Revolving Credit Facility to revise the permitted leverage ratio and permitted interest coverage ratio.

At December 31, 2020 the Group's unsecured borrowings included credit facilities and senior notes.

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Unsecured senior notes repayable:		
Over three years but not exceeding four years	5,814,675	-
Over four years but not exceeding five years	3,876,450	5,843,535
Over five years	5,814,675	5,843,535
	<u>15,505,800</u>	<u>11,687,070</u>
Less: Debt finance costs	<u>(181,924)</u>	<u>(157,712)</u>
	<u>15,323,876</u>	<u>11,529,358</u>
Unsecured credit facilities repayable:		
Over two years but not exceeding five years	5,970,000	5,200,000
	<u>5,970,000</u>	<u>5,200,000</u>
Less: Debt finance costs	<u>(138,836)</u>	<u>(124,832)</u>
	<u>5,831,164</u>	<u>5,075,168</u>
Current	-	-
Non-current	<u>21,155,040</u>	<u>16,604,526</u>
	<u>21,155,040</u>	<u>16,604,526</u>

21. BORROWINGS - continued

Unsecured Senior Notes

2024 Notes and 2026 Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. The net proceeds from the issuance were used to pay down outstanding borrowings under the Senior Secured Credit Facility. Interest on the 2024 Notes and 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The 2024 Notes and 2026 Notes are general unsecured obligations of the Company. The 2024 Notes and 2026 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The 2024 Notes and 2026 Notes are subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing such debt and rank senior to all of the Company's future subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the 2024 Notes and 2026 Notes.

The 2024 Notes and the 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee.

The 2024 Notes and 2026 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The 2024 Notes and 2026 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

2025 Notes

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

The 2025 Notes are general unsecured obligations of the Company. The 2025 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness, including the 2024 Notes and the 2026 Notes and any outstanding obligations under the Revolving Credit Facility and the Second Revolving Credit Facility. The 2025 Notes are subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing such debt and rank senior to all of the Company's subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the 2025 Notes.

The 2025 Notes were issued pursuant to an indenture, dated June 18, 2020, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

21. BORROWINGS - continued

Unsecured Senior Notes – continued

2025 Notes – continued

The 2025 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The 2025 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

As at the date of this report, the Company has no secured indebtedness and no subordinated indebtedness.

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and for ongoing working capital needs and general corporate purposes of the Group.

On May 26, 2020, the Company entered into the agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a second unsecured revolving credit facility in an aggregate amount of HK\$2.34 billion with a final maturity date of May 15, 2024. The Company has the option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions. The Second Revolving Credit Facility is available for drawdown from the date of the agreement to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) has been fully drawn. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group. On June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

As at December 31, 2020, the Group had total available undrawn unsecured credit facilities of HK\$6.90 billion.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Revolving Credit Facility and Second Revolving Credit Facility - continued

Principal and Interest

The Revolving Credit Facility and the Second Revolving Credit Facility bear interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio.

As at December 31, 2020, HK\$5.97 billion of the Revolving Credit Facility was drawn. HK\$3.78 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 2020, the Group paid interest at HIBOR plus 2.75% per annum (2019: HIBOR plus 2.25% per annum). As at the date of this report, HK\$6.87 billion of the Revolving Credit Facility was drawn.

General Covenants

The Revolving Credit Facility and the Second Revolving Credit Facility contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end. Under the Second Revolving Credit Facility, the Company must ensure that the leverage ratio does not, on each accounting date occurring on and after September 30, 2021, exceed 4.50 to 1.00. In addition, the Company must ensure that, on any accounting date occurring on and after September 30, 2021, the interest coverage ratio is not less than 2.50 to 1.

Due to the impact of the COVID-19 pandemic, the Company entered into an amendment of the financial covenants on February 21, 2020, a second amendment on April 9, 2020, a third amendment on October 15, 2020 and a fourth amendment on February 24, 2021 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020 and a second amendment on February 24, 2021 under the Second Revolving Credit Facility.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued*Revolving Credit Facility and Second Revolving Credit Facility* - continued*Financial Covenants* - continued

The amendments of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
March 31, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
December 31, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
March 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
June 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
September 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
December 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
Each accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

⁽¹⁾ Amendment on February 21, 2020 under the Revolving Credit Facility.

⁽²⁾ Amendment on April 9, 2020 under the Revolving Credit Facility.

⁽³⁾ Amendment on October 14, 2020 under the Second Revolving Credit Facility

⁽⁴⁾ Amendment on October 15, 2020 under the Revolving Credit Facility.

⁽⁵⁾ Amendment on February 24, 2021 under the Revolving Credit Facility and the Second Revolving Credit Facility.

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2020 and 2019.

Mandatory Prepayments

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility or Second Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Revolving Credit Facility and Second Revolving Credit Facility - continued

Events of Default

The Revolving Credit Facility and the Second Revolving Credit Facility contain certain events of default, including loss of concession (as defined therein) and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided in relation to the Revolving Credit Facility and the Second Revolving Credit Facility.

22. PAYABLES AND ACCRUED CHARGES

	<u>NOTE</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Outstanding chips liabilities	6	1,031,086	1,682,714
Customer advances and other	6	689,567	619,946
Accrued staff costs		427,046	664,026
Gaming taxes payables		377,699	838,340
Other payables and accrued charges		284,117	377,809
Loyalty programs liabilities	6	151,278	145,875
Construction payables and accruals		146,586	224,822
Other casino liabilities		63,361	215,757
Trade payables		36,582	69,066
		<u>3,207,322</u>	<u>4,838,355</u>
Current		3,199,112	4,825,255
Non-current		<u>8,210</u>	<u>13,100</u>
		<u>3,207,322</u>	<u>4,838,355</u>

The following is an analysis of trade payables by age based upon the invoice date:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Within 30 days	30,209	60,316
31 – 60 days	3,634	6,831
61 – 90 days	2,571	1,025
91 – 120 days	106	68
Over 120 days	62	826
	<u>36,582</u>	<u>69,066</u>

The average credit period on purchases of goods and services is one month.

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) Share capital

	<u>NOTE</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2019, December 31, 2019, January 1, 2020 and December 31, 2020		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued and fully paid			
At January 1, 2019		3,800,000,001	3,800,000,001
Share options exercised	24	503,600	503,600
Share repurchase and cancellation	(i)	(503,600)	(503,600)
At December 31, 2019 and January 1, 2020		<u>3,800,000,001</u>	<u>3,800,000,001</u>
Share options exercised	24	349,400	349,400
Share repurchase and cancellation	(i)	(349,400)	(349,400)
At December 31, 2020		<u>3,800,000,001</u>	<u>3,800,000,001</u>

- (i) During the year ended December 31, 2020, 349,400 Shares (2019: 503,600) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$3.2 million (2019: HK\$6.9 million).

(b) Share premium and reserves

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 349,400 Shares (2019: 503,600) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2020. The premium of HK\$2.9 million (2019: HK\$6.4 million) paid on the repurchase of the 349,400 Shares (2019: 503,600) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$0.3 million (2019: HK\$0.5 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES - continued

(b) Share premium and reserves - continued

(i) – continued

Details of the repurchases during the years ended December 31, 2020 and 2019 are summarized as follows:

December 31, 2020

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2020	249,200	8.22	8.17	2,052
December 2020	100,200	11.62	11.44	1,158
	<u>349,400</u>			<u>3,210</u>

December 31, 2019

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2019	192,900	15.40	15.30	2,976
June 2019	112,100	12.38	12.28	1,386
September 2019	65,400	13.18	13.00	863
December 2019	133,200	12.86	12.80	1,717
	<u>503,600</u>			<u>6,942</u>

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

The interest-free shareholders' Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based upon certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million was reduced to approximately HK\$294 million with the early repayment of the loans in 2010.

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES – continued

(b) Share premium and reserves – continued

(iii) Other reserves

Other reserves of HK\$13,131.9 million as at December 31, 2020 (2019: HK\$13,133.3 million) comprise of the following:

- a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.
- c) Pursuant to Article 166 of the Company Law of the People's Republic of China, the Company's subsidiary incorporated in mainland China is required to transfer a minimum of 10% of the after tax profit to a legal reserve until that reserve equals 50% of its capital. During the year ended December 31, 2020, HK\$1.4 million was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

24. SHARE-BASED PAYMENTS

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administrative matters and further amended by the Shareholders on May 24, 2017 (“Share Option Scheme”). On May 28, 2020, the Share Option Scheme was renewed by the Company in its exact terms and conditions and for an additional period of 10 years (the “Renewed Share Option Scheme”).

The purpose of the Share Option Scheme and of the Renewed Share Option Scheme is to provide incentives and/or rewards to eligible persons for their contributions to, and continuing efforts to promote the interests of the Group. Under the Share Option Scheme and the Renewed Share Option Scheme, options to subscribe for ordinary shares in the Company are granted to any Director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group (Eligible Persons).

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the Renewed Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

As at December 31, 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 107,437,088 (2019: 98,167,388), representing approximately 2.8% (2019: 2.6%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Renewed Share Option Scheme must not in aggregate exceed 10% of the total number of Shares of the Company in issue at the date of approval of the Share Option Scheme and of the Renewed Share Option Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme and of the Renewed Share Option Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon the exercise of all options granted and to be granted (including exercised, cancelled and outstanding options) pursuant to the Share Option Scheme and the Renewed Share Option Scheme to each Eligible Person within any twelve month period is limited to 1% of the total number of Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting.

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

24. SHARE-BASED PAYMENTS – continued

A summary of the movements of the outstanding options under the Scheme is as follows:

December 31, 2020

Type of participant	Date of grant	Exercisable period	Exercise price	Outstanding at January 1, 2020	Granted during the year	Number of share options			Outstanding at December 31, 2020
			per Share HK\$			Exercised during the year	Forfeited during the year	Replacement during the year	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	-	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,109,400	-	-	(130,000)	(2,249,400) ⁽¹⁾	1,730,000
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	-	-	-	(625,000) ⁽¹⁾	-
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	-	-	-	-	750,000
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	-	-	-	-	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	-	-	-	-	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	-	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	-	-	-	-	700,000
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	-	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,350,000	-	-	(570,000)	-	10,780,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	-	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	-	-	-	-	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	-	-	-	-	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	257,500	-	-	(50,000)	-	207,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	170,000	-	-	(50,000)	-	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	-	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,164,388	-	-	(133,400)	-	5,030,988
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	-	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	285,000	-	-	(150,000)	-	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	780,000	-	-	(65,000)	-	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	-	-	-	-	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	-	-	-	-	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	-	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	8,064,600	-	(268,400)	(323,200)	-	7,473,000
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	-	-	-	-	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	-	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,972,200	-	(81,000)	(108,800)	-	6,782,400
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	-	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	350,000	-	-	(50,000)	-	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,275,000	-	-	(337,500)	-	937,500
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	-	-	-	-	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	-	-	-	-	2,220,000

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24. SHARE-BASED PAYMENTS – continued
December 31, 2020 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share	Outstanding at January 1, 2020	Granted during the year	Number of share options			Outstanding at December 31, 2020
			HK\$			Exercised during the year	Forfeited during the year	Replacement during the year	
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,196,100	-	-	(671,400)	-	6,524,700
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	-	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	330,000	-	-	(80,000)	-	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	362,500	-	-	(62,500)	-	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,165,000	-	-	(335,000)	-	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	-	-	(170,000)	-	200,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	-	-	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	5,955,400	-	-	(923,400)	-	5,032,000
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	-	-	-	-	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	-	-	-	-	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	-	-	-	-	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	150,000	-	-	(100,000)	-	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	500,000	-	-	(80,000)	-	420,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	-	-	-	-	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	11,679,600	-	-	(1,991,500)	-	9,688,100
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	275,200	-	-	-	-	275,200
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	410,000	-	-	(80,000)	-	330,000
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	-	-	-	-	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	200,000	-	-	(50,000)	-	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	-	180,000	-	-	-	180,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	-	220,000	-	(60,000)	-	160,000
Director	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	-	900,000	-	-	-	900,000
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	-	15,350,000	-	(779,200)	-	14,570,800
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	-	120,000	-	-	-	120,000
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.620	-	-	-	-	2,249,400 ⁽¹⁾	2,249,400
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.120	-	-	-	-	625,000 ⁽¹⁾	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	-	200,000	-	-	-	200,000
				<u>98,167,388</u>	<u>16,970,000</u>	<u>(349,400)</u>	<u>(7,350,900)</u>	<u>-</u>	<u>107,437,088</u>
Weighted average exercise price per Share				<u>HK\$16.51</u>	<u>HK\$9.48</u>	<u>HK\$11.09</u>	<u>HK\$15.89</u>	<u>HK\$15.51</u>	<u>HK\$15.46</u>
Exercisable at end of the reporting period									<u>73,032,788</u>

Note:

⁽¹⁾ On November 16, 2020, the Company granted share options to subscribe for a total of 2,249,400 Shares and 625,000 Shares (“Replacement Share Options”) to the relevant grantees under the share options granted on June 3, 2011 and August 22, 2011, respectively, as replacement of the respective share options which have not been exercised or lapsed since they were granted.

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24. SHARE-BASED PAYMENTS – continued

December 31, 2019

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,109,400	-	-	-	4,109,400
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	-	-	-	625,000
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	-	-	-	750,000
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	-	-	-	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	-	-	-	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	-	-	-	700,000
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,625,000	-	-	(275,000)	11,350,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	-	-	-	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	-	-	-	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	257,500	-	-	-	257,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	595,000	-	(87,500)	(337,500)	170,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,219,888	-	(27,100)	(28,400)	5,164,388
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	285,000	-	-	-	285,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	780,000	-	-	-	780,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	-	-	-	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	187,500	-	(25,000)	(25,000)	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	8,674,000	-	(275,400)	(334,000)	8,064,600
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	-	-	-	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	7,101,300	-	(76,100)	(53,000)	6,972,200
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	400,000	-	-	(50,000)	350,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,307,500	-	(12,500)	(20,000)	1,275,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	382,500	-	-	(12,500)	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	-	-	-	2,220,000

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24. SHARE-BASED PAYMENTS – continued

December 31, 2019 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,719,200	-	-	(523,100)	7,196,100
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	355,000	-	-	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	400,000	-	-	(37,500)	362,500
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,215,000	-	-	(50,000)	1,165,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	-	-	-	370,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	-	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	6,358,800	-	-	(403,400)	5,955,400
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	-	-	-	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	-	-	-	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	110,000	-	-	(60,000)	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	-	150,000	-	-	150,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	-	550,000	-	(50,000)	500,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	-	3,992,400	-	-	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	-	11,806,000	-	(126,400)	11,679,600
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	-	275,200	-	-	275,200
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	-	410,000	-	-	410,000
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	-	1,000,000	-	-	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	-	200,000	-	-	200,000
				<u>82,698,188</u>	<u>18,383,600</u>	<u>(503,600)</u>	<u>(2,410,800)</u>	<u>98,167,388</u>
Weighted average exercise price per Share				<u>HK\$17.54</u>	<u>HK\$11.89</u>	<u>HK\$12.00</u>	<u>HK\$17.37</u>	<u>HK\$16.51</u>
Exercisable at end of the reporting period								<u>60,314,638</u>

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

24. SHARE-BASED PAYMENTS – continued

The fair value of each option grant was estimated on the grant or replacement date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,	
	<u>2020</u>	<u>2019</u>
Expected volatility	43.32%	43.13%
Expected life (years)	5.41	5.39
Risk-free annual interest rate	0.569%	1.607%
Expected dividends	1.22%	0.89%
Weighted average share price at the date of grant (HK\$)	9.73	11.65
Weighted average exercise price (HK\$)	10.35	11.89
Weighted average fair value of each share option granted by the Company (HK\$)	3.20	4.30

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The weighted-average share price at the date of exercise for share options exercised in 2020 was HK\$13.02 (2019: HK\$14.62).

The Group recognized a total expense of HK\$68.6 million (2019: HK\$70.3 million) for the year ended December 31, 2020 in relation to share options granted by the Company.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in note 21, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. As at December 31, 2020, the gearing ratio of the Group was 78.7% (2019: 56.0%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<u>Financial assets</u>		
Amortized cost:		
Cash and cash equivalents	2,635,511	3,270,296
Trade receivables	292,040	531,943
Restricted cash	36,439	-
Other receivables	18,537	29,206
Deposits	16,266	15,653
Amounts due from related companies	330	1,370
	<u>2,999,123</u>	<u>3,848,468</u>

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<u>Financial liabilities</u>		
Amortized cost:		
Borrowings	21,155,040	16,604,526
Outstanding chips liabilities	1,031,086	1,682,714
Customer advances and other	606,237	500,712
Other payables	134,451	121,633
Other casino liabilities	62,349	214,747
Construction retention payable	46,182	308,377
Trade payables	36,582	69,066
Amounts due to related companies	18,244	48,085
Construction payables	4,166	4,613
Subtotal	<u>23,094,337</u>	<u>19,554,473</u>
Lease liabilities	<u>216,936</u>	<u>236,469</u>
	<u>23,311,273</u>	<u>19,790,942</u>

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2020 and 2019:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2020</u>						
Casino receivables (i)	300,094	(66,051)	234,043	-	-	234,043

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2020</u>						
Commission and incentives liabilities (ii)	65,814	(3,465)	62,349	-	-	62,349
Deposits received from gaming patrons and gaming promoters(iii)	659,874	(62,586)	597,288	-	-	597,288
	725,688	(66,051)	659,637	-	-	659,637

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2019</u>						
Casino receivables (i)	605,818	(143,974)	461,844	-	-	461,844

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2019</u>						
Commission and incentives liabilities (ii)	227,694	(12,947)	214,747	-	-	214,747
Deposits received from gaming patrons and gaming promoters(iii)	616,441	(131,027)	485,414	-	-	485,414
	844,135	(143,974)	700,161	-	-	700,161

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

- (i) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$292.0 million (2019: HK\$531.9 million) in the consolidated statement of financial position as at December 31, 2020.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$3,207.3 million (2019: HK\$4,838.4 million) in the consolidated statement of financial position as at December 31, 2020.
- (iii) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$3,207.3 million (2019: HK\$4,838.4 million) in the consolidated statement of financial position as at December 31, 2020.

Financial risk management objectives

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in US\$ and RMB and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the years ended December 31, 2020 and 2019. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including cash and cash equivalents) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

26. FINANCIAL INSTRUMENTS – continued

Market risk – continued*Foreign currency risk management* – continued**Assets**

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
US\$	122,974	208,605
RMB	<u>60,412</u>	<u>44,626</u>

Liabilities

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
US\$	15,433,088	11,619,630
RMB	<u>8,924</u>	<u>17,105</u>

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$ and RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates.

As at December 31, 2020, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, loss for the year would have been higher by approximately HK\$153.1 million (2019: profit would be lower by HK\$114.1 million), mainly as a result of the translation of US\$ denominated Senior Notes (2019: same). If the HK\$ had weakened by 1% against the RMB with all other variables held constant, loss for the year would have been lower by approximately HK\$0.5 million (2019: profit would be higher by HK\$0.3 million), mainly as a result of the translation of RMB denominated cash and cash equivalents (2019: same).

Interest rate risk

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under our Revolving Credit Facility and Second Revolving Credit Facility, and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon the Company's future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

26. FINANCIAL INSTRUMENTS – continued

Interest rate risk – continued

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2020, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$29.8 million (2019: HK\$26.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Credit risk

As at December 31, 2020 and 2019, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

The credit risk on the Group's cash and cash equivalents and restricted cash is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers including the impact of the COVID-19 pandemic on the customers' ability to settle. The provision rates are reviewed and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

For other receivables, no allowance for impairment was made since the management considers the probability of default is minimal after assessing the counterparties' financial background and creditability and/or exposure at default is minimal.

26. FINANCIAL INSTRUMENTS – continued

Credit risk – continued

The following tables provide information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2020 and December 31, 2019.

Provision matrix – debtors' aging	Loss rate	Net receivable amount	
		<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current (not past due)	0% - 0.6%	135,175	205,972
1 – 90 days past due	4% - 15%	14,908	274,884
91 – 360 days past due	15% - 46%	101,029	51,087
More than 360 days past due	50% - 100%	40,928	-
		<u>292,040</u>	<u>531,943</u>

Movement in the loss allowance during the year is as follows:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
At January 1	122,298	96,429
Charge for the year, net	92,642	28,267
Amount written off, net	<u>(70,132)</u>	<u>(2,398)</u>
At December 31	<u>144,808</u>	<u>122,298</u>

Charge for the year ended December 31, 2020 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$400.2 million (2019: HK\$589.3 million). As at December 31, 2020, the Group has specifically provided HK\$57.7 million of loss allowance on certain credit-impaired debtors because of the long aged balance and increasing uncertainty on their financial standing. Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2020 and which are still subject to enforcement activity was HK\$74.6 million (2019: HK\$9.7 million).

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and borrowings deemed adequate by the management to finance the Group's operations and capital expenditure and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based upon the agreed repayment terms. The table has been drawn up based upon the undiscounted cash flows of financial liabilities and guarantee contracts based upon the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2020								
Trade payables	-	36,582	-	-	-	-	36,582	36,582
Construction payables	-	4,166	-	-	-	-	4,166	4,166
Other payables	-	25,007	-	101,234	8,210	-	134,451	134,451
Other casino liabilities	-	62,349	-	-	-	-	62,349	62,349
Outstanding chips liabilities	-	1,031,086	-	-	-	-	1,031,086	1,031,086
Customer advances and other	-	606,237	-	-	-	-	606,237	606,237
Borrowings	5.34	36,162	29,569	1,065,884	19,200,874	5,985,481	26,317,970	21,155,040
Construction retention payable	-	6,323	501	28,426	10,932	-	46,182	46,182
Amounts due to related companies	-	18,244	-	-	-	-	18,244	18,244
Lease liabilities	6.10	3,254	6,014	32,914	65,860	394,753	502,795	216,936
Guarantee contracts (note 28)	-	1,095,237	-	-	-	-	1,095,237	-
		<u>2,924,647</u>	<u>36,084</u>	<u>1,228,458</u>	<u>19,285,876</u>	<u>6,380,234</u>	<u>29,855,299</u>	<u>23,311,273</u>

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2019								
Trade payables	-	69,066	-	-	-	-	69,066	69,066
Construction payables	-	4,613	-	-	-	-	4,613	4,613
Other payables	-	18,978	-	89,555	13,100	-	121,633	121,633
Other casino liabilities	-	214,747	-	-	-	-	214,747	214,747
Outstanding chips liabilities	-	1,682,714	-	-	-	-	1,682,714	1,682,714
Customer advances and other	-	500,712	-	-	-	-	500,712	500,712
Borrowings	5.33	9,273	53,354	758,938	14,272,265	6,358,497	21,452,327	16,604,526
Construction retention payable	-	10,666	269,414	27,484	813	-	308,377	308,377
Amounts due to related companies	-	48,085	-	-	-	-	48,085	48,085
Lease liabilities	6.04	6,939	7,968	41,274	73,466	402,892	532,539	236,469
Guarantee contracts (note 28)	-	1,095,237	-	-	-	-	1,095,237	-
		<u>3,661,030</u>	<u>330,736</u>	<u>917,251</u>	<u>14,359,644</u>	<u>6,761,389</u>	<u>26,030,050</u>	<u>19,790,942</u>

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continuedFair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings HK\$'000	Interest payable HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At January 1, 2019	18,873,205	7,247	-	219,219	19,099,671
Financing cashflows ⁽ⁱ⁾	(2,397,412)	(807,932)	(486,404)	(32,883)	(3,724,631)
Interest expenses	-	899,713	-	13,677	913,390
Loss on extinguishment of debt	171,051	-	-	-	171,051
Amortization of debt finance costs	42,646	-	-	-	42,646
Dividend declared	-	-	486,404	-	486,404
New leases/lease modification	-	-	-	35,781	35,781
Foreign exchange difference	(84,271)	(202)	-	675	(83,798)
Other	(693)	-	-	-	(693)
At December 31, 2019 and January 1, 2020	16,604,526	98,826	-	236,469	16,939,821
Financing cashflows	4,539,190	(1,008,884)	(315,400)	(53,096)	3,161,810
Interest expenses	-	1,016,505	-	13,271	1,029,776
Amortization of debt finance costs	67,735	-	-	-	67,735
Dividend declared	-	-	315,400	-	315,400
New leases/lease modification	-	-	-	22,606	22,606
Effect of rent concessions and reduction	-	-	-	(3,019)	(3,019)
Foreign exchange difference	(56,693)	(1,156)	-	705	(57,144)
Other	282	-	-	-	282
At December 31, 2020	21,155,040	105,291	-	216,936	21,477,267

- (i) The cash flows from borrowings comprise the net amount of proceeds from credit facilities and issuance of senior notes and repayments of credit facilities in the consolidated statement of cash flows. During the year ended December 31, 2019, HK\$880.0 million of the Group's secured term loan was settled through the Group's secured revolving credit facility.

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

28. CONTINGENT LIABILITIES

a) Guarantees

As at December 31, 2020, the Group has given bank guarantees totaling HK\$1,095.2 million (2019: HK\$1,095.2 million) to certain parties, of which HK\$1,091.4 million (2019: HK\$1,091.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract, the Sub-Concession Extension Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (2019: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (2019: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

The Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to keep defending its position that it is not liable with respect to these claims. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

29. CAPITAL COMMITMENTS

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Contracted but not accounted for	<u>273,361</u>	<u>110,651</u>

30. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2020, the Group is obligated under its Sub-Concession Contract and Sub-Concession Extension Contract to make minimum future payments of approximately MOP225.4 million (equivalent to approximately HK\$218.8 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

31. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 28, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent trade balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.5 million (2019: HK\$12.6 million), and the ultimate holding company of the Company amounting to HK\$17.8 million (2019: HK\$35.5 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance based upon invoice date:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Within 30 days	18,244	35,962
31 - 60 days	-	306
61 - 90 days	-	3,818
91 - 120 days	-	4,004
Over 120 days	-	3,995
	<u>18,244</u>	<u>48,085</u>

- (a)(iii) As at December 31, 2020, the Group had lease liabilities of HK\$8.4 million (2019: HK\$7.7 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

During the year ended December 31, 2020, the Group entered into several new lease agreements for the use of building and equipment (2019: equipment) for approximately 1-2 years (2019: approximately 2-3 years). Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group recognized an addition of right-of-use assets and lease liabilities of HK\$7.3 million (2019: HK\$4.3 million).

31. RELATED PARTY TRANSACTIONS - continued

b) The Group had the following significant transactions with related companies during the year:

<u>Related parties</u>	<u>Type of transaction</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises	365	1,687
	Travelling, accommodation and transportation, net of discounts	30,731	79,692
	Interest expense on lease liabilities	205	287
Ultimate holding company	Marketing referral fees	4,165	14,352
	Marketing referral income	-	(81)
	Rental income	(194)	(428)
Company jointly-owned by Shareholders	License fee	<u>89,180</u>	<u>397,725</u>

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. For the year ended December 31, 2020, the annual caps of MGM MACAU and MGM COTAI were US\$129.0 million (equivalent to approximately HK\$1,002.5 million) and US\$28.8 million (equivalent to approximately HK\$223.8 million), respectively. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI were US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million) respectively. The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and will expire on June 26, 2022. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$82.3 million (equivalent to approximately HK\$638.6 million) for the year ended December 31, 2020.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

31. RELATED PARTY TRANSACTIONS - continued

c) Compensation to key management personnel

The remuneration of key management is as follows:

	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
Short term benefits	86,070	106,052
Post-employment benefits	3,335	2,972
Share-based payments	<u>40,391</u>	<u>38,440</u>
	<u>129,796</u>	<u>147,464</u>

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2020	December 31, 2019	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

32. SUBSIDIARIES – continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2020	December 31, 2019	
珠海市橫琴新區倍福信息 服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有 限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Ms. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.

- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2020

	2020 HK\$'000	2019 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	26,937,052	26,268,269
Amount due from subsidiaries	15,663,303	12,961,145
Total non-current assets	42,600,355	39,229,414
Current assets		
Prepayments	2,156	1,562
Cash and cash equivalents	48,040	48,179
Total current assets	50,196	49,741
TOTAL ASSETS	42,650,551	39,279,155
EQUITY		
Capital and reserves		
Share capital (note 23)	3,800,000	3,800,000
Share premium and reserves	17,560,558	17,403,482
TOTAL EQUITY	21,360,558	21,203,482
LIABILITIES		
Non-current liabilities		
Borrowings	21,155,040	16,604,526
Amounts due to subsidiaries	26,238	-
Total non-current liabilities	21,181,278	16,604,526
Current liabilities		
Payables and accrued charges	108,488	101,472
Amounts due to subsidiaries	227	1,369,675
Total current liabilities	108,715	1,471,147
TOTAL LIABILITIES	21,289,993	18,075,673
TOTAL EQUITY AND LIABILITIES	42,650,551	39,279,155

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement in share premium and reserves of the Company is as follows:

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2019		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528
Profit for the year and total comprehensive income		-	-	-	-	94,950	94,950
Exercise of share options	23&24	7,434	-	(1,896)	-	-	5,538
Share repurchase and cancellation							
- repurchases of Shares	23	(6,438)	-	-	-	-	(6,438)
- transfer	23	-	504	-	-	(504)	-
Forfeiture of share options	24	-	-	(4,775)	-	4,775	-
Recognition of share-based payments	24	-	-	70,308	-	-	70,308
Dividends paid	14	-	-	-	-	(486,404)	(486,404)
At December 31, 2019 and January 1, 2020		10,404,373	14,380	470,142	132,000	6,382,587	17,403,482
Profit for the year and total comprehensive income		-	-	-	-	403,227	403,227
Exercise of share options	23&24	4,711	-	(1,184)	-	-	3,527
Share repurchase and cancellation							
- repurchases of Shares	23	(2,861)	-	-	-	-	(2,861)
- transfer	23	-	349	-	-	(349)	-
Forfeiture of share options	24	-	-	(15,034)	-	15,034	-
Recognition of share-based payments	24	-	-	68,583	-	-	68,583
Dividends paid	14	-	-	-	-	(315,400)	(315,400)
At December 31, 2020		<u>10,406,223</u>	<u>14,729</u>	<u>522,507</u>	<u>132,000</u>	<u>6,485,099</u>	<u>17,560,558</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

Report and Consolidated Financial Statements
For the year ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of MGM China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 82, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2019 and for the year then ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Casino Receivables	
We identified the valuation of the estimated recoverable amount of the Group's trade receivables of HK\$531.9 million as at December 31, 2019 as a key audit matter due to the inherent level of estimation uncertainty. As disclosed in note 4 to the consolidated financial statements, the valuation of trade receivables, requires significant accounting estimates and judgment.	Our procedures in relation to the assessment on the reasonableness of the valuation of trade receivables included: <ul style="list-style-type: none">• Obtaining an understanding of the process and controls over the granting of credit to customers, collection processes and management's review controls over the assessment of the collectability of casino receivables and the appropriateness of the expected credit loss policy and estimated loss allowance;
As disclosed in notes 18 and 26 to the consolidated financial statements, management's assessment of trade receivables, most of which are casino receivables, under the expected credit loss model is based on a specific review of the customers' accounts by taking into account the age, the counterparty's financial condition, collection history, general economic conditions, forward-looking information and any other known information.	<ul style="list-style-type: none">• Evaluating the Group's assessments for specific provisions made for certain individual customers;• Reperforming the underlying calculation on the Group's provision for loss allowance under the expected credit loss model; and• Developing expectations of current year loss allowance based on repayment history and consideration on creditworthiness of individual customers and, examining subsequent settlement to assess the reasonableness of expected credit losses for casino receivables.

Other Information

The directors of the Company are responsible for the other information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Stephen David Smart.

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong
 March 26, 2020

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
OPERATING REVENUE			
Casino revenue	6	20,423,463	17,176,050
Other revenue	6	2,341,573	2,024,671
		<u>22,765,036</u>	<u>19,200,721</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes	7	(10,615,274)	(9,198,431)
Inventories consumed		(677,086)	(653,828)
Staff costs		(3,722,251)	(3,505,758)
Other expenses and losses	8	(2,222,631)	(2,257,406)
Depreciation and amortization		(2,564,457)	(2,150,305)
		<u>(19,801,699)</u>	<u>(17,765,728)</u>
Operating profit		2,963,337	1,434,993
Interest income		21,238	12,113
Finance costs	9	(1,128,075)	(667,876)
Net foreign currency gain/(loss)		85,190	(6,336)
		<u>1,941,690</u>	<u>772,894</u>
Profit before tax		(10,462)	295,605
Income tax (expense)/benefit	10		
Profit for the year attributable to owners of the Company	11	<u>1,931,228</u>	<u>1,068,499</u>
Other comprehensive income/(expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		123	(3,474)
		<u>123</u>	<u>(3,474)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>1,931,351</u>	<u>1,065,025</u>
Earnings per Share – Basic	14	<u>HK50.8 cents</u>	<u>HK28.1 cents</u>
Earnings per Share – Diluted	14	<u>HK50.8 cents</u>	<u>HK28.0 cents</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019**

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	26,603,943	27,221,918
Construction in progress	15	104,396	1,781,527
Right-of-use assets	16	1,382,457	-
Sub-concession premium	17	244,845	158,153
Land use right premium	2	-	1,121,541
Other assets		32,137	128,656
Prepayments, deposits and other receivables		37,385	62,816
Total non-current assets		<u>28,405,163</u>	<u>30,474,611</u>
Current assets			
Inventories		163,723	159,696
Trade receivables	18	531,943	322,637
Prepayments, deposits and other receivables		133,727	112,058
Land use right premium	2	-	69,406
Amounts due from related companies	31(a)(i)	1,370	2,060
Bank balances and cash	19	3,270,296	3,992,107
Total current assets		<u>4,101,059</u>	<u>4,657,964</u>
TOTAL ASSETS		<u><u>32,506,222</u></u>	<u><u>35,132,575</u></u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2019

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
EQUITY			
Capital and reserves			
Share capital	22(a)	3,800,000	3,800,000
Share premium and reserves	22(b)	6,660,134	5,145,779
TOTAL EQUITY		<u>10,460,134</u>	<u>8,945,779</u>
LIABILITIES			
Non-current liabilities			
Borrowings	20	16,604,526	18,093,205
Lease liabilities	16	191,120	-
Payables and accrued charges	21	13,100	17,492
Construction retention payable		813	18,065
Total non-current liabilities		<u>16,809,559</u>	<u>18,128,762</u>
Current liabilities			
Borrowings	20	-	780,000
Lease liabilities	16	45,349	-
Payables and accrued charges	21	4,825,255	6,856,506
Construction retention payable		307,564	387,778
Amounts due to related companies	31(a)(ii)	48,085	22,531
Income tax payable		10,276	11,219
Total current liabilities		<u>5,236,529</u>	<u>8,058,034</u>
TOTAL LIABILITIES		<u>22,046,088</u>	<u>26,186,796</u>
TOTAL EQUITY AND LIABILITIES		<u>32,506,222</u>	<u>35,132,575</u>

The consolidated financial statements on pages 5 to 82 were approved and authorized for issue by the Board of Directors on March 26, 2020 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000 Note 22(b)(ii)	Other reserves HK\$'000 Note 22(b)(iii)	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2018	3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,709,179	4,636,908	8,436,908
Profit for the year	-	-	-	-	-	-	-	1,068,499	1,068,499	1,068,499
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,474)	-	(3,474)	(3,474)
Total comprehensive income	-	-	-	-	-	-	-	1,068,499	1,065,025	1,065,025
Exercise of share options	22(a)&23	48,983	-	(14,801)	-	-	(3,474)	-	34,182	36,864
Share repurchase and cancellation		(55,134)	-	-	-	-	-	-	(55,134)	(57,816)
- repurchases of Shares	22(a)&22(b)(i)	-	2,682	-	-	-	-	(2,682)	-	-
- transfer	23	-	-	(1,216)	-	-	-	1,216	-	-
Forfeiture of share options		-	-	-	-	-	-	-	-	-
Recognition of share-based payments	23	-	-	76,639	-	-	-	-	76,639	76,639
Dividends paid	13	-	-	-	-	-	-	(611,841)	(611,841)	(611,841)
At December 31, 2018	3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the year	-	-	-	-	-	-	-	1,931,228	1,931,228	1,931,228
Exchange differences on translation of foreign operations	-	-	-	-	-	-	123	-	123	123
Total comprehensive income	-	-	-	-	-	-	-	1,931,228	1,931,351	1,931,351
Exercise of share options	22(a)&23	7,434	-	(1,896)	-	-	-	-	5,538	6,042
Share repurchase and cancellation		(6,438)	-	-	-	-	-	-	(6,438)	(6,942)
- repurchases of Shares	22(a)&22(b)(i)	-	504	-	-	-	-	(504)	-	-
- transfer	23	-	-	(4,775)	-	-	-	4,775	-	-
Forfeiture of share options		-	-	-	-	-	-	-	-	-
Recognition of share-based payments	23	-	-	70,308	-	-	-	-	70,308	70,308
Dividends paid	13	-	-	-	-	-	-	(486,404)	(486,404)	(486,404)
At December 31, 2019	3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
OPERATING ACTIVITIES			
Profit before tax		1,941,690	772,894
Adjustments for:			
Depreciation and amortization		2,564,457	2,150,305
Interest expense		940,939	654,342
Loss on extinguishment of debt		171,051	5,899
Loss on disposal or write-off of property and equipment, construction in progress and other assets		14,778	194,265
Interest income		(21,238)	(12,113)
Loss allowance on trade receivables, net		28,267	51,260
Share-based payments		70,308	76,639
Net foreign currency gain		(84,473)	-
Operating cash flows before movements in working capital		5,625,779	3,893,491
Increase in inventories		(2,575)	(23,920)
Increase in trade receivables		(237,573)	(194,070)
(Increase)/decrease in prepayments, deposits and other receivables		(5,563)	8,953
Decrease/(increase) in amounts due from related companies		690	(1,623)
Decrease in payables and accrued charges		(1,082,983)	(1,518,316)
Increase/(decrease) in amounts due to related companies		25,554	(6,389)
Cash generated from operations		4,323,329	2,158,126
Income tax paid		(11,973)	(11,357)
Income tax refunded		740	-
Interest received		21,514	12,275
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>4,333,610</u>	<u>2,159,044</u>
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(1,121,973)	(2,786,128)
Payment of Sub-concession premium	17	(213,592)	-
Proceeds from disposal of property and equipment and other assets		739	80
Payments of developers' fee capitalized to construction in progress		-	(110,529)
Purchase of other assets		-	(75,526)
Proceeds from insurance claims		4,945	57,031
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,329,881)</u>	<u>(2,915,072)</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
FINANCING ACTIVITIES			
Proceeds from issuance of senior notes	20	11,772,525	-
Proceeds from draw down on credit facilities	20	1,000,000	4,900,000
Repayments of credit facilities	20	(14,860,000)	(3,825,500)
Payments of debt finance costs		(309,937)	(259,482)
Payments of lease liabilities	16	(19,206)	-
Interest paid		(821,609)	(717,844)
Dividends paid		(486,404)	(611,841)
Proceeds from exercise of share options		6,230	39,550
Payments on repurchase of Shares		(6,942)	(57,816)
NET CASH USED IN FINANCING ACTIVITIES		<u>(3,725,343)</u>	<u>(532,933)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(721,614)	(1,288,961)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,992,107	5,283,387
Effect of foreign exchange rate changes, net		<u>(197)</u>	<u>(2,319)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		<u>3,270,296</u>	<u>3,992,107</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL

MGM China Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company's Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company's immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

Significant events after the end of the reporting period

In early 2020, the rapid spread of a respiratory illness caused by a novel coronavirus (COVID-19) identified in Wuhan, Hubei Province, China led to certain actions taken by the Chinese Government, the Macau Government and several countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China's visa scheme that permits mainland Chinese to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the suspension of casino operations in Macau for a 15-day period that commenced on February 5, 2020. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, there are currently limits on the number of gaming tables allowed to operate and restrictions on the number of seats available at each table. Due to an increasing number of the confirmed cases globally, the Macau Government has imposed certain travel restrictions to prevent the spread of the virus. Currently as at the date of this report, all individuals who are not residents of mainland China, Hong Kong or Taiwan are prohibited from entering Macau. Residents of mainland China, Hong Kong and Taiwan are prohibited from entering Macau if they have been to overseas countries in the past 14 days or are subject to 14-day medical observation at a designated location if they have been to Hong Kong or Taiwan in the past 14 days. Macau residents are not restricted from entering Macau but are subject to 14-day medical observation at a designated location if they have been to overseas countries, Hong Kong or Taiwan in the past 14 days. The temporary suspension of the visa scheme and ferry services to Macau remains in place. The Group is evaluating the nature and extent of the impacts to its business, which could have a material effect on the Group's consolidated operating results for the first half of 2020 and potentially thereafter. Given the uncertain nature of these circumstances, the impact on the Group's results of operations, cash flows and financial condition cannot be reasonably estimated at this time. Due to the impact of these events, the Company entered into an amendment of the financial covenants under its Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio. See note 20 for the details of the amendments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs relevant to the Group:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

Except for the application of IFRS 16 noted below, the application of the above new and amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

IFRS 16 Leases

IFRS 16 supersedes the current lease guidance including IAS 17 *Leases* and the related interpretations, introducing a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Adoption and summary of effects arising from initial application of IFRS 16

The Group applied IFRS 16 for the first time in the current year using the modified retrospective approach without restating comparative information. See note 3 for the details of the accounting policy on leases.

For the purpose of applying the modified retrospective approach to all leases, the Group elected to measure the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, at the date of initial application.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which existed prior to the date of initial application.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the practical expedient of using hindsight when determining the lease term for the land concession contracts.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 16 Leases - continued

Adoption and summary of effects arising from initial application of IFRS 16 – continued

Under the land concession contracts with the Macau Government and other applicable legislation in Macau, the land concessions have an initial term of 25 years, which is renewable at the Group's option for further consecutive periods of 10 years. The Group applied judgement in evaluating whether it is reasonably certain to exercise the option to renew and considered all relevant factors that create an economic incentive for it to exercise the renewal option. The Group concluded that the renewal period should be included as part of the lease terms of the land concession contracts due to its significance to the Group's operations, with the lease terms aligned to the end dates of the estimated useful lives of the Group's hotel and casino buildings.

The Group also applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognize right-of-use assets and lease liabilities for leases with lease terms ending within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with similar remaining terms for similar classes of underlying assets in a similar economic environment.

The Group assessed the non-cancellable operating lease commitments as at December 31, 2018 and has recognized lease liabilities in respect of these lease arrangements that meet the definition of a lease unless they qualify for treatment as low value or short-term leases. In addition, the current and non-current portions of the previously recognized land use right premium assets pertaining to the land concession contracts, have been reclassified as part of the right-of-use assets. On adoption, the Group recognized lease liabilities of HK\$219.2 million and right-of-use assets of HK\$1,409.5 million (the latter includes the reclassification of HK\$1,190.9 million of land use right premium).

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.36%.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 16 Leases - continuedAdoption and summary of effects arising from initial application of IFRS 16 – continued

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

	HK\$'000
Operating lease commitments at December 31, 2018	263,923
Recognition exemption - short-term leases	(31,718)
Recognition exemption - low value assets	(762)
Increase in future payments due to the reassessment of lease terms of the land concession contracts	316,172
Contracts committed but not yet commenced at January 1, 2019	(17,217)
Payments for non-lease components included in operating lease commitment	(3,000)
Effect of discounting at the incremental borrowing rate as at January 1, 2019	(308,179)
Lease liabilities as at January 1, 2019	<u>219,219</u>
	At January 1, 2019 HK\$'000
Current	20,096
Non-current	<u>199,123</u>
	<u>219,219</u>

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 16 Leases - continuedAdoption and summary of effects arising from initial application of IFRS 16 – continued

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	At January 1, 2019 HK\$'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	219,219
Reclassification of land use right premium ⁽ⁱ⁾	1,190,947
Other	(629)
	<u>1,409,537</u>
	At January 1, 2019 HK\$'000
By class:	
Leasehold land	1,340,337
Buildings	30,779
Equipment and other	38,421
	<u>1,409,537</u>

- ⁽ⁱ⁾ Upon application of IFRS 16, the current and non-current portion of land use right premium amounting to HK\$69.4 million and HK\$1,121.5 million respectively were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRSs in issue not yet adopted

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 17	Insurance Contracts ⁴
Amendments to IFRS 3	Definition of Business ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1 and IAS 8	Definition of Material ²
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ²

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2020

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁴ Effective for annual periods beginning on or after January 1, 2021

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The Group considers that these new standards and amendments would not have significant impact to the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

As at December 31, 2019, the Group had net current liabilities of approximately HK\$1,135.5 million (2018: HK\$3,400.1 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 20) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

In determining the transaction price, the promised amount of consideration for the effects of the time value of money is adjusted if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

Art works and paintings are not depreciated as their current residual value is expected to be greater than their carrying amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

Impairment of tangible and intangible assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets (other than financial assets) - continued

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based upon taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Other assets

Operating equipment

Operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss are amortized using the straight-line method over their estimated useful lives of two years.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Other assets - continued

Show production costs

Show production costs, includes costs of creation, design and initial production of the show, which are carried at cost less accumulated amortization and impairment loss are amortized over the shorter of the contractual run of the show (including any guaranteed renewals), or the estimated useful life of the show.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for the Group's financial assets.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Initial recognition and subsequent measurement of financial assets

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables that do not contain a significant financing component which are initially measured in accordance with IFRS 15.

Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

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 solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognizes lifetime expected credit loss for trade receivables. An assessment is performed including analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired.

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Credit-impaired financial assets - continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data adjusted by forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition of financial assets - continued

On derecognition of financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables, construction payables, customer advances and other, outstanding chips liabilities, other casino liabilities, construction retention payable, amounts due to related companies and borrowings) are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Non-substantial modifications of financial liabilities

When borrowings are subsequently renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of those borrowings, the Group recalculates the gross carrying amount of the borrowings as the present value of the renegotiated or modified contractual cash flows that are discounted at the borrowings' original effective interest rates and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified borrowings and are amortized over the remaining term of the modified borrowings.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance; and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

Sub-concession premium

Premium payments made for the grant of the Sub-Concession Contract (see note 17) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

Leases

Definition of a lease (upon application of IFRS 16 with transitions in accordance with note 2)

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

Definition of a lease (before application of IFRS 16 on January 1, 2019)

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee (upon application of IFRS 16 with transitions in accordance with note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and lease of low-value

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in with note 2) – continued

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of the lease payments that are unpaid at that date. 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.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Lease – continued

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in with note 2) – continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (before application of IFRS 16 on January 1, 2019)

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Land use right premium under operating leases are payments made on entering into or acquiring land-use rights. The total lease payments are amortized on a straight-line basis over the lease terms in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use right.

The Group as a grantor for right of use

When assets are granted out under an agreement for the right of use, the asset is included in the consolidated statement of financial position based upon the nature of the asset. Income from right of use (net of any incentives given to retailers) is recognized on a straight-line basis over the terms of the relevant right of use. Contingent fees based upon the net sales of the retailers arising under right of use are recognized as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

Share options granted to consultants of the Group

Share options 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 share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates may result in outcomes that may require a material adjustment to the carrying amount of the asset or liability within the next financial year. Key sources of estimation uncertainty and critical judgments at the end of the reporting period, which have a significant effect on the consolidated financial statements are discussed below:

Useful lives of property and equipment

The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Loss allowance

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and assessments of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their estimated recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age of the receivables, the customers' financial condition, collection history, any other known information about the customers, general economic conditions, forecasts and forward-looking information. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss in the period of change. Should there be any change in such estimates, it could have a material effect to the carrying amount of trade receivables.

Impairment of non-financial assets

The Group follows the requirements of *IAS 36 Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts. When required, the recoverable amount of the CGU has been determined based upon value-in-use calculations or fair value less costs of disposal. These calculations require the use of estimates of future cash flows based upon projected income and expenses of the business, working capital needs, growth rates and discount rates.

Changes in the key assumptions upon which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

Valuation of lease liabilities and right-of-use assets

The Group has several lease contracts that include extension options. In determining the lease term, the Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew the lease including relevant factors that create an economic incentive for it to exercise the renewal. The Group has included the renewal period as part of the lease term for leases of land as stated in note 2. After the initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

In addition, the Group has exercised judgement in relation to determining the discount rate taking into account the nature of the underlying assets and terms and conditions of the leases, at both the commencement date and the effective date of modification, if applicable.

Changes in these judgements could have a material effect to the carrying amount of the lease liabilities and right-of-use-assets.

5. SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker) when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM MACAU and MGM COTAI (the latter opened on February 13, 2018). Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, customers, services and products provided, and the regulatory environment in which they operate.

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to profit for the year attributable to owners of the Company:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Adjusted EBITDA (unaudited)	6,183,131	4,837,180
Share-based payments	(70,308)	(76,639)
Corporate expenses (unaudited)	(549,703)	(484,033)
Pre-opening costs ⁽¹⁾ (unaudited)	(20,548)	(496,945)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(14,778)	(194,265)
Depreciation and amortization	(2,564,457)	(2,150,305)
Operating profit	2,963,337	1,434,993
Interest income	21,238	12,113
Finance costs	(1,128,075)	(667,876)
Net foreign currency gain/(loss)	85,190	(6,336)
Profit before tax	1,941,690	772,894
Income tax (expense)/benefit	(10,462)	295,605
Profit for the year attributable to owners of the Company	<u>1,931,228</u>	<u>1,068,499</u>

⁽¹⁾ Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM COTAI.

Almost all of the non-current assets of the Group are located in Macau.

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentaries and other incentives. Casino revenue comprises:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
VIP gross table games win	9,694,375	9,682,345
Main floor gross table games win	14,938,445	10,905,514
Slot machine gross win	2,248,201	2,233,048
Gross casino revenue	26,881,021	22,820,907
Commissions, complimentaries and other incentives	(6,457,558)	(5,644,857)
	<u>20,423,463</u>	<u>17,176,050</u>

Other revenue comprises:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Hotel rooms	1,140,394	956,446
Food and beverage	996,235	900,460
Retail and others	204,944	167,765
	<u>2,341,573</u>	<u>2,024,671</u>

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned and (3) customer advances and other, which are primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

6. CASINO AND OTHER REVENUE – continued

Contract and Contract Related Liabilities – continued

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

	<u>Outstanding Chips</u> <u>Liabilities</u>		<u>Loyalty Programs</u> <u>Liabilities</u>		<u>Customer Advances</u> <u>and Other</u> ⁽¹⁾	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	1,694,055	3,989,175	131,636	99,837	1,607,727	1,614,340
Balance at December 31	1,682,714	1,694,055	145,875	131,636	619,946	1,607,727
(Decrease)/increase	<u>(11,341)</u>	<u>(2,295,120)</u>	<u>14,239</u>	<u>31,799</u>	<u>(987,781)</u>	<u>(6,613)</u>

- ⁽¹⁾ The change of HK\$987.8 million in customer advances and other is mainly related to the utilization of funds previously deposited by customers for gaming play which are recorded as revenue during the year.

7. GAMING TAXES

According to the Sub-Concession Contract as described in note 17, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated.

8. OTHER EXPENSES AND LOSSES

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Advertising and promotion	658,937	625,108
License fees	397,725	336,676
Other support services	301,131	314,959
Utilities and fuel	253,026	242,843
Repairs and maintenance	261,025	195,341
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	14,778	194,265
Loss allowance on trade receivables, net	28,267	51,260
Other	307,742	296,954
	<u>2,222,631</u>	<u>2,257,406</u>

- ⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

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9. FINANCE COSTS

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Interest on secured credit facilities	380,248	695,500
Interest on unsecured senior notes	413,203	-
Interest on unsecured credit facilities	106,262	-
Amortization of debt finance costs	42,646	137,621
Loss on extinguishment of debt (note 20)	171,051	5,899
Interest on lease liabilities	13,677	-
Bank fees and charges	16,085	7,635
	<u>1,143,172</u>	<u>846,655</u>
Total borrowing costs	1,143,172	846,655
Less: capitalized interest allocated to construction in progress (see note 15)	<u>(15,097)</u>	<u>(178,779)</u>
	<u>1,128,075</u>	<u>667,876</u>

10. INCOME TAX (EXPENSE)/BENEFIT

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	(9,612)	(19,224)
Mainland China Income Tax	(974)	(1,313)
Over/(under) provision in prior year	<u>124</u>	<u>(1,005)</u>
	(10,462)	(21,542)
Deferred tax:		
Reversal of deferred tax liability previously recognized	<u>-</u>	<u>317,147</u>
Income tax (expense)/benefit	<u>(10,462)</u>	<u>295,605</u>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for current and prior years.

10. INCOME TAX (EXPENSE)/BENEFIT – continued

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years.

Hong Kong Profits Tax is calculated at the maximum rate of 16.5% of the estimated assessable profit for the current and prior years. Taxation assessable on profit generated in Mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 15% to 20%.

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

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Profit before tax	<u>1,941,690</u>	<u>772,894</u>
Tax calculated at rates applicable to profits in the respective jurisdictions	(225,515)	(92,599)
Effect of tax exemption granted to MGM Grand Paradise	752,324	597,525
Effect of tax losses not recognized	(454,919)	(433,907)
Effect of expenses not deductible for tax purposes	(101,028)	(12,315)
Effect of income not taxable for tax purposes	67,467	6
Effect of utilization of tax losses previously not recognized	78	180
Effect of temporary differences not recognized	(39,374)	(60,203)
Reversal of deferred tax liability previously recognized	-	317,147
Lump sum dividend tax	(9,612)	(19,224)
Over/(under) provision in prior year	124	(1,005)
Others	<u>(7)</u>	<u>-</u>
Income tax (expense)/benefit	<u><u>(10,462)</u></u>	<u><u>295,605</u></u>

10. INCOME TAX (EXPENSE)/BENEFIT – continued

At the end of the reporting period, the Group has unused tax losses as follows:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Macau Complementary Tax losses which will expire in one to three years	8,937,249	6,794,618
Hong Kong Profits Tax losses which may be carried forward indefinitely	118,010	101,556
	<u>9,055,259</u>	<u>6,896,174</u>

As at December 31, 2019, the Group has a deductible temporary difference of approximately HK\$1,499.2 million (2018: approximately HK\$1,173.6 million). No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

11. PROFIT FOR THE YEAR

	<u>NOTE</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Profit for the year has been arrived at after charging:			
Directors' and chief executive's emoluments		52,031	55,753
Retirement benefits scheme contributions for other staff		93,209	77,175
Share-based payments for other staff		53,050	58,386
Salaries and other benefits for other staff		3,523,961	3,314,444
		<u>3,722,251</u>	<u>3,505,758</u>
Amortization in respect of:			
- Sub-concession premium		126,900	126,900
- land use right premium	2	-	63,359
- other assets		104,882	82,546
Depreciation in respect of:			
- Property and equipment		2,269,022	1,877,500
- Right-of-use assets		63,653	-
		<u>2,564,457</u>	<u>2,150,305</u>
Operating lease expenses under IAS 17	2	-	124,627
Auditor's remuneration		9,616	11,288
		<u>9,616</u>	<u>11,288</u>

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

	<u>Fees</u> HK\$'000	<u>Salary and other benefits</u> HK\$'000	<u>Contributions to retirement benefits scheme</u> HK\$'000	<u>Share-based payments</u> HK\$'000	<u>Discretionary and performance related incentive payments⁽ⁱ⁾</u> HK\$'000	<u>Total</u> HK\$'000
Year ended December 31, 2019						
<i>Executive Directors:</i>						
James Joseph Murren	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
William Joseph Hornbuckle	-	-	-	-	-	-
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	-	16,581	1,368	14,484	14,234	46,667
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁸⁾	-	1,977	5	258	-	2,240
James Freeman ⁽¹⁾	-	-	-	-	-	-
John M. McManus ⁽²⁾	-	-	-	-	-	-
Daniel J. D'Arrigo ⁽³⁾	-	-	-	-	-	-
William M. Scott IV ⁽⁴⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Zhe Sun	863	-	-	-	-	863
Sze Wan Patricia Lam	863	-	-	-	-	863
Russell Francis Banham	1,177	-	-	-	-	1,177
Peter Man Kong Wong ⁽⁵⁾	177	-	-	-	-	177
Simon Meng ⁽⁶⁾	44	-	-	-	-	44
Total emoluments	<u>3,124</u>	<u>18,558</u>	<u>1,373</u>	<u>14,742</u>	<u>14,234</u>	<u>52,031</u>

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

Year ended December 31, 2018						
<i>Executive Directors:</i>						
James Joseph Murren	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
William Joseph Hornbuckle	-	-	-	-	-	-
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	-	15,841	1,368	14,270	21,216	52,695
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
William M. Scott IV ⁽⁴⁾	-	-	-	-	-	-
Daniel J. D'Arrigo ⁽³⁾	-	-	-	-	-	-
Kenneth A. Rosevear ⁽⁷⁾	-	-	-	-	-	-
Kenneth Xiaofeng Feng ⁽⁸⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Zhe Sun	706	-	-	-	-	706
Sze Wan Patricia Lam	706	-	-	-	-	706
Peter Man Kong Wong ⁽⁵⁾	627	-	-	-	-	627
Russell Francis Banham	1,019	-	-	-	-	1,019
Total emoluments	<u>3,058</u>	<u>15,841</u>	<u>1,368</u>	<u>14,270</u>	<u>21,216</u>	<u>55,753</u>

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

Notes:

- (1) *James Freeman was appointed as a Non-executive Director with effect from March 6, 2019 and resigned with effect from June 27, 2019. He was re-appointed as a Non-executive Director with effect from August 1, 2019.*
- (2) *John M. McManus was appointed as a Non-executive Director with effect from March 6, 2019.*
- (3) *Daniel J. D'Arrigo resigned as a Non-executive Director with effect from March 1, 2019.*
- (4) *William M. Scott IV resigned as a Non-executive Director with effect from February 22, 2019.*
- (5) *Mr. Peter Man Kong Wong passed away on March 11, 2019.*
- (6) *Simon Meng was appointed as Independent Non-executive Director with effect from December 9, 2019.*
- (7) *Kenneth A. Rosevear resigned as a Non-executive Director with effect from February 14, 2018.*
- (8) *Kenneth Xiaofeng Feng was appointed as Non-executive Director with effect from May 24, 2018.*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2019 and 2018.

Of the five individuals with the highest emoluments in the Group, one (2018: one) was a Director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2018: four) individuals were as follows:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Salaries and other benefits	18,233	19,596
Contributions to retirement benefits scheme	586	663
Share-based payments	10,882	11,610
Discretionary and performance related incentive payments ⁽ⁱ⁾	8,443	13,033
	<u>38,144</u>	<u>44,902</u>

Their emoluments were within the following bands:

	<u>2019</u>	<u>2018</u>
	No. of employees	No. of employees
HK\$8,000,001 to HK\$8,500,000	1	-
HK\$9,000,001 to HK\$9,500,000	1	1
HK\$9,500,001 to HK\$10,000,000	1	-
HK\$10,500,001 to HK\$11,000,000	1	1
HK\$12,000,001 to HK\$12,500,000	-	2
	<u> </u>	<u> </u>

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2019 and 2018.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

Note:

- (i) The discretionary and performance related incentive payments for the years ended December 31, 2019 and 2018 are determined based upon the Group's performance and the individual's contribution to the Group for the years ended December 31, 2018 and 2017 respectively.

13. DIVIDENDS

On May 24, 2018, a final dividend of HK\$0.097 per Share for the year ended December 31, 2017, amounting to approximately HK\$368.6 million was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 19, 2018.

On August 8, 2018, an interim dividend of HK\$0.064 per Share for the six months ended June 30, 2018, amounting to approximately HK\$243.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on September 10, 2018.

On May 24, 2019, a final dividend of HK\$0.034 per Share for the year ended December 31, 2018, amounting to approximately HK\$129.2 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 20, 2019.

On August 1, 2019, an interim dividend of HK\$0.094 per Share for the six months ended June 30, 2019, amounting to approximately HK\$357.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on August 29, 2019.

On March 26, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the years ended December 31, 2019 and 2018 is based upon the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted earnings per Share for the years ended December 31, 2019 and 2018 is based upon the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options (see note 23).

The calculation of basic and diluted earnings per Share is based upon the following:

	<u>2019</u>	<u>2018</u>
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	<u>1,931,228</u>	<u>1,068,499</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,057	3,800,199
Number of dilutive potential Shares arising from exercise of share options ('000)	<u>3,231</u>	<u>11,004</u>
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<u>3,803,288</u>	<u>3,811,203</u>
Earnings per Share – Basic	<u>HK50.8 cents</u>	<u>HK28.1 cents</u>
Earnings per Share – Diluted	<u>HK50.8 cents</u>	<u>HK28.0 cents</u>

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Property and equipment total HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST										
At January 1, 2018	5,001,291	2,181,278	613,351	375,311	325,911	48,421	11,410	8,556,973	26,093,051	34,650,024
Additions	84,506	420	43,516	50,370	26,457	1,146	33,164	239,579	1,708,032	1,947,611
Transfers from construction in progress	22,965,306	-	1,841,951	400,878	464,975	132,727	-	25,805,837	(25,805,837)	-
Transfers from/(to) other assets	-	-	31,082	-	4,423	-	-	35,505	(213,719)	(178,214)
Disposal/write-off	(952)	(24,925)	(8,526)	(12,458)	(1,842)	-	-	(48,703)	-	(48,703)
Exchange difference	-	(1,691)	(636)	-	(183)	-	-	(2,510)	-	(2,510)
At December 31, 2018 and January 1, 2019	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	34,586,681	1,781,527	36,368,208
Additions	96,457	361	14,530	62,519	24,601	12,889	6,789	218,146	300,982	519,128
Transfers from construction in progress	1,649,293	-	231,729	5,607	19,477	57,538	-	1,963,644	(1,963,644)	-
Transfers to other assets	-	-	-	-	-	-	-	-	(12,076)	(12,076)
Adjustment upon finalization of costs	(515,765)	-	-	-	-	-	-	(515,765)	-	(515,765)
Disposal/write-off	(15,149)	(2,004)	(7,884)	(18,676)	(3,850)	-	-	(47,563)	(2,393)	(49,956)
Exchange difference	-	99	36	-	10	-	-	145	-	145
At December 31, 2019	29,264,987	2,153,538	2,759,149	863,551	859,979	252,721	51,363	36,205,288	104,396	36,309,684
DEPRECIATION										
At January 1, 2018	(2,600,954)	(1,856,421)	(518,888)	(268,644)	(275,567)	-	(9,246)	(5,529,720)	-	(5,529,720)
Eliminated on disposal/write-off	68	19,307	7,964	12,023	1,842	-	-	41,204	-	41,204
Charge for the year	(1,140,602)	(123,462)	(336,105)	(115,223)	(155,792)	-	(6,316)	(1,877,500)	-	(1,877,500)
Exchange difference	-	843	246	-	164	-	-	1,253	-	1,253
At December 31, 2018 and January 1, 2019	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	-	(15,562)	(7,364,763)	-	(7,364,763)
Eliminated on disposal/write-off	494	1,999	7,642	18,368	3,850	-	-	32,353	-	32,353
Charge for the year	(1,378,630)	(103,790)	(451,328)	(136,309)	(190,601)	-	(8,364)	(2,269,022)	-	(2,269,022)
Exchange difference	-	77	5	-	5	-	-	87	-	87
At December 31, 2019	(5,119,624)	(2,061,447)	(1,290,464)	(489,785)	(616,099)	-	(23,926)	(9,601,345)	-	(9,601,345)
CARRYING AMOUNT										
At December 31, 2019	24,145,363	92,091	1,468,685	373,766	243,880	252,721	27,437	26,603,943	104,396	26,708,339
At December 31, 2018	24,308,663	195,349	1,673,955	442,257	390,388	182,294	29,012	27,221,918	1,781,527	29,003,445

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (2018: HK\$178.8 million) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% (2018: 4.92%) per annum to expenditure on qualifying assets during the year ended December 31, 2019. During the year ended December 31, 2019, no developers' fees (2018: HK\$13.9 million) were capitalized to construction in progress.

The Company and the principal contractors reached a settlement agreement in connection with the construction costs of MGM COTAI in December 2019. During the years ended December 31, 2019 and 2018, HK\$1,899.8 million and HK\$25,585.7 million was transferred from construction in progress to property and equipment pertaining to the assets in use of MGM COTAI.

16. LEASES

The Group as a lessee

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5.5 years, but may have extension and termination options as described below.

Information about leases for which the Group is a lessee is presented below.

	Right-of-use assets			
	Leasehold Land HK\$'000	Buildings HK\$'000	Equipment and others HK\$'000	Total HK\$'000
COST				
At January 1, 2019	1,340,337	30,779	38,421	1,409,537
Addition	-	23,460	12,878	36,338
Foreign exchange difference	-	69	-	69
At December 31, 2019	1,340,337	54,308	51,299	1,445,944
DEPRECIATION				
At January 1, 2019	-	-	-	-
Depreciation charge	36,959	14,709	11,985	63,653
Foreign exchange difference	-	(166)	-	(166)
At December 31, 2019	36,959	14,543	11,985	63,487
CARRYING AMOUNT				
At December 31, 2019	1,303,378	39,765	39,314	1,382,457
At January 1, 2019	1,340,337	30,779	38,421	1,409,537

16. LEASES - continued

The Group as a lessee - continued

A maturity analysis of lease liabilities based on undiscounted cash flows is reported as follows:

	<u>2019</u>
	HK\$'000
Within one year	56,181
Over one year but not exceeding two years	39,502
Over two years but not exceeding five years	33,964
Over five years	402,892
	<u>532,539</u>
Less: Effect of discounting at incremental borrowing rate	(296,070)
Balance at December 31, 2019	<u>236,469</u>
Current	45,349
Non-current	191,120
	<u>236,469</u>

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	HK\$'000
Variable lease payments not included in the measurement of lease liabilities	3,555
Expenses relating to short-term leases	82,712
Expenses relating to leases of low value assets	327
	<u>86,594</u>

The following are the amounts recognized in statement of cash flows:

	HK\$'000
Total cash outflow for leases	<u>106,709</u>

Apart from the land concession contracts described in note 2, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to these future lease payments pertaining to these extension options is HK\$38.7 million.

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2019, there was no such triggering event.

As at December 31, 2019, there are no lease contracts that contain residual value guarantees provided to the lessor or leases which are not yet commenced.

16. LEASES - continued

The Group as a lessee - continued

As at December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the land use right, office premises, warehouse, dormitory and equipment which fall due as follows:

	<u>2018</u> HK\$'000
Within one year	71,209
More than one year and not longer than five years	97,844
More than five years	94,870
	<u>263,923</u>

Note: The above disclosed commitments also include payments of HK\$32.4 million which are related to arrangements that contain lease and non-lease elements.

The Group as the grantor of the right of use

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers.

The following are the amounts recognized in profit or loss:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Payments that are fixed or depend on an index or a rate	46,645	37,189
Variable payments that do not depend on an index or a rate	75,818	59,648
	<u>122,463</u>	<u>96,837</u>

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Within one year	60,814	51,111
More than one year and not longer than five years	58,747	77,248
More than five years	-	43
	<u>119,561</u>	<u>128,402</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

17. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At January 1, 2018, December 31, 2018 and January 1, 2019	1,560,000
Additions	<u>213,592</u>
At December 31, 2019	<u>1,773,592</u>
AMORTIZATION	
At January 1, 2018	(1,274,947)
Charge for the year	<u>(126,900)</u>
At December 31, 2018 and January 1, 2019	(1,401,847)
Charge for the year	<u>(126,900)</u>
At December 31, 2019	<u>(1,528,747)</u>
CARRYING AMOUNT	
At December 31, 2019	<u>244,845</u>
At December 31, 2018	<u>158,153</u>

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 28). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

18. TRADE RECEIVABLES

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Trade receivables	654,241	419,066
Less: Loss allowance	(122,298)	(96,429)
	<u>531,943</u>	<u>322,637</u>

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group also issues markers and credit to approved gaming customers ("VIP gaming customers") following background checks and assessments of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Trade receivables from hotel customers are not significant at the end of the reporting period.

The following is an analysis of trade receivables, net of loss allowance, by age presented based upon marker issuance date or invoice date:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Within 30 days	218,010	178,490
31 – 90 days	202,759	97,208
91 – 180 days	88,732	46,939
Over 180 days	22,442	-
	<u>531,943</u>	<u>322,637</u>

As at December 31, 2019, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$326.0 million (2018: HK\$144.1 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$51.1 million (2018: HK\$46.2 million) are 90 days past due or more and are not considered as in default. The Group's management considers that there is no significant increase in credit risk nor default based upon the repayment history and creditworthiness of these individual customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2019 and 2018 are set out in note 26.

19. BANK BALANCES AND CASH

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Cash at bank and on hand	2,067,772	2,676,441
Short-term bank deposits	1,202,524	1,315,666
	<u>3,270,296</u>	<u>3,992,107</u>

The cash and cash equivalents are denominated in the following currencies:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
HK\$	2,927,268	3,698,689
US\$	208,605	91,066
Singapore dollar ("SG\$")	61,612	134,206
Renminbi ("RMB")	42,046	23,725
Other	30,765	44,421
	<u>3,270,296</u>	<u>3,992,107</u>

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are placed for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2019 and 2018.

20. BORROWINGS

During the year ended December 31, 2019, the Company completed the following significant refinancing transactions:

- the issuance of senior notes with an aggregate principal amount of US\$1.50 billion (equivalent to approximately HK\$11.7 billion). The proceeds were used to pay down outstanding borrowings under the MGM China Credit Facility; and
- obtaining an unsecured credit facility with an aggregate available amount of HK\$9.75 billion to replace the MGM China Credit Facility.

At December 31, 2019 the Group's borrowings included unsecured credit facility and senior notes.

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Unsecured senior notes repayable:		
Over four years but not exceeding five years	5,843,535	-
Over five years	5,843,535	-
	<u>11,687,070</u>	<u>-</u>
Less: Debt finance costs	(157,712)	-
	<u>11,529,358</u>	<u>-</u>
Unsecured credit facility repayable:		
Within one year	-	-
Over one year but not exceeding two years	-	-
Over two years but not exceeding five years	5,200,000	-
	<u>5,200,000</u>	<u>-</u>
Less: Debt finance costs	(124,832)	-
	<u>5,075,168</u>	<u>-</u>
Secured credit facilities repayable:		
Within one year	-	3,120,000
Over one year but not exceeding two years	-	3,120,000
Over two years but not exceeding five years	-	12,820,000
	<u>-</u>	<u>19,060,000</u>
Less: Debt finance costs	-	(186,795)
	<u>-</u>	<u>18,873,205</u>
Current	-	780,000
Non-current	16,604,526	18,093,205
	<u>16,604,526</u>	<u>18,873,205</u>

20. BORROWINGS - continued

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 (the “2024 Notes”) and US\$750 million of 5.875% senior notes due May 15, 2026 (the “2026 Notes” and, together with the 2024 Notes, the “Senior Notes”). The net proceeds from the issuance were used to pay down outstanding borrowings under the MGM China Credit Facility. Interest on the Senior Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The Senior Notes are general unsecured obligations of the Company. Each series of Senior Notes ranks equally in right of payment with all of the Company’s existing and future senior unsecured indebtedness and ranks senior to all of the Company’s future subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of the Company’s existing and future secured indebtedness (including the MGM China Credit Facility) to the extent of the value of the collateral securing such debt. None of the Company’s subsidiaries have guaranteed the Senior Notes.

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted.

The Senior Notes contain covenants that limit the ability of the Company and its subsidiaries to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The Senior Notes also provide for certain events of default and certain insolvency related proceedings relating to the Group.

Unsecured Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024 (the “Revolving Credit Facility”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the existing senior secured credit facilities of the Group and are used for ongoing working capital needs and general corporate purposes of the Group.

20. BORROWINGS - continued

Unsecured Credit Facility - continued*Principal and Interest*

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio. As at December 31, 2019, HK\$4.55 billion of the Revolving Credit Facility was undrawn and available for utilization up to May 2024. Each drawdown under the revolving credit facility is to be repaid in full no later than May 15, 2024. As at December 31, 2019, the Group paid interest at HIBOR plus 2.25% per annum.

General Covenants

The Revolving Credit Facility contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

Due to the impact of the outbreak of the novel coronavirus, discussed in note 1, the Company entered into an amendment of the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00
June 30, 2020	1.25:1.00	Not Applicable
September 30, 2020	1.25:1.00	Not Applicable
December 31, 2020	1.25:1.00	Not Applicable
March 31, 2021	1.25:1.00	Not Applicable
Each accounting date occurring on and after June 30, 2021	2.50:1.00	4.50:1.00

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the year ended December 31, 2019.

20. BORROWINGS - continued

Unsecured Credit Facility - continued

Mandatory Prepayments

Pursuant to the Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided by the Group in relation to the Revolving Credit Facility.

Secured Credit Facilities

The Company and MGM Grand Paradise as co-borrowers entered into a credit agreement with certain lenders (the “MGM China Credit Facility”) which pursuant to various amendments, provided for a HK\$15.6 billion term loan facility and a HK\$7.8 billion revolving credit facility. The final maturity date of the MGM China Credit Facility was June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022.

The terms of the Sub-Concession Extension (refer note 17) included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the MGM China Credit Facility was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The amendment became effective on April 16, 2019.

During the year ended December 31, 2019, the MGM China Credit Facility was replaced in their entirety by the net proceeds from the unsecured senior notes and the Revolving Credit Facility as described above. As a result, the Group recognized a loss of HK\$171.1 million on extinguishment of debt during the year ended December 31, 2019.

21. PAYABLES AND ACCRUED CHARGES

	<u>NOTE</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Outstanding chips liabilities	6	1,682,714	1,694,055
Gaming taxes payables		838,340	931,609
Accrued staff costs		664,026	574,746
Customer advances and other	6	619,946	1,607,727
Other payables and accrued charges		377,809	300,942
Construction payables and accruals		224,822	1,214,164
Other casino liabilities		215,757	387,719
Loyalty programs liabilities	6	145,875	131,636
Trade payables		69,066	31,400
		<u>4,838,355</u>	<u>6,873,998</u>
Current		4,825,255	6,856,506
Non-current		<u>13,100</u>	<u>17,492</u>
		<u>4,838,355</u>	<u>6,873,998</u>

The following is an analysis of trade payables by age based upon the invoice date:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Within 30 days	60,316	17,552
31 – 60 days	6,831	9,173
61 – 90 days	1,025	4,283
91 – 120 days	68	35
Over 120 days	826	357
	<u>69,066</u>	<u>31,400</u>

The average credit period on purchases of goods and services is one month.

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) Share capital

	<u>NOTES</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2018, December 31, 2018, January 1, 2019 and December 31, 2019		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued and fully paid			
At January 1, 2018		3,800,000,001	3,800,000,001
Share options exercised	23	2,682,200	2,682,200
Share repurchase and cancellation	(i)	<u>(2,682,200)</u>	<u>(2,682,200)</u>
At December 31, 2018 and January 1, 2019		3,800,000,001	3,800,000,001
Share options exercised	23	503,600	503,600
Share repurchase and cancellation	(i)	<u>(503,600)</u>	<u>(503,600)</u>
At December 31, 2019		<u>3,800,000,001</u>	<u>3,800,000,001</u>

- (i) During the year ended December 31, 2019, 503,600 Shares (2018: 2,682,200) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$6.9 million (2018: HK\$57.8 million) (see note 22(b)(i) for details).

(b) Share premium and reserves

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 503,600 Shares (2018: 2,682,200) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2019. The premium of HK\$6.4 million (2018: HK\$55.1 million) paid on the repurchase of the 503,600 Shares (2018: 2,682,200) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$0.5 million (2018: HK\$2.7 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES - continued**(b) Share premium and reserves - continued**

Details of the repurchases during the years ended December 31, 2019 and 2018 are summarized as follows:

December 31, 2019

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2019	192,900	15.40	15.30	2,976
June 2019	112,100	12.38	12.28	1,386
September 2019	65,400	13.18	13.00	863
December 2019	133,200	12.86	12.80	1,717
	<u>503,600</u>			<u>6,942</u>

December 31, 2018

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
September 2018	39,000	12.28	12.12	474
December 2018	41,000	13.90	13.90	572
	<u>2,682,200</u>			<u>57,816</u>

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES – continued

(b) Share premium and reserves – continued

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

The interest-free shareholders' Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based upon certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million was reduced to approximately HK\$294 million with the early repayment of the loans in 2010.

(iii) Other reserves

Other reserves of HK\$13,133.3 million as at December 31, 2019 (2018: HK\$13,133.3 million) comprise of the following:

- (a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- (b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.

23. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017.

The purpose of the Scheme is to provide incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any Director or employee of the Group and any other person including a consultant or adviser) for their contribution and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for Shares in the Company for a period of ten years from the adoption date.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

As at December 31, 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 98,167,388 (2018: 82,698,188), representing approximately 2.6% (2018: 2.2%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the approval of the Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon exercise of all options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) within any twelve month period is limited to 1% of the total number of Shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

23. SHARE-BASED PAYMENTS – continued

A summary of the movements of the outstanding options under the Scheme is as follows:

December 31, 2019

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Director	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,109,400	-	-	-	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	-	-	-	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	-	-	-	750,000
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	-	-	-	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	-	-	-	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	-	-	-	700,000
Director	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	-	-	(275,000)	11,350,000
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	-	-	-	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	-	-	-	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	-	-	-	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	595,000	-	(87,500)	(337,500)	170,000
Director	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,219,888	-	(27,100)	(28,400)	5,164,388
Consultant	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	285,000	-	-	-	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	-	-	-	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	-	-	-	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	-	(25,000)	(25,000)	137,500
Director	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	8,674,000	-	(275,400)	(334,000)	8,064,600
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	-	-	-	550,000
Director	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,101,300	-	(76,100)	(53,000)	6,972,200
Consultant	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	400,000	-	-	(50,000)	350,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,307,500	-	(12,500)	(20,000)	1,275,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	382,500	-	-	(12,500)	370,000
Director	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	-	-	-	2,220,000

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23. SHARE-BASED PAYMENTS – continued
December 31, 2019 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,719,200	-	-	(523,100)	7,196,100
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	355,000	-	-	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	400,000	-	-	(37,500)	362,500
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,215,000	-	-	(50,000)	1,165,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	-	-	-	370,000
Director	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	-	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	6,358,800	-	-	(403,400)	5,955,400
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	-	-	-	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	-	-	-	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	110,000	-	-	(60,000)	50,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	-	150,000	-	-	150,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	-	550,000	-	(50,000)	500,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	-	3,992,400	-	-	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	-	11,806,000	-	(126,400)	11,679,600
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	-	275,200	-	-	275,200
Employees	August 15, 2019	August 15, 2020 - August 16, 2029	11.564	-	410,000	-	-	410,000
Director	November 15, 2019	November 15, 2020 - November 16, 2029	12.176	-	1,000,000	-	-	1,000,000
Employees	November 15, 2019	November 15, 2020 - November 16, 2029	12.176	-	200,000	-	-	200,000
				82,698,188	18,383,600	(503,600)	(2,410,800)	98,167,388
Weighted average exercise price per Share				HK\$17.54	HK\$11.89	HK\$12.00	HK\$17.37	HK\$16.51
Exercisable at end of the reporting period								60,314,638

December 31, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	-	(524,000)	-	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	-	-	-	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	-	-	-	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	-	(100,000)	-	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	-	(50,000)	-	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	-	-	-	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	-	-	-	3,200,000

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23. SHARE-BASED PAYMENTS – continued
December 31, 2018 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	-	-	-	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	-	-	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	-	-	(50,000)	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	-	(12,500)	-	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	-	(425,000)	-	595,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	-	(465,700)	(95,900)	5,219,888
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	-	(25,000)	-	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	-	(77,500)	(105,000)	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	-	(12,500)	(25,000)	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	-	-	-	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	-	(765,700)	(330,100)	8,674,000
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	-	-	-	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	-	(79,500)	(185,000)	7,101,300
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	-	-	(60,000)	400,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	-	(12,500)	(60,000)	1,307,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	-	-	(87,500)	382,500
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	-	-	-	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	-	(132,300)	(433,700)	7,719,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	-	-	(225,000)	355,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	450,000	-	-	(50,000)	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	-	1,265,000	-	(50,000)	1,215,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	-	370,000	-	-	370,000
Directors	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	1,629,600	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	6,529,200	-	(170,400)	6,358,800
Consultants	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	153,600	-	-	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	-	200,000	-	-	200,000

23. SHARE-BASED PAYMENTS – continued

December 31, 2018 - continued

December 31, 2018 – continued								
Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	-	110,000	-	-	110,000
				77,130,588	10,257,400	(2,682,200)	(2,007,600)	82,698,188
Weighted average exercise price per Share				HK\$16.72	HK\$22.38	HK\$13.74	HK\$15.98	HK\$17.54
Exercisable at end of the reporting period								46,358,888

During the year ended December 31, 2019, options were granted on April 4, 2019, May 15, 2019, June 6, 2019, August 15, 2019 and November 15, 2019 and their estimated weighted average fair values were HK\$6.26, HK\$4.71, HK\$4.27, HK\$4.23 and HK\$4.37 per Share, respectively. During the year ended December 31, 2018, options were granted on February 23, 2018, May 15, 2018, June 4, 2018, August 15, 2018 and November 15, 2018 and their estimated weighted average fair values were HK\$7.88, HK\$7.77, HK\$7.73, HK\$4.59 and HK\$4.27 per Share, respectively. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

The significant inputs into the model for the options granted during the year are as follows:

Options granted on April 4, 2019 and May 15, 2019

Risk-free interest rate	2.109% to 2.184% per annum
Expected dividend yield	1.23% per annum
Expected life	4.15 to 6.18 years
Expected volatility	42.10% per annum

Options granted on or after June 6, 2019

Risk-free interest rate	1.573% to 1.614% per annum
Expected dividend yield	0.87% per annum
Expected life	4.44 to 6.35 years
Expected volatility	43.17% per annum

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The Group recognized a total expense of HK\$70.3 million (2018: HK\$76.6 million) for the year ended December 31, 2019 in relation to share options granted by the Company.

24. RETIREMENT BENEFIT PLAN

Defined contribution plan

Prior to May 2019, the Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for the eligible Macau resident employees to join the non-mandatory central provident fund (the “CPF”) system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group’s existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to vesting fully of the contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$8.5 million (2018: HK\$6.3 million).

The total expense recognized in the profit or loss of HK\$94.6 million (2018: HK\$78.5 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan during the year ended December 31, 2019. As at December 31, 2019, contributions of approximately HK\$17.8 million (2018: HK\$14.8 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in note 20, less bank balances and cash. Equity comprised all capital and reserves of the Group. As at December 31, 2019, the gearing ratio of the Group was 56.0% (2018: 62.5%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<u>Financial assets</u>		
Amortized cost:		
Bank balances and cash	3,270,296	3,992,107
Trade receivables	531,943	322,637
Deposits	15,653	15,270
Other receivables	29,206	47,958
Amounts due from related companies	1,370	2,060
	<u>3,848,468</u>	<u>4,380,032</u>
<u>Financial liabilities</u>		
Amortized cost:		
Borrowings	16,604,526	18,873,205
Outstanding chips liabilities	1,682,714	1,694,055
Customer advances and other	500,712	1,467,134
Construction retention payable	308,377	405,843
Lease liabilities	236,469	-
Other casino liabilities	214,747	387,719
Other payables	121,633	33,802
Trade payables	69,066	31,400
Amounts due to related companies	48,085	22,531
Construction payables	4,613	90,151
	<u>19,790,942</u>	<u>23,005,840</u>

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2019 and 2018:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2019</u>						
Casino receivables (a)	605,818	(143,974)	461,844	-	-	461,844

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2019</u>						
Commission and incentives liabilities (b)	227,694	(12,947)	214,747	-	-	214,747
Deposits received from gaming patrons and gaming promoters (c)	616,441	(131,027)	485,414	-	-	485,414
	844,135	(143,974)	700,161	-	-	700,161

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2018</u>						
Casino receivables (a)	348,917	(97,287)	251,630	-	-	251,630

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2018</u>						
Commission and incentives liabilities (b)	390,051	(2,332)	387,719	-	-	387,719
Deposits received from gaming patrons and gaming promoters (c)	1,542,721	(94,955)	1,447,766	-	-	1,447,766
	1,932,772	(97,287)	1,835,485	-	-	1,835,485

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

- (a) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$531.9 million (2018: HK\$322.6 million) in the consolidated statement of financial position as at December 31, 2019.
- (b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$4,838.4 million (2018: HK\$6,874.0 million) in the consolidated statement of financial position as at December 31, 2019.
- (c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$4,838.4 million (2018: HK\$6,874.0 million) in the consolidated statement of financial position as at December 31, 2019.

Financial risk management objectives

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in US\$ and SG\$ and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

Assets

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
US\$	208,605	91,066
SG\$	61,612	134,206
	<u> </u>	<u> </u>

Liabilities

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
US\$	11,619,630	22,996
	<u> </u>	<u> </u>

26. FINANCIAL INSTRUMENTS – continued

Market risk – continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$ and SG\$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates.

As at December 31, 2019, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, it would cause a foreign currency loss of approximately HK\$114.1 million (2018: gain of HK\$0.7 million), mainly as a result of the translation of US\$ denominated Senior Notes (2018: US\$ denominated cash and cash equivalents and trade payables). If the HK\$ had weakened by 1% against the SG\$ with all other variables held constant, profit for the year would have been higher by approximately HK\$0.6 million (2018: HK\$1.3 million), mainly as a result of the translation of SG\$ denominated cash and cash equivalents (2018: same).

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to borrowings which bear interest at floating rates. The Group manages interest rate risk through a mix of long-term fixed rate borrowings under our Senior Notes and variable rate borrowings under our Revolving Credit Facility and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2018: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2019, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$26.0 million (2018: HK\$95.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

26. FINANCIAL INSTRUMENTS – continued

Credit risk

As at December 31, 2019 and 2018, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

The credit risk on the Group's bank balances and cash is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers. The provision rates are reviewed and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

26. FINANCIAL INSTRUMENTS – continued

Credit risk - continued

The following tables provide information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2019 and December 31, 2018.

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<u>As at December 31, 2019</u>			
Current (not past due)	0.3%	206,610	(638)
Within 30 days	4.7%	129,678	(6,055)
31 – 90 days	8.5%	165,295	(14,034)
91 – 180 days	18.8%	41,616	(7,807)
Over 180 days	84.4%	111,042	(93,764)
		<u>654,241</u>	<u>(122,298)</u>

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<u>As at December 31, 2018</u>			
Current (not past due)	2.6%	183,343	(4,853)
Within 30 days	8.0%	47,837	(3,814)
31 – 90 days	10.8%	60,477	(6,531)
91 – 180 days	39.8%	76,648	(30,470)
Over 180 days	100.0%	50,761	(50,761)
		<u>419,066</u>	<u>(96,429)</u>

Movement in the loss allowance during the year is as follows:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
At January 1	96,429	58,750
Impairment losses recognized	77,626	90,623
Impairment losses reversed upon recovery	(49,359)	(39,363)
Amount written off, net	<u>(2,398)</u>	<u>(13,581)</u>
At December 31	<u>122,298</u>	<u>96,429</u>

The impairment losses recognized for the year ended December 31, 2019 are attributable to trade receivables with gross carrying amounts of HK\$589.3 million (2018: HK\$372.1 million). The impairment losses reversed for the year ended December 31, 2019 arise from the recovery of previously impaired doubtful debts with gross carrying amounts of HK\$318.7 million (2018: HK\$141.8 million). Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2019 and which are still subject to enforcement activity was HK\$9.7 million (2018: HK\$22.1 million).

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and borrowings deemed adequate by the management to finance the Group's operations and capital expenditure and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2019, the Group has unutilized credit facilities of approximately HK\$4,550.0 million (2018: approximately HK\$2,780.0 million) (See note 20).

The following table details the Group's remaining contractual maturity for its financial liabilities based upon the agreed repayment terms. The table has been drawn up based upon the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2019								
Trade payables	-	69,066	-	-	-	-	69,066	69,066
Construction payables	-	4,613	-	-	-	-	4,613	4,613
Other payables	-	18,978	-	89,555	13,100	-	121,633	121,633
Other casino liabilities	-	214,747	-	-	-	-	214,747	214,747
Outstanding chips liabilities	-	1,682,714	-	-	-	-	1,682,714	1,682,714
Customer advances and other	-	500,712	-	-	-	-	500,712	500,712
Borrowings	5.33	9,273	53,354	758,938	14,272,265	6,358,497	21,452,327	16,604,526
Construction retention payable	-	10,666	269,414	27,484	813	-	308,377	308,377
Amounts due to related companies	-	48,085	-	-	-	-	48,085	48,085
Lease liabilities	6.04	6,939	7,968	41,274	73,466	402,892	532,539	236,469
Guarantee contracts (note 28)	-	1,095,237	-	-	-	-	1,095,237	-
		<u>3,661,030</u>	<u>330,736</u>	<u>917,251</u>	<u>14,359,644</u>	<u>6,761,389</u>	<u>26,030,050</u>	<u>19,790,942</u>

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2018								
Trade payables	-	31,400	-	-	-	-	31,400	31,400
Construction payables	-	90,151	-	-	-	-	90,151	90,151
Other payables	-	16,720	-	1,183	15,899	-	33,802	33,802
Other casino liabilities	-	387,719	-	-	-	-	387,719	387,719
Outstanding chips liabilities	-	1,694,055	-	-	-	-	1,694,055	1,694,055
Customer advances and other	-	1,467,134	-	-	-	-	1,467,134	1,467,134
Borrowings	4.60	76,966	922,479	2,971,378	17,234,445	-	21,205,268	18,873,205
Construction retention payable	-	28,984	352,003	6,791	18,065	-	405,843	405,843
Amounts due to related companies	-	22,531	-	-	-	-	22,531	22,531
Guarantee contracts (note 28)	-	299,120	-	-	-	-	299,120	-
		<u>4,114,780</u>	<u>1,274,482</u>	<u>2,979,352</u>	<u>17,268,409</u>	<u>-</u>	<u>25,637,023</u>	<u>23,005,840</u>

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings HK\$'000	Interest payable HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At January 1, 2018	17,914,667	29,591	-	-	17,944,258
Financing Cashflows ⁽ⁱ⁾	815,018	(717,844)	(611,841)	-	(514,667)
Interest expenses	-	695,500	-	-	695,500
Loss on extinguishment of debt	5,899	-	-	-	5,899
Amortization of debt finance costs	137,621	-	-	-	137,621
Dividend declared	-	-	611,841	-	611,841
At December 31, 2018	18,873,205	7,247	-	-	18,880,452
Adjustment upon application of IFRS 16 (note 2)	-	-	-	219,219	219,219
At January 1, 2019 (restated)	18,873,205	7,247	-	219,219	19,099,671
Financing Cashflows ⁽ⁱ⁾	(2,397,412)	(807,932)	(486,404)	(32,883)	(3,724,631)
Interest expenses	-	899,713	-	13,677	913,390
Loss on extinguishment of debt	171,051	-	-	-	171,051
Amortization of debt finance costs	42,646	-	-	-	42,646
Dividend declared	-	-	486,404	-	486,404
New leases/ lease modification	-	-	-	35,781	35,781
Foreign exchange difference	(84,271)	(202)	-	675	(83,798)
Other	(693)	-	-	-	(693)
At December 31, 2019	16,604,526	98,826	-	236,469	16,939,821

- (i) The cash flows from borrowings comprise the net amount of proceeds from credit facilities and issuance of senior notes and repayments of credit facilities in the statement of cash flows. During the year ended December 31, 2019, HK\$880.0 million (2018: HK\$1,560.0 million) of the Group's secured term loan was settled through the Group's secured revolving credit facility. On August 14, 2019, HK\$6,080.0 million of MGM China Credit Facility was replaced in their entirety by the Group's unsecured credit facility.

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

28. CONTINGENT LIABILITIES

a) Guarantees

As at December 31, 2019, the Group has given bank guarantees totaling HK\$1,095.2 million (2018: HK\$299.1 million) to certain parties, of which HK\$1,091.4 million (2018: HK\$295.3 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (2018: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (2018: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

The Group has been named as a defendant in two legal proceedings filed in the Macau Court of First Instance against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to defend its position that it is not liable. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

29. CAPITAL COMMITMENTS

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Contracted but not accounted for	<u>110,651</u>	<u>144,442</u>

30. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP368.9 million (equivalent to approximately HK\$358.1 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

31. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 28, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$12.6 million (2018: HK\$0.2 million), and the ultimate holding company of the Company amounting to HK\$35.5 million (2018: HK\$22.3 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Within 30 days	35,962	22,369
31 - 60 days	306	81
61 - 90 days	3,818	-
91 - 120 days	4,004	81
Over 120 days	3,995	-
	<u>48,085</u>	<u>22,531</u>

- (a)(iii) As at December 31, 2019, the Group had lease liabilities of HK\$7.7 million relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

During the year ended December 31, 2019, the Group entered into several new lease agreements for the use of equipment for approximately 2-3 years. Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group recognized an addition of right-of-use assets and lease liabilities of HK\$4.3 million.

31. RELATED PARTY TRANSACTIONS - continued

(b) The Group had the following significant transactions with related companies during the year:

<u>Related parties</u>	<u>Type of transaction</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises ⁽¹⁾	1,687	3,896
	Travelling, accommodation and transportation, net of discounts ⁽¹⁾	79,692	88,710
	Interest expense on lease liabilities	287	-
Ultimate holding company	Marketing referral fees	14,352	15,558
	Marketing referral income	(81)	(461)
	Rental income	(428)	-
Company jointly-owned by Shareholders	Developers' fees capitalized	-	13,915
	License fee	397,725	336,676

⁽¹⁾ At December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million which fall due within the following three years.

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase will also apply to subsequent calendar years and will increase at the rate of 20% per year. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI are US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million), respectively. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI were US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million). During the year ended December 31, 2019, a total license fee of HK\$397.7 million (2018: HK\$336.7 million) was recognized in profit or loss.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

31. RELATED PARTY TRANSACTIONS - continued

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
Short term benefits	106,052	140,150
Post-employment benefits	2,972	3,240
Share-based payments	38,440	45,422
	<u>147,464</u>	<u>188,812</u>

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

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32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2019	December 31, 2018	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

32. SUBSIDIARIES – continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2019	December 31, 2018	
珠海市橫琴新區倍福信息 服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有 限公司 (ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2019

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	26,268,269	21,868,163
Amount due from subsidiaries	12,961,145	-
Total non-current assets	39,229,414	21,868,163
Current assets		
Prepayments	1,562	988
Bank balances and cash	48,179	46,020
Total current assets	49,741	47,008
TOTAL ASSETS	39,279,155	21,915,171
EQUITY		
Capital and reserves		
Share capital (note 22(a))	3,800,000	3,800,000
Share premium and reserves	17,403,482	17,725,528
TOTAL EQUITY	21,203,482	21,525,528
LIABILITIES		
Non-Current liability		
Borrowings	16,604,526	-
Current liabilities		
Payables and accrued charges	101,472	2,790
Amounts due to subsidiaries	1,369,675	386,853
Total current liabilities	1,471,147	389,643
TOTAL LIABILITIES	18,075,673	389,643
TOTAL EQUITY AND LIABILITIES	39,279,155	21,915,171

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement in share premium and reserves of the Company is as follows:

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2018		10,409,528	11,194	345,883	132,000	5,180,109	16,078,714
Profit for the year and total comprehensive income		-	-	-	-	2,202,968	2,202,968
Exercise of share options	22(a)&23	48,983	-	(14,801)	-	-	34,182
Share repurchase and cancellation							
- repurchases of Shares	22(a)&22(b)(i)	(55,134)	-	-	-	-	(55,134)
- transfer	22(b)(i)	-	2,682	-	-	(2,682)	-
Forfeiture of share options	23	-	-	(1,216)	-	1,216	-
Recognition of share-based payments	23	-	-	76,639	-	-	76,639
Dividends paid	13	-	-	-	-	(611,841)	(611,841)
At December 31, 2018 and January 1, 2019		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528
Profit for the year and total comprehensive income		-	-	-	-	94,950	94,950
Exercise of share options	22(a)&23	7,434	-	(1,896)	-	-	5,538
Share repurchase and cancellation							
- repurchases of Shares	22(a)&22(b)(i)	(6,438)	-	-	-	-	(6,438)
- transfer	22(b)(i)	-	504	-	-	(504)	-
Forfeiture of share options	23	-	-	(4,775)	-	4,775	-
Recognition of share-based payments	23	-	-	70,308	-	-	70,308
Dividends paid	13	-	-	-	-	(486,404)	(486,404)
At December 31, 2019		<u>10,404,373</u>	<u>14,380</u>	<u>470,142</u>	<u>132,000</u>	<u>6,382,587</u>	<u>17,403,482</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

Report and Consolidated Financial Statements
For the year ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of MGM China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 79, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2018 and for the year then ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Opening of MGM COTAI <p>With the opening of MGM COTAI, we have identified the finalization and allocation of the construction in progress to property and equipment upon the completion of the integrated casino, hotel and entertainment complex on a plot of land in the Cotai area of Macau (the "MGM COTAI property"), as a key audit matter.</p> <p>As disclosed in note 15 to the consolidated financial statements, the Group has transferred construction in progress of HK\$25,805.8 million, most of which pertains to the construction costs of the MGM COTAI property, to the various asset categories of property and equipment during the year.</p> <p>As disclosed in note 21 to the consolidated financial statements, the Group has recognized construction payables and accruals of HK\$1,214.2 million, most of which pertains to the finalization of the construction costs of MGM COTAI property as at December 31, 2018. The Group also has construction retention payables of HK\$405.8 million.</p> <p>The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. During the year, the Group recognized depreciation of property and equipment of HK\$1,877.5 million, as disclosed in note 15 to the consolidated financial statements.</p>	<p>Our procedures in relation to the finalization and allocation of construction in progress to property and equipment included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the process and, testing the internal controls over the recognition of, and accrual for, costs incurred to be included in final construction costs pertaining to the MGM COTAI property;• Obtaining an understanding of the process and, testing the internal controls over the allocation of the construction in progress pertaining to the MGM COTAI property to the appropriate categories of property and equipment and, the determination of the estimated useful lives of these assets;• Assessing compliance with the requirements of International Accounting Standard ("IAS") 16 <i>Property, Plant and Equipment</i>;• Agreeing costs capitalized to supporting documentation;• Making inquiries of management about their assessment of the final cost of construction and the corresponding accrual based upon their assessment of claims from and correspondence with the contractors and vendors;• Examining, on a sample basis, payment applications and other correspondence issued by the contractors and vendors to the Group and, comparing amounts to costs recognized in construction in progress;• Examining, on a sample basis, evidence, judgements and assumptions made supporting the allocation of construction in progress to appropriate categories of property and equipment; and• Repperforming the underlying depreciation calculations and assessing whether the assumptions used are reasonable.

Key audit matter	How our audit addressed the key audit matter
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Assessment of liquidity

We have identified the assessment of sufficiency of liquidity performed by the management of the Group as a key audit matter because as at December 31, 2018, the Group had net current liabilities of approximately HK\$3,400.1 million and capital commitments of HK\$144.4 million. As disclosed in the assessment of liquidity risk in note 26 to the consolidated financial statements, the Group has financial liabilities of HK\$8,368.6 million to be settled within one year from December 31, 2018. The Group has cash and cash equivalents of HK\$3,992.1 million and unutilized credit facilities of HK\$2.78 billion as at December 31, 2018.

As disclosed in note 3 to the consolidated financial statements, the Group has prepared a cash flow forecast which involves judgements and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs.

The Group believes it has sufficient liquidity based upon the credit facilities disclosed in note 20 and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Our procedures in relation to the Group's assessment of the sufficiency of funds and compliance with debt covenants included:

- Obtaining an understanding of the process and testing the internal controls over the liquidity assessment, compliance with the debt covenants and preparation of the cash flow forecast based upon reasonable and supportable assumptions and inputs to the model used to estimate the future cash flows;
- Testing the reasonableness of the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans;
- Reperforming the underlying calculations used in the Group's assessment of debt covenants compliance, the cash flow forecast and sensitivity testing of the inputs used;
- Challenging the key assumptions including those pertaining to revenue growth and the timing of significant payments in the cash flow forecast for the following twelve months; and
- Agreeing the details of the Group's credit facilities (including the amendment and extension of credit facilities) to the supporting documentation.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Stephen David Smart.

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong
 March 6, 2019

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>NOTES</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
OPERATING REVENUE			
Casino revenue	6	17,176,050	13,557,440
Other revenue	6	2,024,671	923,092
		<u>19,200,721</u>	<u>14,480,532</u>
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government	7	(9,198,431)	(7,214,106)
Inventories consumed		(653,828)	(302,666)
Staff costs		(3,505,758)	(2,324,209)
Other expenses and losses	8	(2,257,406)	(1,216,305)
Depreciation and amortization		(2,150,305)	(799,045)
		<u>(17,765,728)</u>	<u>(11,856,331)</u>
Operating profit		1,434,993	2,624,201
Interest income		12,113	5,046
Finance costs	9	(667,876)	(7,273)
Net foreign currency (loss)/gain		(6,336)	16,505
Profit before tax		772,894	2,638,479
Income tax benefit/(expense)	10	295,605	(318,294)
Profit for the year attributable to owners of the Company	11	<u>1,068,499</u>	<u>2,320,185</u>
Other comprehensive (expense)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(3,474)	2,557
Total comprehensive income for the year attributable to owners of the Company		<u>1,065,025</u>	<u>2,322,742</u>
Earnings per Share – Basic	14	<u>HK28.1 cents</u>	<u>HK61.1 cents</u>
Earnings per Share – Diluted	14	<u>HK28.0 cents</u>	<u>HK60.9 cents</u>

Note: The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018. Certain prior year amounts have been retrospectively adjusted under IFRS 15.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018

	<u>NOTES</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	27,221,918	3,027,253
Construction in progress	15	1,781,527	26,093,051
Sub-concession premium	16	158,153	285,053
Land use right premium	17	1,121,541	1,190,947
Other assets		128,656	167,297
Prepayments, deposits and other receivables		62,816	31,819
Total non-current assets		<u>30,474,611</u>	<u>30,795,420</u>
Current assets			
Inventories		159,696	135,776
Trade receivables	18	322,637	179,827
Prepayments, deposits and other receivables		112,058	142,249
Land use right premium	17	69,406	69,406
Amounts due from related companies	32(a)(i)	2,060	437
Bank balances and cash	19	3,992,107	5,283,387
Total current assets		<u>4,657,964</u>	<u>5,811,082</u>
TOTAL ASSETS		<u><u>35,132,575</u></u>	<u><u>36,606,502</u></u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2018

	<u>NOTES</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
EQUITY			
Capital and reserves			
Share capital	22(a)	3,800,000	3,800,000
Share premium and reserves	22(b)	5,145,779	4,712,356
TOTAL EQUITY		<u>8,945,779</u>	<u>8,512,356</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	18,093,205	11,794,219
Payables and accrued charges	21	17,492	19,608
Construction retention payable		18,065	267,259
Deferred tax liability	10	-	317,147
Total non-current liabilities		<u>18,128,762</u>	<u>12,398,233</u>
Current liabilities			
Bank borrowings	20	780,000	6,045,000
Payables and accrued charges	21	6,856,506	9,319,489
Construction retention payable		387,778	301,511
Amounts due to related companies	32(a)(ii)	22,531	28,920
Income tax payable		11,219	993
Total current liabilities		<u>8,058,034</u>	<u>15,695,913</u>
TOTAL LIABILITIES		<u>26,186,796</u>	<u>28,094,146</u>
TOTAL EQUITY AND LIABILITIES		<u>35,132,575</u>	<u>36,606,502</u>

The consolidated financial statements on pages 6 to 79 were approved and authorized for issue by the Board of Directors on March 6, 2019 and are signed on its behalf by:

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000 Note 22(b)(ii)	Other reserves HK\$'000 Note 22(b)(iii)	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2017		3,800,000	10,435,363	4,178	306,553	293,725	(13,133,305)	(1,853)	5,512,035	3,416,696	7,216,696
Profit for the year		-	-	-	-	-	-	-	2,320,185	2,320,185	2,320,185
Exchange differences on translation of foreign operations		-	-	-	-	-	-	2,557	-	2,557	2,557
Total comprehensive income		-	-	-	-	-	-	2,557	-	-	-
Exercise of share options	22(a)&23	7,016	115,013	-	(32,323)	-	-	2,557	2,320,185	2,322,742	2,322,742
Share repurchase and cancellation		-	-	-	-	-	-	-	-	-	-
- repurchases of Shares	22(a)&22(b)(i)	(7,016)	(140,848)	-	-	-	-	-	-	(140,848)	(147,864)
- transfer	22(b)(i)	-	-	7,016	-	-	-	-	(7,016)	-	-
Forfeiture of share options	23	-	-	-	(8,247)	-	-	-	8,247	-	-
Recognition of share-based payments	23	-	-	-	79,900	-	-	-	-	79,900	79,900
Dividends paid	13	-	-	-	-	-	-	-	(1,048,824)	(1,048,824)	(1,048,824)
At December 31, 2017		3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,784,627	4,712,356	8,512,356
Effect of adoption of IFRS 9	2	-	-	-	-	-	-	-	(75,448)	(75,448)	(75,448)
Restated balance at January 1, 2018		3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,709,179	4,636,908	8,436,908
Profit for the year		-	-	-	-	-	-	-	1,068,499	1,068,499	1,068,499
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(3,474)	-	(3,474)	(3,474)
Total comprehensive income		-	-	-	-	-	-	(3,474)	-	-	-
Exercise of share options	22(a)&23	2,682	48,983	-	(14,801)	-	-	(3,474)	1,068,499	1,065,025	1,065,025
Share repurchase and cancellation		-	-	-	-	-	-	-	-	-	-
- repurchases of Shares	22(a)&22(b)(i)	(2,682)	(55,134)	-	-	-	-	-	-	(55,134)	(57,816)
- transfer	22(b)(i)	-	-	2,682	-	-	-	-	(2,682)	-	-
Forfeiture of share options	23	-	-	-	(1,216)	-	-	-	1,216	-	-
Recognition of share-based payments	23	-	-	-	76,639	-	-	-	-	76,639	76,639
Dividends paid	13	-	-	-	-	-	-	-	(611,841)	(611,841)	(611,841)
At December 31, 2018		3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
OPERATING ACTIVITIES		
Profit before tax	772,894	2,638,479
Adjustments for:		
Depreciation and amortization	2,150,305	799,045
Interest expense	654,342	-
Loss on extinguishment of debt	5,899	-
Loss on disposal or write-off of property and equipment, construction in progress and other assets	194,265	45,331
Interest income	(12,113)	(5,046)
Loss allowance/(reversal of loss allowance) on trade receivables, net	51,260	(42,076)
Share-based payments	76,639	79,900
Operating cash flows before movements in working capital	3,893,491	3,515,633
Increase in inventories	(23,920)	(43,616)
(Increase)/decrease in trade receivables	(194,070)	86,987
Decrease/(increase) in prepayments, deposits and other receivables	8,953	(49,686)
(Increase)/decrease in amounts due from related companies	(1,623)	222
(Decrease)/increase in payables and accrued charges	(1,518,316)	3,655,129
(Decrease)/increase in amounts due to related companies	(6,389)	2,602
Cash generated from operations	2,158,126	7,167,271
Income tax paid	(11,357)	(15,068)
Income tax refunded	-	1,352
Interest received	12,275	4,325
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>2,159,044</u>	<u>7,157,880</u>
INVESTING ACTIVITIES		
Purchase of property and equipment and construction in progress	(2,786,128)	(6,559,689)
Proceeds from disposal of property and equipment and other assets	80	1,626
Payments of developers' fee capitalized to construction in progress	(110,529)	(99,461)
Payments for land use right premium	-	(113,899)
Purchase of other assets	(75,526)	(120,725)
Proceeds from insurance claims	57,031	118,738
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,915,072)</u>	<u>(6,773,410)</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	4,900,000	4,400,000
Repayment of bank borrowings	(3,825,500)	(1,404,500)
Payment of debt finance costs	(259,482)	(33,980)
Interest paid	(717,844)	(511,592)
Dividends paid	(611,841)	(1,048,824)
Proceeds from exercise of share options	39,550	95,731
Payments on repurchase of Shares	<u>(57,816)</u>	<u>(147,864)</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(532,933)</u>	<u>1,348,971</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,288,961)	1,733,441
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,283,387	3,547,130
Effect of foreign exchange rate changes, net	<u>(2,319)</u>	<u>2,816</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	<u><u>3,992,107</u></u>	<u><u>5,283,387</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL

MGM China Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company's Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company's immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs relevant to the Group:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except for the application of IFRS 9 and IFRS 15 noted below, the application of the above new and amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The key requirements of IFRS 9 relevant to the Group are in relation to the impairment of financial assets and the adjustment on the amortized cost of a financial liability when a modification does not result in derecognition. The Group has adopted the new standard from January 1, 2018 retrospectively and did not restate comparative information in accordance with the transition provisions in IFRS 9. Accordingly, certain previously reported information prepared under IAS 39 may not be comparable to the current year information.

Impairment of financial assets

IFRS 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Group has applied the simplified approach to recognize lifetime expected credit losses for its trade receivables. To measure the expected credit losses, except for credit-impaired balances and outstanding significant balances that have been assessed individually, the remaining trade receivables have been grouped based upon shared credit risk characteristics and days past due. The loss allowance for trade receivables determined by applying lifetime expected credit loss as compared to the incurred credit loss model under IAS 39 did not result in a material difference and hence did not result in an adjustment of the opening retained earnings as at January 1, 2018.

Loss allowances for other financial assets at amortized cost are measured on a 12-month expected credit loss basis and there had been no significant increase in credit risk since initial recognition.

Classification and measurement – bank borrowings

For an adjustment of the amortized cost of a financial liability, when a modification does not result in derecognition of the financial liability, IFRS 9 requires an entity to recognize such adjustment in profit or loss at the date of the modification. The gain or loss arising on modification of a financial liability that does not result in derecognition, is calculated by discounting the change in contractual cash flows using the original effective interest rate, and is immediately recognized in profit or loss. Under IAS 39, such gain or loss would have been recognized over the remaining life of the financial liability by adjusting the effective interest rate, on the basis the terms and conditions of the credit facility remained largely unchanged.

The Group has retrospectively applied the accounting treatment as required by IFRS 9 for the modification of bank borrowings which has not resulted in derecognition. Differences in the carrying amounts of bank borrowings resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 Financial Instruments - continued*Classification and measurement – bank borrowings - continued*

The effect on the consolidated retained earnings as at January 1, 2018 is as follows:

	HK\$'000
Retained earnings at December 31, 2017 – IAS 39	6,784,627
Change in carrying amount of bank borrowings measured at amortized cost	(75,448)
Retained earnings at January 1, 2018 - IFRS 9	<u>6,709,179</u>

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See note 6 for these disclosures. The Group adopted IFRS 15 on January 1, 2018, on a full retrospective basis. See note 3 for the details of the accounting policy on revenue recognition.

The effect on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017 is as follows:

	<u>For the year ended December 31, 2017</u>		
	As previously reported HK\$'000	Effects of adoption of IFRS 15 [#] HK\$'000	As restated HK\$'000
OPERATING REVENUE			
Casino revenue	15,053,622	(1,496,182)	13,557,440
Other revenue	302,384	620,708	923,092
	<u>15,356,006</u>	<u>(875,474)</u>	<u>14,480,532</u>
OPERATING COSTS AND EXPENSES			
Other expenses and losses	<u>(2,091,779)</u>	<u>875,474</u>	<u>(1,216,305)</u>

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 15 Revenue from Contracts with Customers - continued

On adoption of IFRS 15, there is a reported decrease in casino revenue as all commission paid to the gaming promoters, the majority of the promotional allowances (hotel rooms, food and beverage, retail and other services provided to certain guests and customers without charge) and award points earned by customers under the Group's loyalty programs based upon relative standalone selling price are netted against casino revenue. There is a corresponding decrease in other expenses and losses and an increase in other revenue upon redemption of award points and rendering of corresponding services.

IFRSs in issue not yet adopted

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ⁵
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after January 1, 2020

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2021

The Group considers that the new standards and amendments effective for the annual period beginning on January 1, 2019 would not have significant impact to the Group's results of operations and financial position except for IFRS 16 *Leases* as follows:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRSs in issue not yet adopted - continued

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. IFRS 16 also includes requirements relating to subleases and lease modifications.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group plans to adopt the new standard from January 1, 2019 using the modified retrospective approach without restating comparative information. For the purpose of applying the modified retrospective approach to all leases, the Group plans to elect to measure the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, at the date of initial application.

The application of the new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease* and not apply IFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group will not reassess whether the contracts are, or contain a lease which were already existing prior to the date of initial application. Furthermore, the Group intends to elect the practical expedient, on a lease-by-lease basis, to account for leases where the lease term ends within 12 months of the date of the initial application and use hindsight for determining the lease term that contain renewal option.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of HK\$263.9 million as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for treatment as low value or short-term leases. Furthermore, the land use right premium asset (see note 17) will be reclassified as part of the right-of-use assets with extension of the useful life. The Group's management estimates the right-of-use assets and lease liabilities, excluding the land use right premium asset, to be recognized will be approximately HK\$200 million to HK\$250 million as at January 1, 2019. There will be a decrease in operating lease expense as for the affected leases the Group will be required to recognize a depreciation charge on the right-of-use asset and interest expense on the lease liability.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRSs in issue not yet adopted - continued

For the classification of cash flows, the Group currently presents payment for the land use right premium as investing cash flows and other operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to a lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

The expected impact on the statement of financial position is described above. These changes are not expected to have a material impact on operating profit, profit before tax, the consolidated statement of cash flows, or the consolidated statement of changes in equity. The Group does not expect the adoption of IFRS 16 to significantly impact its ability to comply with the leverage ratio under the Fifth Supplemental Agreement described in note 20.

For the other new standards and amendments effective for annual periods after the year of 2019, the Group is currently assessing their potential impact and is not yet in a position to state whether they would have a significant impact on the results of operations and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a going concern basis. As at December 31, 2018, the Group had net current liabilities of approximately HK\$3,400.1 million (2017: HK\$9,884.8 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon the credit facilities (see note 20) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary services provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition - continued

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty program liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty program liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

In determining the transaction price, the promised amount of consideration for the effects of the time value of money is adjusted if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

Art works and paintings are not depreciated as their current residual value is expected to be greater than their carrying amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

Impairment of tangible and intangible assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets (other than financial assets) - continued

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Land use right premium

Land use right premium under operating leases are payments made on entering into or acquiring land-use rights. The total lease payments are amortized on a straight-line basis over the lease terms in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use right.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based upon taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Other assets

Operating equipment

Operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss are amortized using the straight-line method over their estimated useful lives of two years.

Show production costs

Show production costs, includes costs of creation, design and initial production of the show, which are carried at cost less accumulated amortization and impairment loss are amortized over the shorter of the contractual run of the show (including any guaranteed renewals), or the estimated useful life of the show.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for the Group's financial assets.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Initial recognition and subsequent measurement of financial assets (upon application of IFRS 9 with transition in accordance with note 2)

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables that do not contain a significant financing component which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Initial recognition and subsequent measurement of financial assets (upon application of IFRS 9 with transition in accordance with note 2) - continued

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 solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2)

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognizes lifetime expected credit loss for trade receivables. An assessment is performed including analysis of individual's collectability by taking into account the age, the counterparty's financial condition, collection history and any other known information. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired.

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2)
- continued

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2)
- continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data adjusted by forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2)
- continued

Measurement and recognition of expected credit loss - continued

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset.

Initial recognition and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on January 1, 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 30 days.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets (before application of IFRS 9 on January 1, 2018) - continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables, construction payables, customer advances and other, outstanding chips liabilities, other casino liabilities, construction retention payable, amounts due to related companies and bank borrowings) are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Non-substantial modifications of financial liabilities (upon application of IFRS 9 with transition in accordance with note 2)

When borrowings are subsequently renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of those borrowings, the Group recalculates the gross carrying amount of the borrowings as the present value of the renegotiated or modified contractual cash flows that are discounted at the borrowings' original effective interest rates and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified borrowings and are amortized over the remaining term of the modified borrowings.

Non-substantial modifications of financial liabilities (before application of IFRS 9 on January 1, 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortize the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance/the obligation under the contract as determined in accordance with IFRS 9 (since January 1, 2018)/IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of IFRS 9 on January 1, 2018); and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

Sub-concession premium

Premium payments made for the grant of the Sub-Concession Contract (see note 16) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

Leasing

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Group as a grantor for right of use

When assets are granted out under an agreement for the right of use, the asset is included in the consolidated statement of financial position based upon the nature of the asset. Income from right of use (net of any incentives given to retailers) is recognized on a straight-line basis over the terms of the relevant right of use. Contingent fees based upon the net sales of the retailers arising under right of use are recognized as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

Share options granted to consultants of the Group

Share options 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 share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property and equipment

The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

Loss allowance

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and investigations of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age, the customers' financial condition, collection history, any other known information, general economic conditions, forecasts and forward-looking information. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss in the period of change. Should there be any change in such estimates, it could have a material effect to the carrying amount of trade receivables.

Impairment of non-financial assets

The Group follows the requirements of *IAS 36 Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts. When required, the recoverable amount of the CGU has been determined based upon value-in-use calculations. These calculations require the use of estimates of future cash flows based upon projected income and expenses of the business, working capital needs, growth rates and discount rates.

Changes in the key assumptions upon which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

5. SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker) when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM MACAU and MGM COTAI (the latter opened on February 13, 2018). Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, types of customers, types of services and products provided, and the regulatory environment in which they operate.

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax benefit/expense, depreciation and amortization, loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company and other non-recurring expenses.

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to profit for the year attributable to owners of the Company:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Adjusted EBITDA (unaudited)	4,837,180	4,587,435
Share-based payments	(76,639)	(79,900)
Corporate expenses (unaudited)	(484,033)	(414,375)
Pre-opening costs ⁽¹⁾ (unaudited)	(496,945)	(624,583)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(194,265)	(45,331)
Depreciation and amortization	(2,150,305)	(799,045)
Operating profit	1,434,993	2,624,201
Interest income	12,113	5,046
Finance costs	(667,876)	(7,273)
Net foreign currency (loss)/gain	(6,336)	16,505
Profit before tax	772,894	2,638,479
Income tax benefit/(expense)	295,605	(318,294)
Profit for the year attributable to owners of the Company	<u>1,068,499</u>	<u>2,320,185</u>

⁽¹⁾ Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of MGM COTAI.

Almost all of the non-current assets of the Group are located in Macau.

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentaries and other incentives. Casino revenue comprises:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
VIP gross table games win	9,682,345	8,566,563
Main floor gross table games win	10,905,514	8,138,837
Slot machine gross win	2,233,048	1,406,587
Gross casino revenue	22,820,907	18,111,987
Commissions, complimentaries and other incentives	(5,644,857)	(4,554,547)
	<u>17,176,050</u>	<u>13,557,440</u>

Other revenue comprises:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Hotel rooms	956,446	441,782
Food and beverage	900,460	400,081
Retail and others ⁽¹⁾	167,765	81,229
	<u>2,024,671</u>	<u>923,092</u>

Note: The Company adopted IFRS 15 effective January 1, 2018. Certain prior year amounts have been retrospectively adjusted under IFRS 15.

⁽¹⁾ Included is HK\$96.8 million (December 31, 2017: HK\$34.6 million) pertaining to income from right of use to retail areas within MGM MACAU and MGM COTAI by retailers.

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty program liabilities, which represents the deferred allocation of revenue relating to award points earned as discussed in note 3 and, (3) customer advances and other, which is primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

The Group has elected to apply the practical expedient available under IFRS 15 such that the transaction price allocated to unsatisfied contracts is not disclosed when the remaining performance obligation to be satisfied under contracts that had an original expected duration of one year or less.

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6. CASINO AND OTHER REVENUE – continued

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

	Outstanding Chips Liabilities		Loyalty Program Liabilities		Customer Advances and Other	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	3,989,175	1,050,642	99,837	90,144	1,614,340	889,541
Balance at December 31	1,694,055	3,989,175	131,636	99,837	1,607,727	1,614,340
(Decrease)/increase	<u>(2,295,120)</u>	<u>2,938,533</u>	<u>31,799</u>	<u>9,693</u>	<u>(6,613)</u>	<u>724,799</u>

7. SPECIAL GAMING TAX AND SPECIAL LEVY TO THE MACAU GOVERNMENT

According to the Sub-Concession Contract as described in note 16, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated by MGM Grand Paradise.

8. OTHER EXPENSES AND LOSSES

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Advertising and promotion	625,108	348,982
License fees	336,676	268,730
Other support services	314,959	153,356
Utilities and fuel	242,843	96,724
Repairs and maintenance	195,341	110,511
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	194,265	45,331
Loss allowance/(reversal of loss allowance) on trade receivables, net	51,260	(42,076)
Other	296,954	234,747
	<u>2,257,406</u>	<u>1,216,305</u>

⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

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9. FINANCE COSTS

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Interest on bank borrowings	695,500	519,790
Amortization of debt finance costs	137,621	169,069
Loss on extinguishment of debt	5,899	-
Bank fees and charges	<u>7,635</u>	<u>7,273</u>
Total borrowing costs	846,655	696,132
Less: capitalized interest allocated to construction in progress (see note 15)	<u>(178,779)</u>	<u>(688,859)</u>
	<u>667,876</u>	<u>7,273</u>

10. INCOME TAX BENEFIT/(EXPENSE)

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	(19,224)	-
Macau Complementary Tax	-	(993)
Mainland China Income Tax	(1,313)	(145)
Under provision in prior year	<u>(1,005)</u>	<u>(9)</u>
	(21,542)	(1,147)
Deferred tax:		
Current period	-	(317,147)
Reversal of deferred tax liability previously recognized	<u>317,147</u>	<u>-</u>
	<u>295,605</u>	<u>(318,294)</u>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the relevant year.

10. INCOME TAX BENEFIT/(EXPENSE) – continued

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise paid dividend withholding tax for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profits. In 2017, MGM Grand Paradise made an application to the Macau Government for another extension of the tax concession arrangement for an additional five years. As at December 31, 2017, this application was still being processed and subject to approval by the Macau Government. The Company had reviewed its position and considered that cash dividends would be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for the year ended December 31, 2017 was recognized.

On February 27, 2018, the Macau Government informed MGM Grand Paradise of the terms of the extended tax concession arrangement. MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. MGM Grand Paradise accepted the terms and the Macau Government issued dispatch 003/DIR/2018 which confirmed the extended tax concession arrangement to March 31, 2020 on March 15, 2018. Consequently, the deferred tax liability of HK\$317.1 million previously recognized was reversed and the dividend withholding tax of approximately HK\$19.2 million was recognized during the current year.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior years. Taxation assessable on profit generated in Mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 20% to 25%.

10. INCOME TAX BENEFIT/(EXPENSE) – continued

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

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit before tax	772,894	2,638,479
Tax calculated at domestic rates applicable to profits in the respective jurisdictions	(92,599)	(317,856)
Effect of tax exemption granted to MGM Grand Paradise	597,525	529,486
Effect of tax losses not recognized	(433,907)	(204,809)
Effect of expenses not deductible for tax purposes	(12,315)	(8,706)
Effect of income not taxable for tax purposes	6	1,816
Effect of utilization of tax losses previously not recognized	180	291
Effect of temporary differences not recognized	(60,203)	(1,360)
Deferred tax recognized on distributable reserves of a subsidiary	-	(317,147)
Reversal of deferred tax liability previously recognized	317,147	-
Lump sum dividend tax	(19,224)	-
Under provision in prior year	(1,005)	(9)
	<u>295,605</u>	<u>(318,294)</u>

At the end of the reporting period, the Group has unused tax losses as follows:

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Macau Complementary Tax losses which will expire in one to three years	6,794,618	4,883,428
Hong Kong Profits Tax losses which may be carried forward indefinitely	101,556	88,154
	<u>6,896,174</u>	<u>4,971,582</u>

As at December 31, 2018, the Group has a deductible temporary difference of approximately HK\$1,173.6 million (2017: approximately HK\$629.4 million). No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

11. PROFIT FOR THE YEAR

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	55,753	50,738
Retirement benefits scheme contributions for other staff	77,175	61,917
Share-based payments for other staff	58,386	61,019
Salaries and other benefits for other staff	3,314,444	2,150,535
	<u>3,505,758</u>	<u>2,324,209</u>
Amortization in respect of:		
- Sub-concession premium	126,900	126,900
- land use right premium	63,359	19,246
- other assets	82,546	3,519
Depreciation of property and equipment	1,877,500	649,380
	<u>2,150,305</u>	<u>799,045</u>
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	194,265	45,331
Operating lease expenses	124,627	51,220
Auditor's remuneration	11,288	10,588
	<u><u>11,288</u></u>	<u><u>10,588</u></u>

⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

	<u>Fees</u> HK\$'000	<u>Salary and other benefits</u> HK\$'000	<u>Contributions to retirement benefits scheme</u> HK\$'000	<u>Share-based payments</u> HK\$'000	<u>Discretionary and performance related incentive payments⁽¹⁾</u> HK\$'000	<u>Total</u> HK\$'000
Year ended December 31, 2018						
<i>Executive Directors:</i>						
James Joseph Murren	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
William Joseph Hornbuckle	-	-	-	-	-	-
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	-	15,841	1,368	14,270	21,216	52,695
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
William M. Scott IV	-	-	-	-	-	-
Daniel J. D'Arrigo	-	-	-	-	-	-
Kenneth A. Rosevear ^(*)	-	-	-	-	-	-
Kenneth Xiaofeng Feng ^(**)	-	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Zhe Sun	706	-	-	-	-	706
Sze Wan Patricia Lam	706	-	-	-	-	706
Peter Man Kong Wong	627	-	-	-	-	627
Russell Francis Banham	1,019	-	-	-	-	1,019
Total emoluments	<u>3,058</u>	<u>15,841</u>	<u>1,368</u>	<u>14,270</u>	<u>21,216</u>	<u>55,753</u>

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

Year ended December 31, 2017						
<i>Executive Directors:</i>						
James Joseph Murren	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
William Joseph Hornbuckle	-	-	-	-	-	-
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	-	13,837	1,250	15,980	16,633	47,700
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
William M. Scott IV	-	-	-	-	-	-
Daniel J. D'Arrigo	-	-	-	-	-	-
Kenneth A. Rosevear ^(*)	-	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Zhe Sun	701	-	-	-	-	701
Sze Wan Patricia Lam	701	-	-	-	-	701
Peter Man Kong Wong	623	-	-	-	-	623
Russell Francis Banham	1,013	-	-	-	-	1,013
Total emoluments	<u>3,038</u>	<u>13,837</u>	<u>1,250</u>	<u>15,980</u>	<u>16,633</u>	<u>50,738</u>

The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.

<i>Non-executive Directors:</i>						
William M. Scott IV	-	-	-	-	-	-
Daniel J. D'Arrigo	-	-	-	-	-	-
Kenneth A. Rosevear ^(*)	-	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Zhe Sun	701	-	-	-	-	701
Sze Wan Patricia Lam	701	-	-	-	-	701
Peter Man Kong Wong	623	-	-	-	-	623
Russell Francis Banham	1,013	-	-	-	-	1,013
Total emoluments	<u>3,038</u>	<u>13,837</u>	<u>1,250</u>	<u>15,980</u>	<u>16,633</u>	<u>50,738</u>

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(*) *Kenneth A. Rosevear resigned as a Non-executive Director with effect from February 14, 2018.*

(**) *Kenneth Xiaofeng Feng was appointed as Non-executive Director with effect from May 24, 2018.*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2018 and 2017.

Of the five individuals with the highest emoluments in the Group, one (2017: one) was a Director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2017: four) individuals were as follows:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Salaries and other benefits	19,596	19,888
Contributions to retirement benefits scheme	663	468
Share-based payments	11,610	14,998
Discretionary and performance related incentive payments ⁽¹⁾	13,033	14,025
	<u>44,902</u>	<u>49,379</u>

Their emoluments were within the following bands:

	<u>2018</u>	<u>2017</u>
	No. of employees	No. of employees
HK\$9,000,001 to HK\$9,500,000	1	-
HK\$10,500,001 to HK\$11,000,000	1	-
HK\$11,000,001 to HK\$11,500,000	-	2
HK\$12,000,001 to HK\$12,500,000	2	-
HK\$13,000,001 to HK\$13,500,000	-	1
HK\$13,500,001 to HK\$14,000,000	-	1
	<u>-</u>	<u>1</u>

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2018 and 2017.

Note:

- (1) The discretionary and performance related incentive payments for the years ended December 31, 2018 and 2017 are determined based upon the Group's performance and the individual's contribution to the Group for the years ended December 31, 2017 and 2016 respectively.

13. DIVIDENDS

On May 24, 2017, a final dividend of HK\$0.160 per Share, amounting to approximately HK\$608.0 million in aggregate for the year ended December 31, 2016 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 16, 2017.

On August 3, 2017, an interim dividend of HK\$0.116 per Share, amounting to approximately HK\$440.8 million in aggregate for the six months ended June 30, 2017 was declared by the Directors of the Company. The dividend was paid to Shareholders on September 8, 2017.

On May 24, 2018, a final dividend of HK\$0.097 per Share, amounting to approximately HK\$368.6 million in aggregate for the year ended December 31, 2017 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 19, 2018.

On August 8, 2018, an interim dividend of HK\$0.064 per Share, amounting to approximately HK\$243.2 million in aggregate for the six months ended June 30, 2018 was declared by the Directors of the Company. The dividend was paid to Shareholders on September 10, 2018.

On March 6, 2019, a final dividend of HK\$0.034 per Share, amounting to approximately HK\$129.2 million in aggregate for the year ended December 31, 2018 has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the years ended December 31, 2018 and 2017 is based upon the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted earnings per Share for the years ended December 31, 2018 and 2017 is based upon the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options (see note 23).

The calculation of basic and diluted earnings per Share is based upon the following:

	<u>2018</u>	<u>2017</u>
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	<u>1,068,499</u>	<u>2,320,185</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,199	3,800,188
Number of dilutive potential Shares arising from exercise of share options ('000)	<u>11,004</u>	<u>8,823</u>
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<u>3,811,203</u>	<u>3,809,011</u>
Earnings per Share – Basic	<u>HK28.1 cents</u>	<u>HK61.1 cents</u>
Earnings per Share – Diluted	<u>HK28.0 cents</u>	<u>HK60.9 cents</u>

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Property and equipment total HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST										
At January 1, 2017	4,987,903	2,077,748	562,782	330,974	289,758	47,570	11,410	8,308,145	17,915,292	26,223,437
Additions	14,936	38,686	26,748	58,658	6,943	-	-	145,971	8,467,382	8,613,353
Transfers	105,953	108,793	35,529	487	35,173	970	-	286,905	(286,905)	-
Reclassification	-	-	189	(97)	-	(92)	-	-	-	-
Adjustments to project costs	(432)	(12,910)	-	-	(172)	-	-	(13,514)	-	(13,514)
Disposal/write-off	(107,069)	(31,568)	(12,113)	(14,711)	(5,989)	(27)	-	(171,477)	(2,957)	(174,434)
Exchange difference	-	529	216	-	198	-	-	943	239	1,182
At December 31, 2017 and January 1, 2018	5,001,291	2,181,278	613,351	375,311	325,911	48,421	11,410	8,556,973	26,093,051	34,650,024
Additions	84,506	420	43,516	50,370	26,457	1,146	33,164	239,579	1,708,032	1,947,611
Transfers from construction in progress	22,965,306	-	1,841,951	400,878	464,975	132,727	-	25,805,837	(25,805,837)	-
Transfers from/(to) other assets	-	-	31,082	-	4,423	-	-	35,505	(213,719)	(178,214)
Disposal/write-off	(952)	(24,925)	(8,526)	(12,458)	(1,842)	-	-	(48,703)	-	(48,703)
Exchange difference	-	(1,691)	(636)	-	(183)	-	-	(2,510)	-	(2,510)
At December 31, 2018	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	34,586,681	1,781,527	36,368,208
DEPRECIATION										
At January 1, 2017	(2,392,725)	(1,625,977)	(495,980)	(243,282)	(248,187)	-	(7,322)	(5,013,473)	-	(5,013,473)
Eliminated on disposal/write-off	71,799	29,925	11,339	14,423	5,947	-	-	133,433	-	133,433
Charge for the year	(280,028)	(260,177)	(34,200)	(39,785)	(33,266)	-	(1,924)	(649,380)	-	(649,380)
Exchange difference	-	(192)	(47)	-	(61)	-	-	(300)	-	(300)
At December 31, 2017 and January 1, 2018	(2,600,954)	(1,856,421)	(518,888)	(268,644)	(275,567)	-	(9,246)	(5,529,720)	-	(5,529,720)
Eliminated on disposal/write-off	68	19,307	7,964	12,023	1,842	-	-	41,204	-	41,204
Charge for the year	(1,140,602)	(123,462)	(336,105)	(115,223)	(155,792)	-	(6,316)	(1,877,500)	-	(1,877,500)
Exchange difference	-	843	246	-	164	-	-	1,253	-	1,253
At December 31, 2018	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	-	(15,562)	(7,364,763)	-	(7,364,763)
CARRYING AMOUNT										
At December 31, 2018	24,308,663	195,349	1,673,955	442,257	390,388	182,294	29,012	27,221,918	1,781,527	29,003,445
At December 31, 2017	2,400,337	324,857	94,463	106,667	50,344	48,421	2,164	3,027,253	26,093,051	29,120,304

During the year ended December 31, 2018, borrowing costs and developers' fees (see note 32(b)) of HK\$178.8 million (2017: HK\$688.9 million) and HK\$13.9 million (2017: HK\$125.3 million) respectively were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.92% (2017: 4.11%) per annum to expenditure on qualifying assets during the year ended December 31, 2018.

During the year ended December 31, 2018, HK\$25,585.7 million was transferred from construction in progress to property and equipment pertaining to the assets in use of MGM COTAI. As at December 31, 2018, the finalization of the obligations related to the close out of the construction contracts was in progress.

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16. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	<u>1,560,000</u>
AMORTIZATION	
At January 1, 2017	(1,148,047)
Charge for the year	<u>(126,900)</u>
At December 31, 2017 and January 1, 2018	(1,274,947)
Charge for the year	<u>(126,900)</u>
At December 31, 2018	<u>(1,401,847)</u>
CARRYING AMOUNT	
At December 31, 2018	<u><u>158,153</u></u>
At December 31, 2017	<u><u>285,053</u></u>

Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and SJM, a company in which a close family member of a Director of the Company had controlling beneficial interests, a sub-concession premium of US\$200 million (equivalent to approximately HK\$1.56 billion) was paid by MGM Grand Paradise to SJM for the right to operate casino games of chance and other casino games in Macau for a period of 15 years commencing on April 20, 2005.

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17. LAND USE RIGHT PREMIUM

	HK\$'000
COST	
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	<u>1,736,293</u>
AMORTIZATION	
At January 1, 2017	(406,534)
Charge for the year	(19,246)
Capitalized in construction in progress	<u>(50,160)</u>
At December 31, 2017 and January 1, 2018	(475,940)
Charge for the year	(63,359)
Capitalized in construction in progress	<u>(6,047)</u>
At December 31, 2018	<u>(545,346)</u>
CARRYING AMOUNT	
At December 31, 2018	<u>1,190,947</u>
At December 31, 2017	<u>1,260,353</u>

Included in the consolidated statement of financial position as:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Current land use right premium	69,406	69,406
Non-current land use right premium	<u>1,121,541</u>	<u>1,190,947</u>
	<u>1,190,947</u>	<u>1,260,353</u>

The Group entered into land concession contracts with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew in accordance with Macau law, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

The land use right premium represents amounts paid and payable on the leasehold interests in land for MGM MACAU and MGM COTAI. The amounts are stated at cost less accumulated amortization and impairment, and are amortized using the straight-line method over the lease terms of 25 years from the date when the land use rights were granted on April 6, 2006 (for MGM MACAU) and January 9, 2013 (for MGM COTAI).

18. TRADE RECEIVABLES

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Trade receivables	419,066	238,577
Less: Loss allowance	<u>(96,429)</u>	<u>(58,750)</u>
	<u>322,637</u>	<u>179,827</u>

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group also issues markers and credit to approved casino customers ("VIP gaming customers") following background checks and investigations of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Trade receivables from hotel customers are not significant at the end of the reporting period.

As at January 1, 2017 and January 1, 2018, trade receivables from contracts with customers amounted to HK\$224.7 million and HK\$179.8 million respectively.

The following is an analysis of trade receivables, net of loss allowance, by age presented based upon marker issuance date or invoice date:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Within 30 days	178,490	135,451
31 – 90 days	97,208	23,695
91 – 180 days	<u>46,939</u>	<u>20,681</u>
	<u>322,637</u>	<u>179,827</u>

As at December 31, 2018, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$144.1 million, which are past due at the end of the reporting period. Out of the past due balances, HK\$46.2 million has been 90 days past due or more and has not been considered as default. The Group's management considers that there is no significant increase in credit risk nor default based upon the repayment history and creditworthiness of individual customers.

Details of impairment assessment of trade receivables for the years ended December 31, 2018 and 2017 are set out in note 26.

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19. BANK BALANCES AND CASH

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Cash at bank and on hand	2,676,441	2,764,656
Short-term bank deposits	1,315,666	2,518,731
	<u>3,992,107</u>	<u>5,283,387</u>

The cash and cash equivalents are denominated in the following currencies:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
HK\$	3,698,689	4,797,342
Singapore dollar ("SG\$")	134,206	235,804
US\$	91,066	145,429
Macau Pataca ("MOP")	16,054	70,754
Other	52,092	34,058
	<u>3,992,107</u>	<u>5,283,387</u>

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are made for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2018 and 2017.

20. BANK BORROWINGS

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
The secured credit facilities are repayable:		
Within one year	3,120,000	6,045,000
Over one year but not exceeding two years	3,120,000	11,940,500
Over two years but not exceeding five years	12,820,000	-
	<u>19,060,000</u>	<u>17,985,500</u>
Less: Debt finance costs	(186,795)	(146,281)
	<u>18,873,205</u>	<u>17,839,219</u>
 Current	 780,000	 6,045,000
Non-current	18,093,205	11,794,219
	<u>18,873,205</u>	<u>17,839,219</u>

Overview

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “Amended Credit Facilities”) with certain lenders. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility.

The second amended and restated credit agreement (the “Second Amended Credit Facilities”) which became effective on June 12, 2015 extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion.

Further amendments to the Group’s borrowing facilities were executed on February 2, 2016 (the “Third Supplemental Agreement”) and February 15, 2017 (the “Fourth Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI was in the construction phase.

An amendment to the Fourth Supplemental Agreement was executed (the “Fifth Supplemental Agreement”) on June 15, 2018. The Fifth Supplemental Agreement, effective on June 22, 2018, amended certain major terms of the Second Amended Credit Facilities as follows: (i) the total revolving credit commitments (the “Total Revolving Credit Commitments”) under the Second Amended Credit Facilities were reduced from HK\$11.31 billion to HK\$7.8 billion; and the total term loan commitments under the Second Amended Credit Facilities were increased from HK\$12.09 billion to HK\$15.6 billion (the aggregate amount under the Second Amended Credit Facilities remained unchanged); (ii) the final maturity date of the Second Amended Credit Facilities was extended from April 29, 2019 to June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022. Save as disclosed above, other major terms under the Second Amended Credit Facilities remained unchanged.

20. BANK BORROWINGS - continued

As at December 31, 2018, the Group intends and has the ability to make the repayments of the term loan by drawing down on its revolving credit facility. Bank borrowings due to be paid within the next twelve months as at December 31, 2018 were classified as non-current, with the exception of HK\$780 million of the term loan in excess of the available borrowings under the revolving credit facility, and this amount was classified as a current liability.

Principal and Interest

The Fifth Supplemental Agreement bears interest at HIBOR plus a margin ranging from 1.375% to 2.50% per annum, as determined by the Group's leverage ratio. The term loan facility is repayable in installments of 5% of the principal amount on a quarterly basis commencing in September 30, 2018, and a final installment of 30% of the principal amount in March 31, 2022. As at December 31, 2018, HK\$15.6 billion of the term loan facility was fully drawn while HK\$2.78 billion of the revolving credit facility was undrawn and available for utilization up to March 2022. Each drawdown under the revolving credit facility is to be repaid in full no later than March 31, 2022. As at December 31, 2018, the Group paid interest at HIBOR plus 2.50% per annum (2017: HIBOR plus 2.50% per annum). The weighted average interest rate on the Group's borrowings for the year ended December 31, 2018 was 4.92% per annum (2017: 4.11% per annum).

General Covenants

The Fifth Supplemental Agreement contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") to, among other things, enter into, dispose of or amend to certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Fifth Supplemental Agreement was required to be no greater than 6.0 to 1.0 for the quarter ended June 30, 2018. This ratio is reduced to no greater than 5.5 to 1.0 for the quarter ended September 30, 2018, no greater than 5.0 to 1.0 for the quarter ended December 31, 2018, and no greater than 4.5 to 1.0 for each accounting period occurring on and after March 31, 2019 through maturity.

In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Fifth Supplemental Agreement, the Fourth Supplemental Agreement and the Third Supplemental Agreement for the years ended December 31, 2018 and 2017.

20. BANK BORROWINGS - continued

Mandatory Prepayments

The Fifth Supplemental Agreement contains mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business.

In addition, in the event that MGM Grand Paradise does not obtain an extension to its gaming sub-concession arrangement under the Sub-Concession Contract (the “Sub-Concession Extension”) by March 31, 2020, the revolving credit facility will be reduced to HK\$4.68 billion on March 31, 2020. Any revolving credit loans in excess of HK\$4.68 billion outstanding on such date shall be prepaid together with accrued interest on such date (and not thereafter be available for redrawing) and the Total Revolving Credit Commitments shall be reduced on such date to HK\$4.68 billion; and if, after any initial Sub-Concession Extension or any subsequent Sub-Concession Extensions, such gaming sub-concession arrangement expires prior to March 31, 2022, the revolving credit facility will be reduced to HK\$4.68 billion on the date of the expiry of such gaming sub-concession arrangement after any Sub-Concession Extension.

Dividend Restrictions

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at December 31, 2018, the Group’s leverage ratio was approximately 4.28. The aggregate dividends paid and payable by the Group are within the cap of US\$150 million (equivalent to approximately HK\$1.2 billion) during the preceding 12-month period.

Events of Default

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

Security and Guarantees

Collateral for the term loan and revolving credit facility consists of most of the assets, including but not limited to property and equipment, land use right and bank balances and cash of the Group and the shares of MGM Grand Paradise and some of its subsidiaries. Certain of the Company’s direct and indirect subsidiaries (where applicable) have executed guarantees as security.

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21. PAYABLES AND ACCRUED CHARGES

	Note	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Outstanding chips liabilities	6	1,694,055	3,989,175
Customer advances and other	6	1,607,727	1,614,340
Construction payables and accruals		1,214,164	2,034,857
Special gaming tax and special levy payables		931,609	619,066
Accrued staff costs		574,746	404,876
Other casino liabilities		387,719	189,710
Other payables and accrued charges		300,942	371,628
Loyalty program liabilities	6	131,636	99,837
Trade payables		31,400	15,608
		<u>6,873,998</u>	<u>9,339,097</u>
Current		6,856,506	9,319,489
Non-current		<u>17,492</u>	<u>19,608</u>
		<u>6,873,998</u>	<u>9,339,097</u>

The following is an analysis of trade payables by age based upon the invoice date:

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Within 30 days	17,552	10,727
31 – 60 days	9,173	4,292
61 – 90 days	4,283	171
91 – 120 days	35	357
Over 120 days	357	61
	<u>31,400</u>	<u>15,608</u>

The average credit period on purchases of goods and services is one month.

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22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) Share capital

	Notes	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Ordinary Shares of HK\$1 each Authorized			
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued and fully paid			
At January 1, 2017		3,800,000,001	3,800,000,001
Share options exercised	23	7,015,912	7,015,912
Share repurchase and cancellation	(i)	<u>(7,015,912)</u>	<u>(7,015,912)</u>
At December 31, 2017 and January 1, 2018		3,800,000,001	3,800,000,001
Share options exercised	23	2,682,200	2,682,200
Share repurchase and cancellation	(i)	<u>(2,682,200)</u>	<u>(2,682,200)</u>
At December 31, 2018		<u>3,800,000,001</u>	<u>3,800,000,001</u>

- (i) During the year ended December 31, 2018, 2,682,200 Shares (2017: 7,015,912) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$57.8 million (2017: HK\$147.9 million) (see note 22(b)(i) for details).

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES - continued

(b) Share premium and reserves

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 2,682,200 Shares (2017: 7,015,912) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2018. The premium of HK\$55.1 million (2017: HK\$140.8 million) paid on the repurchase of the 2,682,200 Shares (2017: 7,015,912) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$2.7 million (2017: HK\$7.0 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the years ended December 31, 2018 and 2017 are summarized as follows:

December 31, 2018

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
September 2018	39,000	12.28	12.12	474
December 2018	41,000	13.90	13.90	572
	<u>2,682,200</u>			<u>57,816</u>

December 31, 2017

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2017	12,500	15.24	15.24	191
June 2017	744,000	17.20	16.94	12,793
September 2017	1,748,750	18.62	18.58	32,675
December 2017	1,044,800	20.90	20.85	21,894
December 2017	70,000	21.25	21.25	1,493
December 2017	1,020,212	21.70	21.60	22,192
December 2017	528,800	22.95	22.90	12,169
December 2017	1,319,050	23.95	23.90	31,697
December 2017	378,300	24.10	23.90	9,115
December 2017	149,500	24.45	24.10	3,645
	<u>7,015,912</u>			<u>147,864</u>

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES – continued

(b) Share premium and reserves – continued

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

In accordance with IAS 39, the interest-free shareholders' Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based upon certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million recognized initially was reduced to approximately HK\$294 million due to the early repayment of the loans in 2010.

(iii) Other reserves

Other reserves of HK\$13,133.3 million as at December 31, 2018 (2017: HK\$13,133.3 million) comprise of the following:

- (a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- (b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.

23. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017.

The purpose of the Scheme is to provide incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any Director or employee of the Group and any other person including a consultant or adviser) for their contribution and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for Shares in the Company for a period of ten years from the adoption date.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

As at December 31, 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 82,698,188 (2017: 77,130,588), representing approximately 2.2% (2017: 2.0%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the approval of the Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon exercise of all options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) within any twelve month period is limited to 1% of the total number of Shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

23. SHARE-BASED PAYMENTS – continued

A summary of the movements of the outstanding options under the Scheme is as follows:

December 31, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	-	(524,000)	-	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	-	-	-	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	-	-	-	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	-	(100,000)	-	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	-	(50,000)	-	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	-	-	-	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	-	-	-	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	-	-	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	-	-	(50,000)	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	-	(12,500)	-	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	-	(425,000)	-	595,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	-	(465,700)	(95,900)	5,219,888
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	-	(25,000)	-	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	-	(77,500)	(105,000)	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	-	(12,500)	(25,000)	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	-	-	-	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	-	(765,700)	(330,100)	8,674,000
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	-	-	-	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	-	(79,500)	(185,000)	7,101,300

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23. SHARE-BASED PAYMENTS – continued
December 31, 2018 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	-	-	(60,000)	400,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	-	(12,500)	(60,000)	1,307,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	-	-	(87,500)	382,500
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	-	-	-	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	-	(132,300)	(433,700)	7,719,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	-	-	(225,000)	355,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	450,000	-	-	(50,000)	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	-	1,265,000	-	(50,000)	1,215,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	-	370,000	-	-	370,000
Directors	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	1,629,600	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	6,529,200	-	(170,400)	6,358,800
Consultants	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	-	153,600	-	-	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	-	200,000	-	-	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	-	110,000	-	-	110,000
				<u>77,130,588</u>	<u>10,257,400</u>	<u>(2,682,200)</u>	<u>(2,007,600)</u>	<u>82,698,188</u>
Weighted average exercise price per Share				<u>HK\$16.72</u>	<u>HK\$22.38</u>	<u>HK\$13.74</u>	<u>HK\$15.98</u>	<u>HK\$17.54</u>
Exercisable at end of the reporting period								
								<u>46,358,888</u>

December 31, 2017

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	5,832,000	-	(1,173,600)	(25,000)	4,633,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	-	-	-	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	-	(20,000)	-	750,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	-	(60,000)	-	-
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	-	-	-	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	-	-	-	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	-	(25,000)	-	25,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	-	-	(750,000)	-

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23. SHARE-BASED PAYMENTS – continued
December 31, 2017 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	-	-	-	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	12,100,000	-	-	(475,000)	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	-	-	-	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	-	-	-	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	-	(40,000)	(150,000)	270,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	-	-	-	1,020,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	-	(1,836,412)	(504,200)	5,781,488
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	-	-	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	-	(132,500)	(40,000)	962,500
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	-	(57,500)	-	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	-	(27,500)	(45,000)	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	12,885,200	-	(2,174,800)	(940,600)	9,769,800
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	-	-	-	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	8,884,000	-	(1,468,600)	(49,600)	7,365,800
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	-	-	-	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	-	1,380,000	-	-	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	-	470,000	-	-	470,000
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	-	2,220,000	-	-	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	-	8,466,400	-	(181,200)	8,285,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	-	214,800	-	-	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	-	580,000	-	-	580,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	-	450,000	-	-	450,000
				<u>73,575,900</u>	<u>13,781,200</u>	<u>(7,015,912)</u>	<u>(3,210,600)</u>	<u>77,130,588</u>
Weighted average exercise price per Share				<u>HK\$16.39</u>	<u>HK\$16.88</u>	<u>HK\$12.79</u>	<u>HK\$18.46</u>	<u>HK\$16.72</u>
Exercisable at end of the reporting period								<u>31,395,738</u>

23. SHARE-BASED PAYMENTS – continued

During the year ended December 31, 2018, options were granted on February 23, 2018, May 15, 2018, June 4, 2018, August 15, 2018 and November 15, 2018 and their estimated weighted average fair values were HK\$7.88, HK\$7.77, HK\$7.73, HK\$4.59 and HK\$4.27 per Share, respectively. During the year ended December 31, 2017, options were granted on February 21, 2017, May 15, 2017, June 5, 2017, August 15, 2017 and November 15, 2017 and their estimated weighted average fair values were HK\$4.01, HK\$5.11, HK\$5.48, HK\$5.23 and HK\$6.25 per Share, respectively. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

The significant inputs into the model for the options granted during the year are as follows:

Options granted on February 23, 2018 and May 15, 2018

Risk-free interest rate	1.002% to 1.085% per annum
Expected dividend yield	1.88% per annum
Expected life	4.74 to 6.52 years
Expected volatility	43.28% per annum

Options granted on or after June 4, 2018

Risk-free interest rate	2.109% to 2.184% per annum
Expected dividend yield	1.23% per annum
Expected life	4.15 to 6.18 years
Expected volatility	42.10% per annum

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The Group recognized a total expense of HK\$76.6 million (2017: HK\$79.9 million) for the year ended December 31, 2018 in relation to share options granted by the Company.

24. RETIREMENT BENEFIT PLAN**Defined contribution plan**

The Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees.

Where there are employees who leave the plan prior to vesting fully of the contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$6.3 million (2017: HK\$3.8 million).

The total expense recognized in the profit or loss of HK\$78.5 million (2017: HK\$63.2 million) represents contributions paid or payable to the plan by the Group at rates specified in the rules of the plan during the year ended December 31, 2018. As at December 31, 2018, contributions of approximately HK\$14.8 million (2017: HK\$11.9 million) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised bank borrowings, net of debt finance costs, as described in note 20, less bank balances and cash. Equity comprised all capital and reserves of the Group. As at December 31, 2018, the gearing ratio of the Group was 62.5% (2017: 59.6%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
<u>Financial assets</u>		
Amortized cost/loans and receivables:		
Bank balances and cash	3,992,107	5,283,387
Trade receivables	322,637	179,827
Deposits	15,270	36,112
Other receivables	47,958	77,432
Amounts due from related companies	2,060	437
	<u>4,380,032</u>	<u>5,577,195</u>
<u>Financial liabilities</u>		
Amortized cost:		
Bank borrowings	18,873,205	17,839,219
Outstanding chips liabilities	1,694,055	3,989,175
Customer advances and other	1,467,134	1,485,085
Construction retention payable	405,843	568,770
Other casino liabilities	387,719	189,710
Construction payables	90,151	208,509
Other payables	33,802	68,135
Trade payables	31,400	15,608
Amounts due to related companies	22,531	28,920
	<u>23,005,840</u>	<u>24,393,131</u>

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2018 and 2017:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2018</u>						
Casino receivables (a)	348,917	(97,287)	251,630	-	-	251,630

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2018</u>						
Commission and incentives liabilities (b)	390,051	(2,332)	387,719	-	-	387,719
Deposits received from gaming patrons and gaming promoters (c)	1,542,721	(94,955)	1,447,766	-	-	1,447,766
	1,932,772	(97,287)	1,835,485	-	-	1,835,485

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<u>As at December 31, 2017</u>						
Casino receivables (a)	152,849	(25,749)	127,100	-	-	127,100

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
<u>As at December 31, 2017</u>						
Commission and incentives liabilities (b)	192,835	(3,126)	189,709	-	-	189,709
Deposits received from gaming patrons and gaming promoters (c)	1,496,913	(22,623)	1,474,290	-	-	1,474,290
	1,689,748	(25,749)	1,663,999	-	-	1,663,999

(a) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$322.6 million (2017: HK\$179.8 million) in the consolidated statement of financial position as at December 31, 2018.

(b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$6,874.0 million (2017: HK\$9,339.1 million) in the consolidated statement of financial position as at December 31, 2018.

(c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$6,874.0 million (2017: HK\$9,339.1 million) in the consolidated statement of financial position as at December 31, 2018.

Financial risk management objectives

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

26. FINANCIAL INSTRUMENTS – continued

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group holds bank balances, cash and deposits denominated in foreign currencies, consequently, exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in SG\$ and US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables) at the end of the reporting period are as follows:

Assets

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
SG\$	134,206	235,804
US\$	91,066	145,429
	<u> </u>	<u> </u>

Liabilities

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
US\$	22,996	10,566
	<u> </u>	<u> </u>

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to SG\$ and US\$. The following table details the Group's sensitivity to a 1% increase and decrease in the HK\$ against the SG\$ and US\$. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where the HK\$ weakens 1% against the SG\$ and US\$. For a 1% strengthening of the HK\$ against the SG\$ and US\$, there would be an equal and opposite impact on the result, and the balance would be negative.

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Sensitivity rate	1%	1%
Profit for the year		
Impact of US\$	681	1,349
Impact of SG\$	1,342	2,358

26. FINANCIAL INSTRUMENTS – continued

Interest rate risk

The Group's exposure to fair value interest rate risk related to fixed-rate borrowings is minimal because the Group's borrowings are predominantly done using variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 20 for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate bank borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2017: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's bank borrowing costs for the year ended December 31, 2018, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$95.3 million (2017: HK\$90.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at December 31, 2018 and 2017, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

The credit risk on the Group's bank balances and cash is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

26. FINANCIAL INSTRUMENTS – continued

Credit risk - continued

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, since January 1, 2018, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age, the counterparty's financial condition, collection history and any other known information. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

The following table provides information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2018.

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Within 30 days	3%	183,343	(4,853)
31 – 90 days	9%	107,325	(10,117)
91 – 180 days	30%	66,978	(20,039)
Over 180 days	100%	61,420	(61,420)
		<u>419,066</u>	<u>(96,429)</u>

Movement in the loss allowance during the year is as follows:

	<u>2018</u> HK\$'000
At January 1	58,750
Impairment losses recognized	90,623
Impairment losses reversed upon recovery	(39,363)
Amount written off, net	<u>(13,581)</u>
At December 31	<u>96,429</u>

The impairment losses recognized for the year ended December 31, 2018 are mainly attributable to the origination of new trade receivables that resulted in the loss allowance of HK\$87.2 million. The impairment losses reversed for the year ended December 31, 2018 mainly arise from the recovery of previously impaired doubtful debts of HK\$30.5 million. Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2018 and which are still subject to enforcement activity was HK\$22.1 million.

26. FINANCIAL INSTRUMENTS - continued

Credit risk - continued

Comparison information under IAS 39

Prior to January 1, 2018, an impairment loss was recognized when there was objective evidence of impairment (see note 3). Certain trade receivables were past due as at December 31, 2017 which the Group considered to be not impaired as they had either been subsequently settled or there had not been a significant change in credit quality and the amounts were still considered recoverable. The average age of these receivables was 69 days as at December 31, 2017. The aging of trade receivables which were past due but not impaired is as follows:

	<u>2017</u> HK\$'000
31 – 60 days	13,208
61 – 90 days	10,487
91 – 120 days	<u>20,681</u>
	<u>44,376</u>

Movement in the loss allowance during the year ended December 31, 2017, which was substantially all related to casino customers, is as follows:

	<u>2017</u> HK\$'000
At January 1	63,616
Impairment losses recognized	83,783
Impairment losses reversed upon recovery	(125,859)
Amount written back, net	<u>37,210</u>
At December 31	<u>58,750</u>

As at December 31, 2017, casino receivables of HK\$30.8 million have been fully provided for. The impairment losses recognized for the year ended December 31, 2017 were attributable to casino customers who defaulted on the repayment of their debts and/or their creditworthiness has deteriorated.

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and bank borrowings deemed adequate by the management to finance the Group's operations and capital expenditure and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2018, the Group has unutilized credit facilities of approximately HK\$2,780.0 million (2017: approximately HK\$4,810.0 million) (See note 20).

The following table details the Group's remaining contractual maturity for its financial liabilities based upon the agreed repayment terms. The table has been drawn up based upon the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>As at December 31, 2018</u>								
Trade payables	-	31,400	-	-	-	-	31,400	31,400
Construction payables	-	90,151	-	-	-	-	90,151	90,151
Other payables	-	16,720	-	1,183	15,899	-	33,802	33,802
Other casino liabilities	-	387,719	-	-	-	-	387,719	387,719
Outstanding chips liabilities	-	1,694,055	-	-	-	-	1,694,055	1,694,055
Customer advances and other	-	1,467,134	-	-	-	-	1,467,134	1,467,134
Bank borrowings	4.60	76,966	922,479	2,971,378	17,234,445	-	21,205,268	18,873,205
Construction retention payable	-	28,984	352,003	6,791	18,065	-	405,843	405,843
Amounts due to related companies	-	22,531	-	-	-	-	22,531	22,531
Guarantee contracts (note 28)	-	299,120	-	-	-	-	299,120	-
		<u>4,114,780</u>	<u>1,274,482</u>	<u>2,979,352</u>	<u>17,268,409</u>	<u>-</u>	<u>25,637,023</u>	<u>23,005,840</u>

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>As at December 31, 2017</u>								
Trade payables	-	15,608	-	-	-	-	15,608	15,608
Construction payables	-	208,509	-	-	-	-	208,509	208,509
Other payables	-	48,661	-	2,005	14,485	2,984	68,135	68,135
Other casino liabilities	-	189,710	-	-	-	-	189,710	189,710
Outstanding chips liabilities	-	3,989,175	-	-	-	-	3,989,175	3,989,175
Bank borrowings	3.45	659,853	7,614	5,873,160	12,157,865	-	18,698,492	17,839,219
Customer advances and other	-	1,485,085	-	-	-	-	1,485,085	1,485,085
Construction retention payable	-	288,865	710	11,936	267,259	-	568,770	568,770
Amounts due to related companies	-	28,920	-	-	-	-	28,920	28,920
Guarantee contracts (note 28)	-	302,620	-	-	-	-	302,620	-
		<u>7,217,006</u>	<u>8,324</u>	<u>5,887,101</u>	<u>12,439,609</u>	<u>2,984</u>	<u>25,555,024</u>	<u>24,393,131</u>

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings (note 20) HK\$'000
At January 1, 2017	14,708,630
Financing cash flows	2,961,520
Amortization of debt finance costs	169,069
At December 31, 2017	17,839,219
Change in carrying amount due to adoption of IFRS 9 (note 2)	75,448
At January 1, 2018 (restated)	17,914,667
Financing cash flows	815,018
Drawing down from the Group's revolving credit facility to repay term loan	1,560,000
Repayment of term loan by drawing down from the Group's revolving credit facility	(1,560,000)
Amortization of debt finance costs	137,621
Loss on extinguishment of debt	5,899
At December 31, 2018	18,873,205

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

28. CONTINGENT LIABILITIES

a) Guarantees

As at December 31, 2018, the Group has given bank guarantees totalling HK\$299.1 million (2017: HK\$302.6 million) to certain parties, of which HK\$295.3 million (2017: HK\$295.3 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$3.8 million (2017: HK\$3.8 million) was issued in favor of certain vendors. As at December 31, 2017, a bank guarantee of HK\$3.5 million (2018: nil) was issued in favor of a service provider, which was a related company as one of the Directors of the Company had non-controlling beneficial interests.

b) Litigation

The Group has been named as a defendant in legal proceedings filed in the Macau Court of First Instance against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. These cases are at an early stage and the Group intends to vigorously defend its position that it is not liable. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

29. OPERATING LEASE COMMITMENTS

The Group as the lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the land use right, office premises, warehouse, dormitory and equipment which fall due as follows:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Within one year	71,209	47,686
More than one year and not longer than five years	97,844	88,531
More than five years	94,870	103,007
	<u>263,923</u>	<u>239,224</u>

Note: The above disclosed commitments also include payments of HK\$32.4 million which are related to arrangements that contain lease and non-lease elements.

The Group as the grantor of the right of use

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers. The Group recorded these additional fees of HK\$59.6 million as other revenue for the year ended December 31, 2018 (2017: HK\$5.5 million).

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Within one year	51,111	46,118
More than one year and not longer than five years	77,248	124,985
More than five years	43	2,108
	<u>128,402</u>	<u>173,211</u>

30. CAPITAL COMMITMENTS

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Contracted but not accounted for	<u>144,442</u>	<u>642,581</u>

31. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract signed with the Macau Government for a period of 15 years ending on March 31, 2020 (which is subject to renewal by the Macau Government), MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 1.6% of the gross gaming revenue on a monthly basis, that will be made available to a public foundation for the promotion, development or study of culture, society, economy, education, science, charity events in Macau.
- iv) To pay the Macau Government a sum of 2.4% of the gross gaming revenue on a monthly basis to be used for urban development, tourist promotion and social security in Macau.
- v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2018 and the 25 new gaming tables approved for operation starting from January 1, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP200.2 million (equivalent to approximately HK\$194.3 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Contract.

32. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 28, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.2 million (2017: HK\$1.2 million), and the ultimate holding company of the Company amounting to HK\$22.3 million (2017: HK\$27.7 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Within 30 days	22,369	27,714
31 - 60 days	81	1,206
61 - 90 days	-	-
91 - 120 days	81	-
	<u>22,531</u>	<u>28,920</u>

- (b) The Group had the following significant transactions with related companies during the year:

<u>Related parties</u>	<u>Type of transaction</u>	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	3,896	3,855
	Travelling, accommodation and transportation, net of discounts *	88,710	61,377
Ultimate holding company	Marketing referral fees	15,558	15,678
	Marketing referral income	(461)	(221)
Company jointly-owned by Shareholders	Developers' fees capitalized	13,915	125,296
	License fee	336,676	268,730
		<u> </u>	<u> </u>

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million (2017: HK\$4.9 million) which fall due within the following three years (2017: two years).

32. RELATED PARTY TRANSACTIONS - continued

(b) *continued*

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the “Additional Property Cap Increase”). The Additional Property Cap Increase will also apply to subsequent calendar years, and shall also increase at the rate of 20% per year. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI are US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million), respectively. For the year ended December 31, 2017, the annual cap of MGM MACAU was US\$74.65 million (equivalent to approximately HK\$581.7 million). During the year ended December 31, 2018, total license fee expense of HK\$336.7 million (2017: HK\$268.7 million) was recognized in profit or loss.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Short term benefits	140,150	125,252
Post-employment benefits	3,240	3,089
Share-based payments	45,422	52,495
	<u>188,812</u>	<u>180,836</u>

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

33. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2018	December 31, 2017	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	-	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	-	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	-	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	-	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	-	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

MGM CHINA HOLDINGS LIMITED

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33. SUBSIDIARIES – continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2018	December 31, 2017	
珠海市橫琴新區倍福信息 服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation
珠海貝芙信息服務外包有 限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

MGM CHINA HOLDINGS LIMITED

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2018

	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries (note)	21,868,163	14,746,523
Dividends receivable (note)	-	5,738,395
Total non-current assets	<u>21,868,163</u>	<u>20,484,918</u>
Current assets		
Prepayments	988	1,202
Bank balances and cash	46,020	64,303
Total current assets	<u>47,008</u>	<u>65,505</u>
TOTAL ASSETS	<u>21,915,171</u>	<u>20,550,423</u>
EQUITY		
Capital and reserves		
Share capital (note 22(a))	3,800,000	3,800,000
Share premium and reserves (note)	17,725,528	16,078,714
TOTAL EQUITY	<u>21,525,528</u>	<u>19,878,714</u>
LIABILITIES		
Non-Current liability		
Deferred tax liability	-	317,147
Current liabilities		
Payables and accrued charges	2,790	3,525
Amounts due to subsidiaries	386,853	351,037
Total current liabilities	<u>389,643</u>	<u>354,562</u>
TOTAL LIABILITIES	<u>389,643</u>	<u>671,709</u>
TOTAL EQUITY AND LIABILITIES	<u>21,915,171</u>	<u>20,550,423</u>

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement in share premium and reserves of the Company is as follows:

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2017		10,435,363	4,178	306,553	132,000	3,423,086	14,301,180
Profit for the year and total comprehensive income		-	-	-	-	2,804,616	2,804,616
Exercise of share options	22(a)&23	115,013	-	(32,323)	-	-	82,690
Share repurchase and cancellation							
- repurchases of Shares	22(a)&22(b)(i)	(140,848)	-	-	-	-	(140,848)
- transfer	22(b)(i)	-	7,016	-	-	(7,016)	-
Forfeiture of share options	23	-	-	(8,247)	-	8,247	-
Recognition of share-based payments	23	-	-	79,900	-	-	79,900
Dividends paid	13	-	-	-	-	(1,048,824)	(1,048,824)
At December 31, 2017 and January 1, 2018		10,409,528	11,194	345,883	132,000	5,180,109	16,078,714
Profit for the year and total comprehensive income		-	-	-	-	2,202,968	2,202,968
Exercise of share options	22(a)&23	48,983	-	(14,801)	-	-	34,182
Share repurchase and cancellation							
- repurchases of Shares	22(a)&22(b)(i)	(55,134)	-	-	-	-	(55,134)
- transfer	22(b)(i)	-	2,682	-	-	(2,682)	-
Forfeiture of share options	23	-	-	(1,216)	-	1,216	-
Recognition of share-based payments	23	-	-	76,639	-	-	76,639
Dividends paid	13	-	-	-	-	(611,841)	(611,841)
At December 31, 2018		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528

During the year ended December 31, 2018, dividends receivable by the Company from MGM Grand Paradise of HK\$7,045.0 million (2017: nil) were waived and a corresponding amount was recognized as an increase in investment in subsidiaries.



MGM China Holdings Limited

US\$750,000,000 4.75% Senior Notes due 2027

OFFERING MEMORANDUM

Joint Global Coordinators and Joint Bookrunners

BofA Securities

Bank of China Macau Branch

ICBC (Macau)

Joint Bookrunners

**Bank of Communications
Macau**

BNP PARIBAS

SMBC Nikko

UBS

Barclays

**Banco Nacional
Ultramarino, S.A.**

Deutsche Bank

J.P. Morgan

Scotiabank

**China Construction Bank
Corporation Macau
Branch**

**China International
Capital Corporation**

Union Gaming

March 25, 2021