

# MGM China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2282



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

# 2021 ANNUAL REPORT





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

William Joseph Hornbuckle (*Chairperson*)  
Pansy Catilina Chiu King Ho (*Co-Chairperson*)  
Chen Yau Wong  
John M. McManus

### NON-EXECUTIVE DIRECTORS

Kenneth Xiaofeng Feng  
Daniel J. Taylor  
Ayesha Khanna Molino  
Jonathan S. Halkyard (*appointed on June 29, 2021*)  
James Freeman (*resigned on June 29, 2021*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Sze Wan Patricia Lam  
Russell Francis Banham  
Simon Meng  
Chee Ming Liu (*appointed on May 27, 2021*)  
Zhe Sun (*retired on May 27, 2021*)

### AUDIT COMMITTEE

Russell Francis Banham (*Chairperson*)  
Simon Meng  
Ayesha Khanna Molino  
Chee Ming Liu (*appointed on May 27, 2021*)  
Jonathan S. Halkyard (*appointed on June 29, 2021*)  
Zhe Sun (*retired on May 27, 2021*)  
James Freeman (*resigned on June 29, 2021*)

### REMUNERATION COMMITTEE

Sze Wan Patricia Lam (*Chairperson*)  
(*appointed as Chairperson on May 27, 2021*)  
Pansy Catilina Chiu King Ho  
Russell Francis Banham  
Simon Meng  
Daniel J. Taylor  
Chee Ming Liu (*appointed on May 27, 2021*)  
Zhe Sun (*retired on May 27, 2021*)

### NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Simon Meng (*Chairperson*)  
(*appointed as Chairperson on May 27, 2021*)  
Chen Yau Wong  
Russell Francis Banham  
John M. McManus  
Sze Wan Patricia Lam (*resigned as Chairperson and remained as a member on May 27, 2021*)  
Ayesha Khanna Molino  
Chee Ming Liu (*appointed on May 27, 2021*)  
Zhe Sun (*retired on May 27, 2021*)

### COMPANY SECRETARY

Antonio Jose Menano

### AUTHORIZED REPRESENTATIVES

William Joseph Hornbuckle  
Antonio Jose Menano

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants and Registered Public Interest Entity Auditors*

## LEGAL ADVISORS

As to Hong Kong law:  
Herbert Smith Freehills  
23rd Floor, Gloucester Tower  
15 Queen's Road Central  
Hong Kong

As to Macau law:  
DSL Lawyers  
Avenida da Praia Grande no. 409  
China Law Building 16th Floor  
Macau

## REGISTERED OFFICE IN CAYMAN ISLANDS

One Nexus Way  
Camana Bay  
Grand Cayman KY1-9005  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN MACAU

Avenida Dr. Sun Yat Sen, Edifício MGM MACAU  
NAPE, Macau

## PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

1402 China Merchants Tower  
200 Connaught Road  
Central, Hong Kong

## HONG KONG LISTED SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## CAYMAN ISLANDS UNLISTED SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited  
One Nexus Way  
Camana Bay, Grand Cayman KY1-9005  
Cayman Islands

## COMPANY WEBSITE

[www.mgmchinaholdings.com](http://www.mgmchinaholdings.com)

## STOCK CODE

2282

# FINANCIAL HIGHLIGHTS

|   | For the year ended      |                  |
|---|-------------------------|------------------|
|   | December 31             |                  |
|   | 2021                    | 2020             |
|   | HK\$'000                | HK\$'000         |
| Casino revenue  | <b>8,223,054</b>        | 4,384,081        |
| Other revenue   | <b>1,187,760</b>        | 711,902          |
| Operating revenue                                       | <b>9,410,814</b>        | 5,095,983        |
| Adjusted EBITDA (unaudited)                             | <b>187,176</b>          | (1,371,723)      |
| Operating loss  | <b>(2,348,629)</b>      | (4,134,192)      |
| Loss for the year attributable to owners of the Company | <b>(3,846,616)</b>      | (5,201,531)      |
| Loss per Share  |                         |                  |
| — Basic   | <b>(HK 101.2 cents)</b> | (HK 136.9 cents) |
| — Diluted   | <b>(HK 101.2 cents)</b> | (HK 136.9 cents) |



# CHAIRPERSON'S STATEMENT

Looking ahead, we believe the future development of Macau will focus on business diversification and the development of Tourism+. As a leader in cultural tourism, MGM China strives to develop cutting-edge entertainment and experiences rooted in Macau's unique culture, history and traditions.

# CHAIRPERSON'S STATEMENT



**WILLIAM JOSEPH HORNBUCKLE**  
Chairperson





Dear Shareholders,

2021 was a year of both great challenges and great achievements for Macau. Despite the ongoing global COVID-19 pandemic, the resilience of the Macau people along with the decisive actions of the Government led by the Chief Executive have helped the community recover. On the economic side, there are signs of GDP growth after two consecutive years of decline. The prudent and efficient implementation of border control, travel policies and precautionary measures by the Macau and mainland China authorities have proven effective in making Macau a safe place to live, work and play.

With the resumption of quarantine-free travel for a number of Chinese cities and the gradual lifting of border restrictions, Macau visitation experienced a 31% growth year-over-year. Average hotel occupancy in the city also improved to 50% in 2021 from 29% in 2020. To further encourage Macau visitation and boost tourism from mainland China, MGM China joined the Macau Government Tourism Office (MGTO) in supporting a series of five “Macau Week” promotional roadshows across Shanghai, Hangzhou, Nanjing, Sichuan and Chongqing. The roadshows attracted close to 2 million visitors and captured more than 5 billion views across various media channels.

# CHAIRPERSON'S STATEMENT



Macau's gross gaming revenue (GGR) grew 44% year-over-year to more than HK\$84 billion, despite the continuous impact of the pandemic inhibiting travel to the city. Our innovative business strategies and strong execution underpinned the Group's operating revenue which soared by 85% to HK\$9.4 billion. Improvements on products and services enabled the Group to recover daily GGR to 40% of 19Q4 pre-pandemic levels, outperforming market recovery of 30%. The adjusted EBITDA was HK\$187 million for the Group, a significant turnaround from a negative adjusted EBITDA of HK\$1.4 billion in 2020.

In 2021, MGM COTAI launched the Emerald Villa, a tangible exemplar that captures MGM China's spirit of "Originality + Innovation." These suites expanded our premium offerings and complemented the room product portfolio in accommodating a broad range

of guest preferences. The Villa was honored with double accolades for its interior design, winning the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category and the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category. The MGM China team is the first in Macau to receive these global design recognitions.

Our commitment to outstanding service is an integral part of our success. MGM China prides itself on "Making Great Moments" for every guest and through this customer-centric focus, MGM MACAU was once again awarded the prestigious Forbes Five-Star Rating for the sixth consecutive year. The Tria Spa was also recognized by the luxury spa industry, receiving the Forbes Five-Star and the SpaChina awards.



With these product enhancements and attention to service excellence creating the basis for a strong operating momentum, our market share hit a record high of 14% in the last quarter of 2021. This achievement is attributed to our team's effort and dedication to performance.

People are our most valuable asset, and we believe in investing in their well-being and development. Over the past year, we enhanced our spending on training by 27% to provide our employees with approximately 590,000 training hours through workshops, seminars and online platforms. We continue to build and invest in a strong pool of talent to further the development of tourism in Macau and nearly 92% of the management team of MGM China comprises Macau locals.

As a corporate citizen of Macau for almost 20 years, we are committed to actively supporting the local community. Our team of volunteers contributed over 21,000 hours of service last year to support social campaigns and assisted thousands of residents. As part of our commitment to working with small and medium enterprises in Macau, our procurement spending on local companies increased to 30% from 23% in 2020. We also reached out to our neighboring Greater Bay Area (GBA) communities through partnerships with the MGTO.

Looking ahead, we believe the future development of Macau will focus on business diversification and the development of Tourism+. As a leader in cultural tourism, MGM China strives to develop cutting-edge entertainment and experiences rooted in Macau's

# CHAIRPERSON'S STATEMENT

unique culture, history and traditions. Last year, we presented the award-winning techno-cultural dance drama MGM Awakening Lion with the Guangzhou Song and Dance Theater in the MGM Theater.

To highlight our iconic lion symbol, we worked with Chinese artists from around the world on a special exhibit entitled, "Awakening." The pieces were featured in Art Macao: Macao International Art Biennale 2021 organized by the Macau Government and was the first public exhibition of our uniquely curated Chairman's Collection. These events illustrate MGM China's ongoing commitment to promote cultural awareness.

In addition to our efforts in art and cultural developments, MGM China also supports sports tourism, an area of growing interest among young visitors. Over the years, MGM China has sponsored world-renowned teams in sporting events such as the Macau Grand Prix and the MGM Greater Bay Area GT Cup. We want to provide platforms for athletes to showcase their skills and further sportsmanship across the region. The competitions help strengthen the integration between Macau and other GBA cities, one of the key objectives laid out in Macau's second five-year plan.

We remain optimistic about the outlook of Macau. In the recently released amendment of the gaming law, the Macau Government provided details on the important aspects of the overall administrative procedures and timetable, outlining a framework on the upcoming retendering process which is critical to maintaining a healthy and sustainable development of the gaming industry. While the gaming bill is subject to debate and approval by the Macau Legislative Assembly, it precedes the public retendering of the new gaming concessions. The Macau Government has recently announced its intention to extend the term of the current concession and sub-concession contracts until the end of 2022. We have submitted a request for the extension in March and will continue to closely monitor the retendering and extension developments as well as any guidance issued by the Macau Government. We will respond proactively and remain confident in satisfying all the relevant requirements set forth.

MGM China is committed to supporting Macau's continual development as a world-class tourism and leisure destination. We aim to support the Macau Government in achieving its diversification goals and will continue to invest in innovative projects and programs that help the region flourish.

**Bill Hornbuckle**

*Chairperson*

# DIRECTORS AND SENIOR MANAGEMENT

## MEMBERS OF OUR BOARD

### Executive Directors

**William Joseph Hornbuckle**, aged 64, 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 serves 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 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 of the United Way of Southern Nevada, the University of Nevada Las Vegas Foundation, and the Andre Agassi Foundation. From 1999 to 2003, Mr. Hornbuckle 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Pansy Catilina Chiu King Ho**, SBS, JP, aged 59, 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, positions she has held since 2017 and 1999 respectively, and the Vice-Chairman and non-executive Director of Phoenix Media Investment (Holdings) Limited since 2021; both of these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, she 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. In Hong Kong, she is a Chairperson of Hong Kong Federation of Women, and a Committee Member of The Chinese General Chamber of Commerce. In China, she is a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, an Executive President of China Chamber of Tourism and a Vice President of China Women's Chamber of Commerce under All-China Federation of Industry and Commerce. In Macau, she was appointed as member of Board of Trustees of Cultural Development Fund by the Government of Macau Special Administrative Region in January 2022. She is 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 Board of Directors of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Ms. Ho also serves as executive Chairman of World Federation of Chinese Entrepreneur Organization since November 2021. 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 received an 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 Justices of Peace and was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in July 2015 and October 2020 respectively. She was bestowed the Medal of Merit - Tourism by the Government of Macau Special Administrative Region in September 2019. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the Santa Clara University in the United States.

**Chen Yau Wong**, aged 68, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong has been 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 to June 2016 and of Grand Paradise Grupo S.A. from January 2005 to 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.

**John M. McManus**, aged 55, 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.

# DIRECTORS AND SENIOR MANAGEMENT

## Non-executive Directors

**Kenneth Xiaofeng Feng**, aged 51, is a non-executive Director since May 24, 2018 and serves as President, Strategic and Chief Financial Officer since 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 for both MGM MACAU and for Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government). Mr. Feng was appointed as Vice President - International Operations in 2007 and Senior Vice President of MGM Resorts International in 2009. He is active in strategic, development and operations roles both with MGM China Holdings Limited and with Diaoyutai MGM Hospitality, Ltd. 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.

**Daniel J. Taylor**, aged 65, 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.



**Ayesha Khanna Molino**, aged 41, is a non-executive Director of the Company since August 6, 2020 and a member of the Audit Committee and of the Nomination and Corporate Governance Committee since November 5, 2020. Ms. Molino has been the Senior Vice President for Public 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 Law School. She is also a member (currently inactive) of the Virginia Bar Association.

**Jonathan S. Halkyard**, aged 57, is a non-executive Director of the Company and a member of the Audit Committee since June 29, 2021. He has been the Chief Financial Officer of MGM Resorts International since January 2021, overseeing all financial activities across MGM Resorts International's domestic and international portfolios, as well as investor relations, accounting, procurement, treasury and tax. Before joining MGM Resorts International, Mr. Halkyard served as the President and Chief Executive Officer of Extended Stay America, Inc., where he also held roles as Chief Financial Officer and Chief Operating Officer between September 2013 and December 2019. Before joining Extended Stay America, Inc., Mr. Halkyard was the Executive Vice President and Chief Financial Officer of NV Energy, Inc., Mr. Halkyard held numerous operations and corporate roles in Caesars Entertainment, Inc., including Vice President, Treasurer, Senior Vice President, Executive Vice President and Chief Financial Officer between July 2005 and May 2012. Mr. Halkyard was a Director of Dave & Buster's Entertainment, Inc., from October 2011 until June 2021 and has been a Director of Shift4 Payments, Inc. since June 2020. Mr. Halkyard holds his Master of Business Administration from Harvard University and his Bachelor of Arts in Economics from Colgate University. He is also a member of the Board of Directors of the International Center for Responsible Gaming.

# DIRECTORS AND SENIOR MANAGEMENT

**James Freeman**, aged 53, was a non-executive Director and a member of the Audit Committee of the Company until his resignation from the Company on June 29, 2021, and from MGM Resorts International where he served as Senior Vice President, Capital Markets and Strategy. He was appointed as non-executive Director and a member of the Audit Committee of the Company 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. His role with MGM Resorts International was to reshape the company's balance sheet through his leadership of debt and equity capital raising activities. In addition, Mr. Freeman assisted with strategic planning, market analysis and strategic development. Mr. Freeman also served as the lead, from a financial perspective, on merger and acquisition activity. Mr. Freeman has in charged of 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 included 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.

## Independent non-executive Directors

**Sze Wan Patricia Lam**, aged 55, is an independent non-executive Director, and a member of the Nomination and Corporate Governance and of the Remuneration Committees of the Company since March 16, 2011. She served as the Chairperson of the Nomination and Corporate Governance Committee from March 16, 2011 until May 27, 2021 and was appointed as the Chairperson of the Remuneration Committee on May 27, 2021. She is the Chairperson 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 Chairperson of Sotheby's Asia in 2004. She was also appointed as Chairperson 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.

**Russell Francis Banham**, aged 68, 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 and the Environmental, Social and Corporate Governance 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 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Simon Meng**, aged 64, is an independent non-executive Director, a member of the Audit, of the Nomination and Corporate Governance Committee and of the Remuneration Committee of the Company since December 9, 2019. Mr. Meng was appointed as the Chairperson of the Nomination and Corporate Governance Committee on May 27, 2021. Mr. Meng is a member of the International Advisory Board of the Shanghai Symphony Orchestra. He is an international partner in Shanghai of King & Wood Mallesons since April 1, 2021 and is 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 State of New York 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 August 1996. Prior to joining Linklaters, Mr. Meng was a partner of King & Wood Mallesons from October 2012 until April 2017, Herbert Smith from April 2000 to September 2012, 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.

**Chee Ming Liu**, aged 71, 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 May 27, 2021. Mr. Liu is currently the Managing Director of Platinum Holdings Company Limited, which he established in March 1996, and oversees its stock broking, corporate finance and asset management business. He has been appointed as an independent Director of STT Communication Limited since September 2020 and as an independent Director of OUE Commercial REIT Management Pte. Ltd. Mr. Liu is serving as a non-executive Director at Constellar Holdings Pte. Ltd. Mr. Liu has also been appointed as an Independent non-executive Director of DBS Bank (Hong Kong) Limited in June 2018, and as member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited in July 2019. He is also a Council Member of the Corporate Advisory Council of Hong Kong Securities and Investment Institute since May 2016. Mr. Liu holds a Bachelor’s degree in Business Administration from the former University of Singapore.

**Zhe Sun**, aged 56, was 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 until May 27, 2021. 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.

## Senior Management

**Zhi Qi (Hubert) Wang**, aged 54, 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 since June 2020. He currently oversees our gaming 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 successfully led the execution of many key technology and business process innovations. He has made service excellence a priority in our business operation, which along with product enhancement and brand marketing efforts, has improved customer retention and market share in the recent year. 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Antonio Jose Menano**, aged 59, 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.

**Yuen Ying (Wendy) Yu**, aged 54, is our Executive Vice President, Human Resources. Ms. Yu is responsible for leading the Human Resources functions and Sustainability initiatives 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).

**Han Tian**, aged 42, is our Senior Vice President of Gaming Operations & Strategic Marketing. Mr. Tian has been with the Company since November 2007, serving variety of roles from data analytics to gaming product optimization, to loyalty marketing. Mr. Tian is currently responsible for the overall gaming operations including Table Games and Slots, as well as strategic marketing functions for both MGM MACAU and MGM COTAI properties. 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.

**Sean Christopher Lanni**, aged 37, 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.

**Iwan Dietschi**, aged 56, is our Senior Vice President of Hospitality. Dr. Dietschi joined us in September 2021 from Ritz-Carlton and Marriott International after 26 years. He is responsible for leading and developing our Hotel, F&B and Retail for both MGM MACAU and MGM COTAI. Prior to joining our company, Dr. Dietschi was the Multi-Property Vice President, Luxury, in Greater China. In his long tenure in luxury hospitality, he worked in 4 Continents and 14 countries, the last 18 years in Asia/Pacific, especially in China. He was involved in more than 20 hotel openings for Ritz-Carlton and Marriott International. Dr. Dietschi graduated from the prestigious Ecole Hôtelière de Lausanne, his Executive MBA from California State University, Monterey Bay, in 2012, and received his Doctor of Business Administration from the College of Management and Technology at Walden University (USA). He also authored a book titled “Mastering Hospitality” published in 2021.

**Weng Kei (Catarina) Lio**, aged 44, 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.





# MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to closely monitor developments regarding the gaming concessions retendering or extension, including the issuance of guidance by the Macau Government. The Group intends to respond proactively and believes that we can satisfy the relevant requirements as they may be set out by the Macau Government relating to the extension of the existing sub-concession contract and the retendering of a gaming concession.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

MGM China is a leading developer, owner and operator of gaming and lodging resorts.

MGM MACAU, a Forbes Five-Star luxury integrated resort on the Macau peninsula inspired by the arts with every element of the resort infused with creativity and style. MGM COTAI, designed as the “jewelry box” of Cotai, offers gaming area and approximately 1,400 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. Emerald Villa is the latest addition to the luxurious accommodation during the year at MGM COTAI. It was awarded the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category, and the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category. Being the first in Macau to have received these two top design recognitions, the launch of Emerald Villa enhances our upscale suite offerings and complements our room product portfolio to accommodate a wider breadth of guest types.

## 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/sub-concessions 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 New York Stock Exchange. MGM Resorts International

is our controlling Shareholder (with an interest in 55.95% of our issued share capital) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

## RECENT DEVELOPMENTS

### Financial Impact of the COVID-19 Pandemic

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. This 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 the fight continues against 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. As a result, China's individual visa scheme was temporarily suspended and all operations at MGM MACAU and MGM COTAI were suspended for a 15-day period that commenced on February 5, 2020, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, although certain health safeguards, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect at the date of this report.

Since July 15, 2020, certain travel restrictions such as the medical observation period have been eased between cities in mainland China and Macau, subject to other COVID-19 safeguards measures. Additionally, tourist visa 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.

Effective from March 3, 2021, all guests entering casinos in Macau are not required to provide a negative nucleic acid test result and effective from March 16, 2021, certain exemptions apply to those individuals entering Macau who are not residents of mainland China, Hong Kong or Taiwan. However, as local COVID-19 cases were reported in mainland China and Macau from time to time during 2021, in

# MANAGEMENT DISCUSSION AND ANALYSIS



response to the risk of COVID-19 outbreak, tightened safeguard measures such as the medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result and closedown of certain entertainment and leisure facilities were reinforced on a temporary basis during the year.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, despite certain tightened safeguard measures being temporarily reinforced from time to time. Total visitor arrivals increased by 30.7% and the total visitation from mainland China to Macau increased by 48.2%

for the year ended December 31, 2021, respectively, over 2020. The Macau gross gaming revenue increased by 43.7% to HK\$84.3 billion for the year ended December 31, 2021 over 2020.

At the date of this report, various 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, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors). Given the uncertainties in the development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may be reintroduced. These restrictions significantly impact visitation to MGM MACAU and MGM COTAI,



which had a significant adverse impact on the Group's results for the year ended December 31, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

Further to the mitigating measures taken in 2020 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 Group has undertaken the following initiatives:

- 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;

- on March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million and a final maturity date of February 1, 2027. 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\$11.21 billion after the repayment) and for general corporate purposes. The 2027 Notes were listed on the Hong Kong Stock Exchange on March 31, 2021 and on Chongwa (Macao) Financial Asset Exchange Co., Limited on May 17, 2021; and

# MANAGEMENT DISCUSSION AND ANALYSIS

- on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed.

As at December 31, 2021, the Group had total liquidity of HK\$13.17 billion, consisting of HK\$3.11 billion of cash and cash equivalents and HK\$10.06 billion 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 new development activities underway and respond to the challenges of the pandemic.

## MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 845 slot machines, 289 gaming tables, and multiple VIP and private gaming areas as at December 31, 2021. The hotel comprises a 35-story tower with 585 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 839 slot machines and 263 gaming tables as at December 31, 2021. The hotel comprises two towers with 1,418 hotel rooms, suites and skylofts, twelve 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. MGM COTAI also features The Mansion, an ultra-exclusive resort within a resort which is available only to our most selective guests. Emerald Villa, the Winner for the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category as well as the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category, is the latest addition to

the luxurious accommodation at MGM COTAI. We are the first in Macau to have received these two recognitions that honor exceptional interior design. The launch of Emerald Villa during the year enhances our upscale suite offerings and complements our room product portfolio to accommodate a wider breadth of guest types.

### OUR COMPETITIVE STRENGTHS AND OPERATING STRATEGIES

We have a number of competitive strengths including:

- Significant benefits from relationships with MGM Resorts International and Ms. Pansy Ho;
- Experienced management team with a proven track record;
- Diversified resort offerings;
- Innovative entertainment and art attractions;
- One of the most recognizable resort brands in the industry;
- Unique strategic position towards premium mass;
- Strong cash flow generation and significant growth potential; and
- Strong balance sheet with significant financial flexibility.

To build on our competitive strengths, operationally we focus on continuously improving 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 Cotai. Additionally, we continue to implement the following business strategies to enhance our position as the leading developer and operator of integrated casino, hotel and entertainment resorts in Macau:

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;
- Utilize The Mansion, Mansion One and Emerald Villa to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 during the pandemic 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 health and safety concerns.

The Company has implemented the following recovery strategies to attract customer visitations upon the gradual easing of regional travel restrictions:

- implementing new initiatives in hygiene and social distancing to address customer health and safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces and MGM Theater, 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
- launching the Emerald Villa to strengthen our position in the premium mass market.

## 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. Infrastructure investment and growth in room supply support 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 70.9% of visitors to Macau in 2019 before the COVID-19 pandemic, were from mainland China.

Aside from the COVID-19 pandemic as described above, 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 certain 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; monetary outflow policies and legislation on cross-border gambling. 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.

Following the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, total visitor arrivals increased by 30.7% and the total visitation from mainland China to Macau increased by 48.2% for the year ended December 31, 2021, respectively, over 2020. The Macau gross gaming revenue increased by 43.7% to HK\$84.3 billion for the year ended December 31, 2021 over 2020. The total visitor arrivals and Macau gross gaming revenue for the year ended December 31, 2021 were 80% and 70% lower than the pre-pandemic level in 2019 respectively.

We remain optimistic about the long-term growth of the Macau market due to:

- The financial investments made by gaming Concessionaires and Sub-Concessionaires, 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;
- Infrastructure improvements in Macau and the Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge; the expansion of the Macau Airport; the opening of Qingmao border and Hengqin border 24-hour checkpoints; the opening of Macau Light Rapid Transit (“Macau LRT”) System; the development of extension of Macau LRT route to Hengqin Island; 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;

# MANAGEMENT DISCUSSION AND ANALYSIS

- Development of Hengqin into a tourism island which together with Macau have been 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, 2021, there were 42 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. Our overall gaming market share was 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic. Driven by the premium mass market which both MGM MACAU and MGM COTAI are well positioned to capture, our overall gaming market share increased to 12.5% for the year ended December 31, 2021.

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 SUB-CONCESSION

Gaming in Macau is administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one. Similar to other Concessionaires/Sub-Concessionaires, the Sub-Concession Extension Contract of the Group's subsidiary is due to expire on June 26, 2022. Unless the Sub-Concession is extended, or legislation with regard to reversion of casino premises is amended, the MGM Grand Paradise's casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date without compensation, and the Group will cease to generate any revenues from such gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considers a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval and the bill was made available for consultation at the Macau Legislative Assembly website from January 18, 2022.

Under the bill, the existing sub-concessions will be discontinued and a maximum of six gaming concessions will be awarded for a term to be specified in the concession contract that may not exceed 10 years and which may be extended by a further three years under certain circumstances. The proposed maximum number of six gaming concessions was seen by the market analysts as an indication of continuity, in line with the declarations of the Macau Government reiterating the importance of balancing the stability of the economy and employment with the healthy development of the gaming industry.

The bill is subject to debate and approval by the Macau Legislative Assembly. The approval of the new gaming law bill will precede the public tender

for the awarding of new gaming concessions and up to the date of this report, the Macau Government has provided no indication as to when the public tender will take place, but on March 3, 2022, the Macau Government announced its intention to extend the term of Macau's six concession and sub-concession contracts from June 26, 2022 until December 31, 2022, and invited the concessionaires and sub-concessionaires to submit a formal request for an extension. On March 11, 2022, MGM Grand Paradise submitted its request for an extension, along with a commitment to pay the Macau Government up to MOP47 million (approximately HK\$45.6 million) and provide a bank guarantee to secure the fulfilment of MGM Grand Paradise's payment obligations towards its employees should MGM Grand Paradise be unsuccessful in tendering for a new concession contract after its Sub-concession expires on December 31, 2022. The extension of MGM Grand Paradise's sub-concession is subject to approval by the Macau Government as well as entering into a new sub-concession extension contract with SJM.

The Group continues to closely monitor developments regarding the gaming concessions retendering or extension, including the issuance of guidance by the Macau Government. The Group intends to respond proactively and believes that it will be in position to satisfy the relevant requirements as they may be set out by the Macau Government relating to the extension of the existing sub-concession contract and the retendering of a gaming concession.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GAMING PATRONS

Our results of operations are substantially dependent upon casino revenue in the main floor gaming, VIP gaming and slot machines gaming operations. Our gaming patrons include main floor players, in-house VIP players and gaming promoters who help source certain of our 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. 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 spaces for their use. Subject to DICJ’s approval, 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 Operations

#### *In-house VIP Players*

In-house VIP players are 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 VIP players reside.

In order to minimize the credit risk with 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 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. The Group regularly reviews the recoverable amount of each individual debt to ensure that adequate loss allowances are made for irrecoverable amounts. We have been successful in collecting some receivables previously considered to be at risk of recoverability.

### ***Gaming Promoters***

A portion of our VIP casino play is referred to us by gaming promoters who introduce high-end VIP players to us and normally assist those customers with their travel and entertainment arrangements. Historically, from time to time and on a case-by-case basis, we granted credit, which was non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements.

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. 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 December 2021, in view of recent events surrounding the gaming promotion sector and considering the inherent reputational and financial risks posed to the Company, the Group suspended the VIP operations with our primary gaming promoters.

On January 14, 2022, the Macau Government disclosed the content of a draft bill to amend the gaming law as a prerequisite to the gaming concessions retendering process. That bill comprises certain restrictions relating to gaming promoters, including (1) each gaming promoter can only exercise the activity of gaming promotion in one concessionaire; (2) gaming promoters are prohibited to share, in any way or agreement, with the concessionaires, the revenues from casinos; (3) gaming promoters are prohibited to have the exclusive operation of casino reserved areas; and (4) gaming promoters are restricted to providing support only to the concessionaires in the promotion of casino gaming activities, through commissions. The bill is subject to debate and approval by the Macau Legislative Assembly.

### **GGR MIX**

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Driven by the premium mass market, our proportion of GGR from the mass and VIP market was 80% and 20%, respectively, for the year ended December 31, 2021 compared to 72% and 28% in 2020, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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. MGM MACAU also featured the

Valkyrie Octopus Art Installation, which was created by renowned Portuguese artist Joana Vasconcelos commissioned specially for MGM Macau.

Following 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. The MGM Cotai Art Collection features over 300 captivating and thought-provoking works seamlessly integrated with MGM COTAI's public spaces. Headlining the MGM Cotai Art Collection are 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing. In addition, our Chairman's Collection, comprised of highly-collectible artworks – paintings, sculptures and installations at MGM COTAI, provides a stunning visual complement to MGM COTAI. The Chairman's Collection demonstrates our commitment to create world-class destinations that epitomize entertainment, creativity and style.

Supporting the diversification goal of the Macau Government, we have been an advocate of cultural tourism and have actively promoted originality, creativity, and innovation since the opening of MGM MACAU. In 2021, we have successfully organized “Dialogue on Aesthetics – Beauty in Life”, “Ren Dongsheng Scenography Exhibition” and sponsored the MGM Greater Bay Area GT Cup at the 68th Macau Grand Prix to promote cultural tourism. In building Macau into a base for exchange and cooperation with Chinese culture, MGM China, together with Guangzhou Song and Dance Theater, has brought into Macau the “MGM Awakening Lion” Dance Drama Residency Show in December 2021. This large-scale ethnic dance drama, where lion dance, a symbol of Chinese national heritage and festive culture, stands as the theme of the show. “MGM Awakening Lion” is the first project of the “MGM Lion IP (Intellectual Property)”, which is a brand-new style of experiencing Macau with a wide range of events created with the lion persona as the core. We also presented the special exhibition “Awakening” at MGM COTAI from July to October 2021, in the theme of “Art Macao: Macao International Art Biennale 2021”.

### 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, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table presents the reconciliation of the Group's adjusted EBITDA to loss attributable to owners of the Company for the years ended December 31, 2021 and 2020:

|  | For the year ended |             |
|--|--------------------|-------------|
|  | December 31        |             |
|  | 2021               | 2020        |
|  | HK\$'000           | HK\$'000    |
| <b>Loss for the year attributable to owners of the Company</b>           | <b>(3,846,616)</b> | (5,201,531) |
| Income tax expense   | <b>18,615</b>      | 10,186      |
| Net foreign currency loss/(gain)   | <b>100,653</b>     | (52,024)    |
| Finance costs  | <b>1,383,508</b>   | 1,118,409   |
| Interest income  | <b>(4,789)</b>     | (9,232)     |
| <b>Operating loss</b>  | <b>(2,348,629)</b> | (4,134,192) |
| Depreciation and amortization  | <b>2,157,474</b>   | 2,467,666   |
| Loss on disposal/write-off of property and equipment<br>and other assets | <b>19,543</b>      | 13,287      |
| Pre-opening costs <sup>(1)</sup> (unaudited)                             | <b>19,364</b>      | —           |
| Corporate expenses (unaudited)   | <b>287,782</b>     | 212,933     |
| Share-based payments   | <b>51,642</b>      | 68,583      |
| <b>Adjusted EBITDA (unaudited)</b>                                       | <b>187,176</b>     | (1,371,723) |
| <b>MGM MACAU Adjusted EBITDA<sup>(2)</sup> (unaudited)</b>               | <b>360,899</b>     | (384,012)   |
| <b>MGM COTAI Adjusted EBITDA (unaudited)</b>                             | <b>(173,723)</b>   | (987,711)   |

<sup>(1)</sup> Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM COTAI.

<sup>(2)</sup> MGM MACAU Adjusted EBITDA for the year ended December 31, 2021 includes a provision for litigation proceedings of HK\$202.7 million, further details of which are disclosed below under Provisions and Contingent Liabilities and in note 28 to the consolidated financial statements.



## DISCUSSION OF RESULTS OF OPERATIONS

**Financial results for the year ended December 31, 2021 compared to financial results for the year ended December 31, 2020**

### OPERATING REVENUE

The following table sets forth the operating revenue for the years ended December 31, 2021 and 2020.

|                          | For the year ended |           |
|--------------------------|--------------------|-----------|
|                          | December 31        |           |
|                          | 2021               | 2020      |
|                          | HK\$'000           | HK\$'000  |
| <b>MGM MACAU</b>         | <b>5,180,280</b>   | 2,793,858 |
| Casino revenue           | <b>4,608,499</b>   | 2,474,342 |
| Other revenue            | <b>571,781</b>     | 319,516   |
| <b>MGM COTAI</b>         | <b>4,230,534</b>   | 2,302,125 |
| Casino revenue           | <b>3,614,555</b>   | 1,909,739 |
| Other revenue            | <b>615,979</b>     | 392,386   |
| <b>Operating revenue</b> | <b>9,410,814</b>   | 5,095,983 |

Operating revenue of HK\$9,410.8 million for the year ended December 31, 2021 was 84.7% higher than the prior year. This increase was primarily due to the increase in inbound tourists and gradual recovery of business activities compared to the prior year. However, our operating revenue for the year ended December 31, 2021 was 58.7% lower than in 2019 before the COVID-19 pandemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SUMMARY STATISTICS

The following table presents the key measurements we use to evaluate operating revenue.

| MGM MACAU  | For the year ended |             |
|--|--------------------|-------------|
|  | December 31        |             |
|  | 2021               | 2020        |
| (in thousands, except for number of gaming units, percentage and REVPAR)                               | HK\$'000           | HK\$'000    |
|  | (unaudited)        | (unaudited) |
| Main floor table games drop  | <b>20,299,155</b>  | 8,907,488   |
| Main floor gross table games win <sup>(1)</sup>  | <b>4,125,052</b>   | 1,813,594   |
| Main floor table games win percentage  | <b>20.3%</b>       | 20.4%       |
| Average daily gross win per main floor gaming table  | <b>52.2</b>        | 26.3        |
| VIP table games turnover   | <b>41,078,818</b>  | 32,225,466  |
| VIP gross table games win <sup>(1)</sup>   | <b>1,198,775</b>   | 1,097,452   |
| VIP table games win percentage<br>(calculated before commissions, complimentarys and other incentives) | <b>2.92%</b>       | 3.41%       |
| Average daily gross win per VIP gaming table   | <b>48.3</b>        | 47.5        |
| Slot machine handle  | <b>13,276,317</b>  | 9,105,859   |
| Slot machine gross win <sup>(1)</sup>  | <b>504,795</b>     | 327,529     |
| Slot hold percentage   | <b>3.8%</b>        | 3.6%        |
| Average daily win per slot   | <b>1.9</b>         | 1.4         |
| Commissions, complimentarys and other incentives <sup>(1)</sup>  | <b>(1,220,123)</b> | (764,233)   |
| Room occupancy rate  | <b>79.8%</b>       | 35.6%       |
| REVPAR   | <b>1,155</b>       | 593         |
|  |                    |             |
|  | As at December 31  |             |
|  | 2021               | 2020        |
|  | (unaudited)        | (unaudited) |
| Gaming Units:  |                    |             |
| Tables <sup>(2)</sup>  | <b>289</b>         | 279         |
| Slot machines <sup>(3)</sup>   | <b>845</b>         | 638         |

| <b>MGM COTAI</b>   | <b>For the year ended<br/>December 31</b> |                    |
|--|---|--------------------|
| (in thousands, except for number of gaming units,<br>percentage, and REVPAR)                           | <b>2021</b>                               | <b>2020</b>        |
|  | <b>HK\$'000</b>                           | <b>HK\$'000</b>    |
|  | <b>(unaudited)</b>                        | <b>(unaudited)</b> |
| Main floor table games drop  | <b>14,747,578</b>                         | 6,892,861          |
| Main floor gross table games win <sup>(1)</sup>  | <b>3,381,925</b>                          | 1,809,847          |
| Main floor table games win percentage  | <b>22.9%</b>                              | 26.3%              |
| Average daily gross win per main floor gaming table  | <b>43.5</b>                               | 25.8               |
| VIP table games turnover   | <b>24,981,565</b>                         | 22,181,609         |
| VIP gross table games win <sup>(1)</sup>   | <b>913,578</b>                            | 551,059            |
| VIP table games win percentage<br>(calculated before commissions, complimentarys and other incentives) | <b>3.66%</b>                              | 2.48%              |
| Average daily gross win per VIP gaming table   | <b>50.9</b>                               | 30.1               |
| Slot machine handle  | <b>12,015,749</b>                         | 7,454,978          |
| Slot machine gross win <sup>(1)</sup>  | <b>406,803</b>                            | 233,176            |
| Slot hold percentage   | <b>3.4%</b>                               | 3.1%               |
| Average daily win per slot   | <b>1.4</b>                                | 1.0                |
| Commissions, complimentarys and other incentives <sup>(1)</sup>  | <b>(1,087,751)</b>                        | (684,343)          |
| Room occupancy rate  | <b>47.2%</b>                              | 22.4%              |
| REVPAR   | <b>569</b>                                | 327                |
|  | <b>As at December 31</b>                  |                    |
|  | <b>2021</b>                               | <b>2020</b>        |
|  | <b>(unaudited)</b>                        | <b>(unaudited)</b> |
| Gaming Units:  |   |                    |
| Tables <sup>(2)</sup>  | <b>263</b>                                | 273                |
| Slot machines <sup>(3)</sup>   | <b>839</b>                                | 655                |

<sup>(1)</sup> Reported casino revenue is different to the total of “main floor gross table games win”, “VIP gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentarys and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.

<sup>(2)</sup> Permanent table count as at December 31, 2021 and 2020.

<sup>(3)</sup> Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CASINO REVENUE

|   | For the year ended |             |
|---|--------------------|-------------|
|   | December 31        |             |
|   | 2021               | 2020        |
|   | HK\$'000           | HK\$'000    |
| Main floor gross table games win                  | <b>7,506,977</b>   | 3,623,441   |
| VIP gross table games win                         | <b>2,112,353</b>   | 1,648,511   |
| Slot machine gross win                            | <b>911,598</b>     | 560,705     |
| Gross casino revenue                              | <b>10,530,928</b>  | 5,832,657   |
| Commissions, complimentaries and other incentives | <b>(2,307,874)</b> | (1,448,576) |
| Casino revenue                                    | <b>8,223,054</b>   | 4,384,081   |

Casino revenue increased year-over-year by 87.6% to HK\$8,223.1 million in 2021. The increase was primarily due to the gradual recovery of business activities following the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments. The components of our gaming operations were:

### Main Floor Table Gaming Operations

Main floor gross table games win increased year-over-year by 107.2% to HK\$7,507.0 million in 2021. Similarly, main floor table games drop in MGM MACAU and MGM COTAI increased by 127.9% to HK\$20,299.2 million and 114.0% to HK\$14,747.6 million during the current year, respectively.

### VIP Gaming Operations

Our VIP gross table games win increased year-over-year by 28.1% to HK\$2,112.4 million in 2021. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI increased by 27.5% to HK\$41,078.8 million and 12.6% to HK\$24,981.6 million during the current year, respectively.

### Slot Machine Gaming Operations

Slot machine gross win increased year-over-year by 62.6% to HK\$911.6 million in 2021. Similarly, slot machine handle in MGM MACAU and MGM COTAI increased by 45.8% to HK\$13,276.3 million and 61.2% to HK\$12,015.7 million during the current year, respectively.

## OTHER REVENUE

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased year-over-year by 66.8% to HK\$1,187.8 million in 2021. The increase was primarily due to the increase in inbound tourists and gradual recovery of business activities, 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 current and prior year.

## OPERATING COSTS AND EXPENSES

The major operating costs and expenses for the years ended December 31, 2021 and 2020 were:

|   | For the year ended |           |
|---|--------------------|-----------|
|   | December 31        |           |
|   | 2021               | 2020      |
|   | HK\$'000           | HK\$'000  |
| Gaming taxes                            | <b>4,242,245</b>   | 2,404,651 |
| Inventories consumed                    | <b>443,773</b>     | 290,639   |
| Staff costs                             | <b>3,147,909</b>   | 2,916,868 |
| Loss allowance on trade receivable, net | <b>125,095</b>     | 92,642    |
| Other expenses and losses               | <b>1,642,947</b>   | 1,057,709 |
| Depreciation and amortization           | <b>2,157,474</b>   | 2,467,666 |
| Finance costs                           | <b>1,383,508</b>   | 1,118,409 |
| Income tax expense                      | <b>18,615</b>      | 10,186    |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gaming tax

Gaming tax increased year-over-year by 76.4% to HK\$4,242.2 million in 2021. This increase was attributable to the higher gross gaming revenue generated during the current year.

## Inventories consumed

Inventories consumed increased year-over-year by 52.7% to HK\$443.8 million in 2021. This increase was attributable to the gradual recovery of business activities.

## Staff costs

Staff costs increased year-over-year by 7.9% to HK\$3,147.9 million in 2021. The increase was attributable to the gradual recovery of business in the current year.

## Loss allowance on trade receivables, net

Loss allowance on trade receivables, net, increased by 35.0% from HK\$92.6 million in 2020 to HK\$125.1 million in 2021. The increase was primarily driven by the expected credit losses for receivables from a gaming promoter.

## Other expenses and losses

Other expenses and losses increased year-over-year by 55.3% to HK\$1,642.9 million in 2021, which mainly resulted from:

*Advertising and promotion expense.* Advertising and promotion expense increased by 96.5% from HK\$199.0 million in 2020 to HK\$391.0 million in 2021. The increase resulted from increased marketing activities being organized during the current year in light of increased number of visitors due to gradual easing of travel restrictions.

*Provisions for litigation proceedings.* Provisions of HK\$202.7 million were made during the year ended December 31, 2021 (2020: nil) relating to expected losses for the Group's joint liabilities with gaming promoters, further details of which are disclosed below under Provisions and Contingent Liabilities and in note 28 to the consolidated financial statements.

*License fee and marketing fees.* License fee and marketing fees due to related companies increased by 80.0% from HK\$93.3 million in 2020 to HK\$168.1 million in 2021. This increase primarily resulted from higher revenue generated during the current year.

## Depreciation and amortization

Depreciation and amortization decreased year-over-year by 12.6% to HK\$2,157.5 million in 2021. The decrease was attributable to the impact of full depreciation of certain assets in 2021.

**Finance costs**

Total finance costs increased from HK\$1,118.4 million in 2020 to HK\$1,383.5 million in 2021. The increase was primarily due to a HK\$304.6 million increase in interest expense attributable to unsecured senior notes in 2021 as compared to 2020 following the additional debt raising completed in 2021. This increase was partly offset by a HK\$63.5 million decrease in interest expense attributable to unsecured credit facilities in 2021 as compared to 2020. As discussed above, the Group has undertaken a number of financing initiatives in response to the business disruption caused by the COVID-19 pandemic.

**Income tax expense**

Income tax expense in the current and prior years primarily related to the provision for Macau dividend withholding tax. Details of the Macau dividend withholding tax are set out in note 12 to the consolidated financial statements.

**LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Loss attributable to owners of the Company decreased from a loss of HK\$5,201.5 million in 2020 to a loss of HK\$3,846.6 million in 2021. The loss for the year is due to the significant continued business interruption caused by the COVID-19 pandemic.

The decreased loss for the year and improvement in Adjusted EBITDA are attributable to the partial recovery of business activities in the current year as a result of resumption of tourist visa issuance following efforts to control the COVID-19 pandemic by the mainland China and Macau Governments and to measures taken by management to constrain operating expenses as discussed above.

**LIQUIDITY AND CAPITAL RESOURCES****CAPITAL RESOURCES**

As at December 31, 2021, our cash and cash equivalents, and available undrawn credit facilities were HK\$3.11 billion and HK\$10.06 billion, respectively. These balances are available for operations, implementation of planned new development activities and enhancement of our properties, and response to the challenges of the pandemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, 2021 and 2020.

|                                       | As at                           |                                 |
|---------------------------------------|---------------------------------|---------------------------------|
|                                       | December 31<br>2021<br>HK\$'000 | December 31<br>2020<br>HK\$'000 |
| Borrowings, net of debt finance costs | <b>23,929,106</b>               | 21,155,040                      |
| Less: cash and cash equivalents       | <b>(3,112,020)</b>              | (2,635,511)                     |
| Net debt                              | <b>20,817,086</b>               | 18,519,529                      |
| Total equity                          | <b>1,196,916</b>                | 5,017,664                       |
| Total capital <sup>(1)</sup>          | <b>22,014,002</b>               | 23,537,193                      |
| Gearing ratio                         | <b>94.6%</b>                    | 78.7%                           |

<sup>(1)</sup> 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, 2021 and 2020.

|  | For the year ended |             |
|--|--------------------|-------------|
|  | December 31        |             |
|  | 2021               | 2020        |
|  | HK\$'000           | HK\$'000    |
| Net cash used in operating activities                  | <b>(449,607)</b>   | (2,969,889) |
| Net cash used in investing activities                  | <b>(518,489)</b>   | (831,958)   |
| Net cash generated from financing activities           | <b>1,442,561</b>   | 3,162,555   |
| Net increase/(decrease) in cash and cash equivalents   | <b>474,465</b>     | (639,292)   |
| Cash and cash equivalents at the beginning of the year | <b>2,635,511</b>   | 3,270,296   |
| Effect of foreign exchange rate changes, net           | <b>2,044</b>       | 4,507       |
| Cash and cash equivalents at the end of the year       | <b>3,112,020</b>   | 2,635,511   |

### Net cash used in operating activities

The decrease in net cash used in operating activities for the current year compared to the prior year was caused primarily by an increase in cash generated from operating activities due to gradual recovery of business activities.

### Net cash used in investing activities

Net cash used in investing activities was HK\$518.5 million in 2021 compared to HK\$832.0 million in 2020. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI including Emerald Villa and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$527.7 million and HK\$838.8 million in 2021 and 2020, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net cash generated from financing activities

Net cash generated from financing activities was HK\$1,442.6 million in 2021 compared to HK\$3,162.6 million in 2020.

The net cash generated from financing activities in the current year was primarily due to:

- HK\$5,813.0 million of proceeds from the issuance of the 2027 Notes; partially offset by
- HK\$3,160.0 million of net repayments on the Revolving Credit Facility; and
- HK\$1,063.2 million of interest payments.

The net cash generated from financing activities in the prior year was primarily due to:

- HK\$3,876.2 million of proceeds from the issuance of the 2025 Notes;
- HK\$770.0 million net draw down 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.

## CAPITAL COMMITMENTS

As at December 31, 2021, 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<br>2021<br>HK\$'000 | December 31<br>2020<br>HK\$'000 |
| Contracted but not accounted for | <b>102,538</b>                  | 273,361                         |

### PROVISIONS AND CONTINGENT LIABILITIES

As at December 31, 2021 and 2020, the Group had given bank guarantees totaling HK\$1,095.2 million in relation to the Sub-Concession, land concession and other operating purposes, of which HK\$1,087.4 million was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming Sub-Concession is not extended or renewed, subject to authorization of the Macau Government).

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 claimed to have placed cash deposits with gaming promoters who had operations at MGM MACAU and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely on the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos, as contemplated in article 29 of Administrative Regulation no. 6/2002, governing the licensing and activities of gaming promoters.

The Group has defended its position that it was not liable with respect to these claims. However, in February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, confirming the decision that the gaming promoter was liable for the refund of the deposits claimed by the plaintiffs and that the Group was jointly and severally liable for the fulfilment of the gaming promoter's monetary obligation. As there are no further appeals available to the Group and given the Group's assessment of the gaming promoter's inability to honor its financial obligation as ordered by the Court, the Group will need to make the payment directly to the plaintiffs of the principal amount of HK\$80 million plus interest. The interest calculated up to the end of the reporting period of December 31, 2021 is HK\$37 million. Upon payment to the plaintiffs the Group shall be entitled to claim from the gaming promoter the reimbursement, in all or in part, of the amount paid, in a separate lawsuit, to be filed by the Group against the gaming promoter. In light of the recent developments impacting the gaming promoter's activities, it is predicted that the chance to recover the loss suffered through the payments to be made by the Group is remote.

# MANAGEMENT DISCUSSION AND ANALYSIS

Consequently, considering the similar nature of the three legal proceedings, the Group has estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 in payables and accrued charges.

## INDEBTEDNESS

|                             | As at                           |                                 |
|-----------------------------|---------------------------------|---------------------------------|
|                             | December 31<br>2021<br>HK\$'000 | December 31<br>2020<br>HK\$'000 |
| Unsecured Senior Notes      | <b>21,440,650</b>               | 15,505,800                      |
| Unsecured Credit Facilities | <b>2,810,000</b>                | 5,970,000                       |
| Less: debt finance costs    | <b>(321,544)</b>                | (320,760)                       |
| Total borrowings            | <b>23,929,106</b>               | 21,155,040                      |

## 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 and US\$750 million of 5.875% senior notes due May 15, 2026. 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.

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million due June 18, 2025. 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.

On March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. 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 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

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 2025 and the 2027 Notes were issued pursuant to an indenture, dated June 18, 2020 and March 31, 2021, respectively, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The Unsecured Senior Notes are general unsecured obligations of the Company. The Unsecured Senior Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The Unsecured Senior 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 Unsecured Senior Notes.

The Unsecured Senior 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 Unsecured Senior Notes provide for certain events of default, including certain insolvency related proceedings relating to the Group.

Under the indentures of the Unsecured Senior Notes, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming license in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior 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 (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

On May 26, 2020, the Company entered into 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, 2021, the Group had total available undrawn unsecured credit facilities of HK\$10.06 billion.

#### *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, 2021, HK\$2.81 billion of the Revolving Credit Facility was drawn. HK\$6.94 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, 2021, the Group paid interest at HIBOR plus 2.75% per annum.

**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, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

# MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent to the execution of the amendments referred to above, the permitted leverage ratio and the permitted interest coverage ratio under the Revolving Credit Facility and under the Second Revolving Credit Facility are as follows:

| Accounting Date                 | Interest Coverage Ratio          | Leverage Ratio                   |
|---------------------------------|----------------------------------|----------------------------------|
| March 31, 2021                  | Not Applicable <sup>(2)</sup>    | Not Applicable <sup>(1)</sup>    |
| June 30, 2021                   | Not Applicable <sup>(2)</sup>    | Not Applicable <sup>(2)</sup>    |
| September 30, 2021              | Not Applicable <sup>(3)(4)</sup> | Not Applicable <sup>(3)(4)</sup> |
| December 31, 2021               | Not Applicable <sup>(3)(4)</sup> | Not Applicable <sup>(3)(4)</sup> |
| March 31, 2022                  | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| June 30, 2022                   | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| September 30, 2022              | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| December 31, 2022               | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| Each quarter ended on and after |                                  |                                  |
| March 31, 2023 through maturity | Not Applicable <sup>(6)</sup>    | Not Applicable <sup>(6)</sup>    |

<sup>(1)</sup> Amendment on February 21, 2020 under the Revolving Credit Facility.

<sup>(2)</sup> Amendment on April 9, 2020 under the Revolving Credit Facility.

<sup>(3)</sup> Amendment on October 14, 2020 under the Second Revolving Credit Facility

<sup>(4)</sup> Amendment on October 15, 2020 under the Revolving Credit Facility.

<sup>(5)</sup> Amendment on February 24, 2021 under the Revolving Credit Facility and the Second Revolving Credit Facility.

<sup>(6)</sup> Amendment on February 10, 2022 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, 2021 and 2020.

## Cancellation

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, the total commitments shall be cancelled immediately and all outstanding loans, together with accrued interest

and all other amounts accrued under the finance documents shall become immediately due and payable 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 and the Second Revolving Credit Facility contain certain events of default and certain insolvency related proceedings relating to the Group. If the Group does not own or manage casino or gaming areas or operate casino games of fortune and chance for a period of ten consecutive days or more and such event has a material adverse effect on the financial condition or business, or in case of termination, rescission, revocation or modification of any gaming sub-concession which has a material adverse effect on the financial condition, business, properties, or results of operations of the Group, 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 concession; provided that such renewal, tender or other process results in the granting or renewal of the relevant gaming concession, an event of default will be triggered. Under the applicable acceleration provisions, if an event of default is outstanding, the facility agent may, and must if so instructed by the majority lenders, by notice to the Company, cancel

all or any part of the total commitments; or declare that all or part of any amounts outstanding under the finance documents are immediately due and payable; or payable on demand by the facility agent acting on the instructions of the majority lenders.

### **Security and Guarantees**

No security or guarantees were provided in relation to the Revolving Credit Facility and the Second Revolving Credit Facility.

## **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**

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 of certain capital expenditures that we had planned to begin during the pandemic, 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.

## EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group employed 10,117 (2020: 10,364) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, MGM COTA 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.

# MATERIAL RISK FACTORS

We are exposing to the following material risks pertaining to our business, operations and indebtedness. There may be additional risks and uncertainties not currently known to us or which may not be material now may also have a material adverse impact on our business, financial condition, result of operations and cash flows.

## Risks Related to our Business

**The global COVID-19 pandemic has continued to materially impact our business, financial results and liquidity, and such impact could worsen and last for an unknown period of time.**

While our properties were open during 2021, several travel and entry restrictions were in place in Macau, Hong Kong and mainland China (including the temporary suspension of ferry services between Hong Kong and Macau, the nucleic acid test result certificate and mandatory quarantine requirements for returning residents, for visitors from Hong Kong, Taiwan, and certain regions in mainland China, and bans on entry on other visitors) which significantly impacted visitation to MGM MACAU and MGM COTAI. In addition, from time to time during 2021 local COVID-19 cases were identified in Macau. Upon such occurrences, a state of immediate prevention was declared and mass mandatory nucleic acid testing was imposed in Macau, the validity period of negative test results for re-entry into mainland China was shortened and quarantine requirements were imposed, certain events were cancelled or suspended, and in some instances certain entertainment and leisure facilities were closed throughout Macau. Although gaming and hotel operations have remained open during these states of immediate prevention, such measures have had a negative effect on our operations and it is uncertain whether further closures, including the closure of our properties, or travel restrictions to Macau will be implemented if additional local COVID-19 cases are identified.

**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 Sub-concessionaire, MGM Grand Paradise, we currently compete with five other Concessionaires and Sub-concessionaires authorized by the Macau Government to conduct gaming operations in Macau.

Our operations also compete to some extent with casinos located elsewhere in Asia and elsewhere in the world, including Cambodia, Vietnam, South Korea, Singapore, the Philippines, 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 areas 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. 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.

# MATERIAL RISK FACTORS

**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, mainland 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);
- 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.

**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.

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, could disrupt the number of visitors from mainland China and/or the amounts they are willing to spend at our properties. These measures 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.

# MATERIAL RISK FACTORS

**We are exposed to credit risk on credit extended to our patrons.**

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 debts. 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 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 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.



**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 Chinese 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

# MATERIAL RISK FACTORS

aware of their existence. 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.

## **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.

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.

**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 and any government policies that freeze, reduce or cancel our ability to import labor could cause labor costs to increase. 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 Sub-concessionaires 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.

# MATERIAL RISK FACTORS

**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.

# MATERIAL RISK FACTORS

**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. 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 Sub-concession 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 Sub-concession 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 Sub-concession.

As an affiliate of MGM Resorts International, we are also subject to the Foreign Corrupt Practices Act (“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.

# MATERIAL RISK FACTORS

**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.

**Regulatory risk in the effect of change in laws and regulations may potentially cause losses or additional expenses.**

Change in laws and regulations imposes uncertainty for gaming industries. There may be different interpretations resulting from lack of specificity, guidance and past legal cases when the new or revised laws and regulations are first implemented as their application in practice may evolve or change over time, resulting into higher compliance costs and difficulty in non-compliance. Although we believe our operations are in compliance in all material respects with all applicable laws and regulations in Macau, a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue new or revised regulations, which differs from our interpretation and could have a material adverse effect on our financial condition, results of operations and cash flows.

**Our tax arrangements with the Macau Government may not be extended on terms favorable to us or at all beyond their June 26, 2022 expiration dates.**

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, on profits generated by the operation of gaming operations. This exemption does not apply to our non-gaming activities. In June 2021, MGM Grand Paradise entered into a tax concession arrangement, providing an annual payment as a substitution for a 12% tax otherwise due from the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. However, there is no certainty that such arrangements will be extended on the same terms further beyond June 26, 2022.



## Risks associated with our operations in Macau

**The Macau Government can exercise its redemption right with respect to the Sub-concession, or refuse to grant MGM Grand Paradise an extension of the Sub-concession in 2022, or MGM Grand Paradise may be unsuccessful in obtaining a gaming concession when a new public tender is held by the Macau Government, any of which would have a material adverse effect on our business, financial condition, results of operations and cash flows.**

The Sub-concession contract is due to expire on June 26, 2022. Unless the Sub-concession is extended, or legislation with regard to reversion of casino premises is amended, the MGM Grand Paradise casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date without compensation to us, and we will cease to generate any revenue from such gaming operations. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval and the bill was made available for consultation at the Macau Legislative Assembly website from January 18, 2022. The approval of the new gaming law bill will precede the public tender for the awarding of new gaming concessions and to date the Macau Government provided no indications as to when the public tender will take place, but on March 3, 2022, the Macau Government announced that the gaming concessionaires and sub-concessionaires will be allowed to submit an application for the extension of the existing concessions and Sub-concessions beyond their current term on June 26, 2022, for an additional period until December 31, 2022.

Beginning on April 20, 2017, the Macau Government may redeem the Sub-concession contract by providing us at least 1 year 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 MGM Grand Paradise, 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 Sub-concession. In addition, there is uncertainty on the terms associated with the extension, which could include additional fees or other financial commitments that may have an adverse impact on the financial position of MGM Grand Paradise.

# MATERIAL RISK FACTORS

We cannot assure you that MGM Grand Paradise will be able to obtain the extension of the Sub-concession contract or be awarded a new gaming concession on terms favorable to MGM Grand Paradise or at all. We also cannot assure you that if the Sub-concession is redeemed, the compensation paid to MGM Grand Paradise will be adequate to compensate for the loss of future revenue.

**The Macau Government can terminate the Sub-concession 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 Sub-concession Contract with SJM. The Sub-concession Contract contains various general covenants, obligations and other provisions as to which determination of compliance is subjective. In many of these instances, the Sub-concession Contract does not provide a specific cure period within which a breach of any provision of the Sub-concession 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 Sub-concession Contract. Pursuant to the Sub-concession, the Macau Government has the right to unilaterally terminate the Sub-concession in the event of fundamental non-compliance by MGM Grand Paradise with applicable Macau laws or MGM Grand Paradise's basic obligations under the Sub-concession Contract. MGM Grand Paradise has the opportunity to remedy any such noncompliance with its fundamental obligations under the Sub-concession 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 revenue from these operations. We cannot assure you that MGM Grand Paradise will perform all of its obligations under the Sub-concession Contract in a way that satisfies the requirements of the Macau Government.

Furthermore, under the Sub-concession 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 Sub-concession 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 Sub-concession 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 Sub-concession upon the occurrence of any of the circumstances mentioned above. The loss of the Sub-concession 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.

**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.

Failure to adapt to the regulatory and gaming environment in Macau could result in the cancelation of the MGM Grand Paradise Sub-concession or otherwise negatively affect our operations in Macau.

# MATERIAL RISK FACTORS

**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. 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 (“RMB”) against the US\$ 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. Given a significant number of our customers come from, and are expected to continue to come from, mainland China, any further devaluation of the RMB against the US\$ 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 revenue and financial condition.

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 U.S. dollar of issued senior notes. The Hong Kong dollar is pegged to the U.S. dollar and has remained relatively stable. We manage foreign exchange risk attributable to these liabilities by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when we consider it necessary. There were no foreign currency hedging transactions undertaken by the Group in the years ended December 31, 2021 or 2020. 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 revenue and financial condition.

**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;

# MATERIAL RISK FACTORS

- 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.

**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 revenue. 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.

## Risk related to our indebtedness

### **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.**

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.

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 COTAL 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 nearby regions more generally deteriorate we could experience decreased revenue 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

# MATERIAL RISK FACTORS

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.

**We have a substantial amount of indebtedness, which could have significant effects on our business and future operations.**

We have a substantial amount of debt in relation to our equity. Our substantial indebtedness may make it more difficult for us to satisfy our obligations with respect to the unsecured 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; 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.

In addition, under the terms of the indentures governing the unsecured senior notes, the Revolving Credit Facility and the Second 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.



**Our substantial amount of indebtedness exposes us to market risk of changes in interest rates.**

We manage 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. Interest rate fluctuation may lead to higher interest expense for variable rate borrowings or cause us to incur additional expenses by hedging interest rate exposures of our debt or exposure to hedging counterparties' failure to pay under such hedging arrangements. 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. There were no interest rate swap agreements entered into by the Group during the years ended December 31, 2021 and 2020.



# SUSTAINABILITY



An Experience of a Life-time  
with MGM China

# SUSTAINABILITY

This sustainability summary provides an overall picture of the sustainability performance, management approach, and commitment in addressing the material concerns and expectations of its stakeholders. This section should be read in conjunction with the Company's 2021 Sustainability Report, which provides a comprehensive view of its sustainability strategies, initiatives, and achievements.

## Reporting Framework and Scope

This section disclosed the Company's Environmental, Social and Governance ("ESG") performance during the year from January 1 to December 31, 2021, covering the Company's hospitality, gaming, and entertainment business of MGM MACAU and MGM COTAI in Macau, Hong Kong, and mainland China where the Company has majority operational control. We present the environmental performance data that arise from business operations in Macau while covering the social performance data of Macau, Hong Kong, and mainland China.

The content of this sustainability summary is prepared in accordance with the requirements set out in the Environmental, Social and Governance Reporting Guide ("ESG Guide") under Appendix 27 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited ("HKEx").

This section adheres to the ESG reporting principles set out in the ESG Guide, including materiality, quantitative, balance and consistency. Materiality is assessed mainly based on the results of stakeholder engagement while relevant material topics are reviewed and confirmed by senior management to ensure their significance. Both qualitative and quantitative data with calculation methods, relevant terms and standards are stated where appropriate. The data is calculated using consistent methodologies to allow effective year-over-year comparison.

This section is only a highlight of our sustainability events and initiatives that occurred during the year, a more detailed Sustainability Report is prepared against the Global Reporting Initiative's Sustainability Reporting Guidelines.

For more details, please visit the sustainability section of our corporate website at <https://en.mgmchinaholdings.com>.

## OUR APPROACH TO SUSTAINABILITY

At MGM China, sustainability is about doing well by doing good. To ensure the long-term success of our business, it is fundamental that we look after those who mean the most to us, including our employees, business partners, suppliers, customers, the community and our shareholders.

This ethos is the foundation of our sustainability vision, “Create a Better Tomorrow Today”, signifying that the decisions we make today, will affect the society and the environment of tomorrow. Our vision serves as a call to action to operate a sustainable and responsible company where our business activities positively impact the people and environment of Macau.

### SUSTAINABILITY POLICY

We appreciate the importance of setting the tone from the top in managing sustainability development at MGM China. Our Sustainability Policy outlines commitments to three overarching pillars: Responsible Business, Social Responsibility and Environmental Sustainability, with the following objectives:

1. **Commitment to Responsible Business:** We are committed to having a governance system in place to best manage sustainability risks and opportunities. We will include important stakeholder groups in the development of our sustainability programs through regular reporting and engagement initiatives.
2. **Commitment to Social Responsibility:** We are committed to providing employees with a great place to work and develop. We will give back to the community and invest in its long-term development and prosperity.
3. **Commitment to Environmental Responsibility:** We will continuously work to minimize the environmental impacts of our business operations.

# SUSTAINABILITY

## SUSTAINABILITY

At MGM China, we integrate sustainability management into all levels of our governance, from the Board of Directors (the “Board”) and management-level committees to operational-level teams and business units.

The Board assumes the overall responsibility in the development and review of our sustainability strategy, while the MGM Sustainability Committee, established in 2012, drives us towards fulfilling our Sustainability Vision and goals. This committee includes senior representatives across our departments to ensure that there is a committee member that champions each of our important impact areas. We also have a team of dedicated sustainability professionals that are responsible for the daily implementation of our sustainability objectives and targets.

## ROBUST RISK MANAGEMENT ON SUSTAINABILITY-RELATED MATTERS

We incorporate sustainability-related and climate-related considerations into our risk assessment process and management by identifying elements relevant to sustainability within our business functions, including human resources, strategy, finance, business development, operations, credit control, liquidity management, marketing, IT, legal and regulatory compliance.

Established in 2015, the Management Risk Committee assists the Board, Audit Committee and senior management to oversee the risk management framework and manage risk. The Management Risk Committee conducts quarterly reviews of the Company’s risk management system. All risks are analyzed based upon an Impact/Likelihood matrix and are assigned to one of the following ratings: Low, Medium Low, Medium, Medium High, and High. Our risk management system also identifies parties responsible for such risks as well as the relevant reviewing parties and any plans to mitigate such risks.

## BUSINESS ETHICS

Our Code of Conduct is applicable to all staff and provides guidelines on how employees should conduct themselves at work. The Code of Conduct covers matters such as anti-corruption, use of confidential information, conflicts of interest and insider trading.

Anti-Corruption Guidelines supplement our Code of Conduct and provide guidance to ensure compliance with all applicable anti-corruption laws. Available to all staff, the guidelines provide a clear definition of what anti-corruption is, what the associated risks are, and what each one of us can do to maintain practices that counter corruption and extortion.

An Integrity Hotline is maintained by an independent third-party service provider and operates on a 24/7 basis to report concerns of unethical behavior related to us. All concerns will be reported subsequently to the Compliance Committee for discussion, resolution and will be kept and treated in a strictly confidential manner.

Training on ethical business conduct is provided to all employees upon induction, and comprehensive training is provided to all assistant-managers and above, as well as to selected suppliers. Our suppliers are required to adhere to our Vendor Code of Conduct, as well as our Sustainability Policy. Site visit inspections are carried out to ensure compliance with contractual obligations and company sustainability expectations such as health and safety, environmental compliance and ethical business conduct.

In 2021, the Group was in compliance with all applicable laws and regulations. Further, there have been no legal cases regarding corrupt practices brought against us or our employees during 2021.

#### **FOCUS ON WHAT MATTERS**

Strengthening our communication and engagement with stakeholders enables us to review our impacts and determine topics material to our business and stakeholders.

# SUSTAINABILITY

## STAKEHOLDER ENGAGEMENT

Engaging our key stakeholders in long-term dialogue provides important input that informs our decision-making to continuously help us enhance our company policies and programs. Throughout the course of any given year, we communicate with our stakeholders through various channels as indicated in the table below.

Table 1: Stakeholder Engagement Process

| Stakeholder                              | Communications goal  | Communication method   | Frequency   | Incorporation into corporate activities  |
|--|--|--|---|--|
| <b>Employees</b>                         | Engage employees in two-way communications to create a motivated, active and well-informed team  | <ul style="list-style-type: none"> <li>— Internal announcements and bulletins via intranet, email announcements, posters, digital signage and notice boards</li> <li>— Employee opinion box and online system</li> <li>— Employee hotline</li> <li>— Team meetings</li> <li>— Staff performance reviews</li> </ul>   | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Annual, with mid-term review</p> | Improving workplace culture and evaluating/planning labor-management and personnel policies  |
| <b>Suppliers &amp; Business Partners</b> | <p>Agreement and adherence to our Vendor Code of Conduct and food safety and hygiene standards</p> <p>Provide support to Macau SMEs to enhance their capabilities and competitiveness in servicing MGM China and others</p> <p>Establish sustainable procurement best practices through training and reinforcement of the Sustainable Procurement Policy</p> | <ul style="list-style-type: none"> <li>— Supplier registration</li> <li>— Request for Information, Request for Quotation, and Request for Proposal solicitations</li> <li>— Supplier hygiene and safety site inspections</li> <li>— SME Steering Committee</li> <li>— Engagement with Macau Chamber of Commerce, Economic and Technological Development Bureau (“DSED”), Macau Productivity and Technology Transfer Center (“CPTTM”) and other government departments and non-profit organizations</li> <li>— Onsite and external staff training</li> <li>— Supplier Request For Information (“RFI”), Request For Quotation (“RFQ”) and Request For Proposal (“RFP”) documents</li> <li>— Workshop/collaboration with key suppliers</li> </ul> | <p>Ongoing</p> <p>Quarterly</p> <p>Ongoing</p> <p>Ongoing</p>                                   | <p>Ensure compliance with contractual obligations and company sustainability expectations such as health and safety, environmental compliance and ethical business conduct</p> <p>Feedback and insights from committee members are used as the foundation for our SME initiatives</p> <p>Enhance communication channels with the SME community of MGM procurement opportunities</p> <p>Enhance MGM China culture of sustainability between procurement staff, internal departments and suppliers to achieve sustainability goals</p> |



| Stakeholder         | Communications goal   | Communication method  | Frequency   | Incorporation into corporate activities  |
|---------------------|---|---|---|--|
| <b>Customers</b>    | Understand our customers' needs and respond to their feedback with products/service improvement   | <ul style="list-style-type: none"> <li>— M Life (customer relationship management)</li> <li>— Onsite customer care &amp; interaction</li> <li>— Customer call center</li> <li>— Social media</li> </ul>   | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>                               | Improving customer satisfaction activities and disseminating information in response to consumer demand  |
| <b>Community</b>    | Support community development and contribute to the well-being and economic progress of the communities in which we operate   | <ul style="list-style-type: none"> <li>— Sustainability Newsletter</li> <li>— Meetings with community associations/NGOs</li> <li>— MGM China Community program through engagement and charitable contributions</li> <li>— MGM China Golden Lion Volunteer</li> </ul>  | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>                               | Understanding the needs of the communities and modifying our programs and policies accordingly   |
| <b>Shareholders</b> | <p>Provide timely, appropriate and accurate disclosure of financial, operational and market conditions</p> <p>Enhance their understanding of market and company</p> | <ul style="list-style-type: none"> <li>— Annual shareholder meetings</li> <li>— Annual and interim reports</li> <li>— Quarterly disclosure on Stock Exchange of Hong Kong with earnings call discussions</li> <li>— Meetings, telecommunications and roadshows to meet with analysts as well as institutional and retail investors</li> <li>— Corporate website</li> <li>— Email inquiries</li> </ul> | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> | <p>Improving communication between company and shareholders</p> <p>Enhance management's understanding market and shareholders' expectations</p> <p>Improving management quality through constructive dialogues</p> |

Apart from these key stakeholder groups we also seek and welcome feedback from a broad range of stakeholders including government, NGOs, academics and other local associations with a view to continuously build relationships with the local community and strengthen risk management approaches.

### **PRIORITIZE MATERIAL TOPICS TO DETERMINE OUR STRATEGIC FOCUS**

In determining sustainability topics material to our business and operation, we adopt a three-step approach. Our senior management first identifies a long list of potential material topics based on previous material topics with reference to the industry best practice. Results from the stakeholder engagement then are used for further prioritization to form a short list of material topics. The Board and other senior executives finally discuss and validate the material topics selected and reflect in subsequent sustainability management and reporting practice. Our senior management are continuously monitoring the materiality topics arisen and the MGM Sustainability Committee oversees the process of verifying and prioritizing material topics based on stakeholder engagement results on an ongoing basis.

# SUSTAINABILITY

For the reporting period, we have identified and regrouped certain topics and come up with topics that are most material to our business and stakeholders as follow.

| Our Commitments                                   | Material Topics  |
|---|--|
| <b>Commitment to Responsible Business</b>         | <ul style="list-style-type: none"> <li>— Business conduct</li> <li>— Privacy policy and product responsibility</li> <li>— Sustainability governance</li> </ul>   |
| <b>Commitment to Social Responsibility</b>        | <p>Employees:</p> <ul style="list-style-type: none"> <li>— Employment and development</li> <li>— Diversity and equal opportunity</li> <li>— Health, safety and wellbeing</li> </ul> <p>Suppliers and Business Partners:</p> <ul style="list-style-type: none"> <li>— Code of conduct, safety and hygiene standards</li> <li>— Procurement</li> <li>— Supporting local small and medium-sized businesses</li> <li>— Greater Bay Area opportunities</li> </ul> <p>Community:</p> <ul style="list-style-type: none"> <li>— Community engagement</li> <li>— Inspiring the next generation</li> <li>— Innovative Service Offerings for the Community</li> <li>— Deepening Tourism+ with Cross-Sectorial Ties</li> <li>— Responsible gaming</li> <li>— Anti-human trafficking</li> </ul> |
| <b>Commitment to Environmental Responsibility</b> | <ul style="list-style-type: none"> <li>— Climate change and energy management (emission)</li> <li>— Natural resource use</li> <li>— Waste management</li> <li>— Green Building</li> </ul>  |

## EMPLOYEES

### EMPLOYMENT AND DEVELOPMENT

Team members are the greatest asset of MGM China. We value the team spirit and wellbeing of our Golden Lion Team, as great moments are only made possible with the endeavors devoted by each one of them. We offer competitive remuneration and benefits to attract and retain talents. Our philosophy is to reward eligible employees with meaningful, fair and comprehensive benefits, including medical care, provident fund and discretionary bonuses to reward high performing employees.

At the same time, we strive to provide learning and development opportunities for our talents. In 2021, approximately 590,000 training hours was provided to team members, a 27% increase compared to the previous year. All these trainings allowed team members to continue growing and glowing in their fields, which will ultimately help diversely enhancing local capability and leadership. Today, 92% of MGM China's management team are Macau locals.

In support of the government's effort to develop Macau into a tourism education and training base in the Greater Bay Area ("GBA"), MGM China provides a spectrum of learning opportunities for team members to acquire professional knowledge and skills in respective areas and from the following three major categories:

1. **Local Leadership Development** - MGM China continues to support ongoing PRIDE programs to develop team member with four different tracks targeting different career levels annually.
2. **Continuing Education** - MGM Academy, MGM eAcademy and other diploma courses in collaboration with tertiary and secondary educational institutions, such as MGM High School Diploma Program and Diploma in Gaming Management;
3. **Professional Skills and Vocational Training** - in partnership with Labour Affairs Bureau ("DSAL"), Macau Federation of Trade Unions and other educational institutions.

As of 2021, MGM China has garnered over 60 awards in multiple categories of employee learning, career development and digital learning, representing the best of MGM China's endeavors in human capital development.

# SUSTAINABILITY

## DIVERSITY AND EQUAL OPPORTUNITY

Workplace equality is indispensable for social inclusion. As part of our endeavor to create a cohesive company culture, we have over 40 disadvantaged team members serving at different departments, enabling them to unleash their potentials and pursue continuous development.

MGM China's Employee Handbook ("Handbook") clearly illustrates our labor policies and practices, which cover compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, and we are in compliance with relevant laws and regulations in these areas. The Handbook is well circulated and communicated to our employees through new hire orientation program.

## HEALTH, SAFETY AND WELLBEING

We place great emphasis on the health and safety of our team members. We aim to achieve the goal of zero incidents in workplace safety by complying with the Occupational Health and Safety ("OHS") standards recommended by Macau Government, and relevant laws and regulations to safeguard our team members and contractors. The Health and Safety Policy and OHS Manual were established to guide our workplace health and safety practices. We clearly communicate the policies and practices to all team members and require them to abide by them. Meanwhile, the Risk and Safety Operations Committee, comprising senior to middle management representatives, meets quarterly to review and discuss on investigation results of injury incidents and relevant mitigation measures. This committee also facilitates effective communication between management and general team members regarding workplace and public safety matters.

With the support of DSAL, Women's General Association of Macau and Fuhong Society of Macau, MGM China organized its annual "Work Safety and Well-Being Campaign 2021" which nearly 4,000 team members have participated. Comprised of a series of fun outdoor and indoor activities including seminars, competitions and roadshows, the campaign aims to remind team members of work safety and personal wellness, echoing with the theme of "Healthy Workplace, Happy Life".



Aiming to build a platform for team members to shine and showcase their talents, MGM China hosted its very first “Employee Talent Competition” to promote work-life balance and enliven team spirit in a fun and causal way. As a family-friendly employer, MGM China has especially set up the “Family and Friends Talents” category to encourage team members to perform with their family and friends.



MGM China’s Dragon Boat Team has participated in the Macao International Dragon Boat Races for 13 consecutive years. In 2021, a total of 52 team members formed the Dragon Boat Team to compete across four categories. With its exceptional capability and perseverance, the MGM China’s Team has once again achieved greatness by taking home two first runners-up in the Macao Standard Dragon Boat Race - Women Category (500m) and Macao Small Dragon Boat Race - Women Category (200m).



# SUSTAINABILITY

## COMMUNITY

MGM China keeps abreast of the development of the Macau community and has been in close communication with social service organizations to better understand the needs of different community sectors and provide innovative services solutions. Adhering to the philosophy of spreading love and care with a lion heart, MGM China hopes to extend its services to benefit more people in need and ultimately build a better Macau together with the community. In 2021, we held more than 120 different community events and dedicated 21,000 hours to volunteering, helping more than 8,000 people in need. Highlighted below are some of the key community events that took place during the year.

### COMMUNITY ENGAGEMENT

During Chinese New Year, our Golden Lion Volunteer Team continued with its charity tradition for the 10th consecutive year and carried out Spring Clean for the elderly. MGM China partnered with a local SME to sanitize and clean several elderly care centers. On the other hand, MGM China's volunteers gave haircuts to more than 100 elderly members at four local community centers under its "Haircut for Love" program. To further enrich the experience, MGM China also invited Paulo do Lago Comandante, President of Macau Association of Chinese Medicine Practitioners, to teach volunteers basic acupoint massage techniques so they can provide effective massages to the elderly. A total of 470 elderlies benefited from the activities.



In response to the government’s call for vaccination to achieve herd immunity against the pandemic, MGM China adopted a holistic approach to encourage team members to take the jabs. The initiatives include a string of Outreach Vaccination Programs, explanatory seminars on the vaccines, and promotional campaigns held internally and externally. All were widely supported by team members and with their collective efforts, MGM China has reached a distinctively high vaccination rate of over 95%.

The Golden Lion Volunteer Team has supported the three Macau Government’s city-wide negative COVID-19 nucleic acid tests (“NAT”) schemes. The team prepared patio umbrellas for the NAT Station at Macao Federation of Trade Unions Workers Stadium for residents queuing for the test. They also assisted in providing guidance and reminded residents to prepare health codes at NAT station and helped in diverting people with needs to the priority zone.



Since 2019, leveraging the latest learning technology, MGM China joined hands with community partners including Macau Government Tourism Office and a number of local associations and launched a series of Community Outreach e-Learning Programs. Topics offered include Greater Bay Area Sign Languages, Macau History and Culture, National & Cultural Pride, etc. To date, over 41,000 industry partners and community participants benefited from these e-learning programs.



# SUSTAINABILITY

## CASE STUDY: A Taste of Macanese Cuisine at “Macao Week Shanghai”

During the “Macao Week” Mega Roadshow in Shanghai, MGM China joined hands with the Macau Government Tourism Office and its sister group, Diaoyutai MGM Hotel Management to launch the “Taste of Macao Promotion” at Bellagio Shanghai. Bringing a team of established chefs all the way from Macau, MGM China presented a selection of classic Macanese dishes, delivering the unique taste of Macau as a UNESCO Creative City of Gastronomy to the citizens and tourists in Shanghai.



## INSPIRING THE NEXT GENERATION

For over a decade, MGM China has been working with the Macau Government and local institutions to introduce internship programs for local youth. Intending to nurture local culinary talents, MGM China once again joined hands with the Macau University of Science and Technology (“M.U.S.T.”) to co-host a culinary demonstration workshop for the fourth consecutive year. Neo Ng, the Pastry Chef of MGM COTAI, was invited to showcase his expertise to the students of M.U.S.T. major in Food & Beverage Management. Through this event, MGM China aspires to equip students with professional culinary techniques, helping them keep tabs on the industry trend and get well-prepared for their career path.





A group of undergraduate and postgraduate students from various faculties of Tsinghua University embarked on a field trip to MGM COTAI, including a visit to MGM Theater, M'Art and the MGM Cotai Art Collection. Kenneth Feng, President, Strategic and Chief Financial Officer, introduced the Company's innovative "Tourism+ Culture" undertakings and enlightened them with diverse and cross-industry concepts.



A total of 30 teaching staff and students from the Faculty of Social Work at the Macao Polytechnic Institute visited MGM COTAI in April to attend a talk on Corporate Social Responsibility ("CSR") and an art tour. During the event, Michelle Chiu, Vice President of Human Resources shared insights into MGM China's culture and CSR strategies as well as the Company's efforts in making great moments for the local community.

### INNOVATIVE SERVICE OFFERINGS FOR THE COMMUNITY

To develop a more caring and inclusive society, MGM China rolled out the "MGM Dementia Care Program" with the aim to raise public awareness of dementia and its effects on citizens and their families. During the program, MGM China partnered with Caritas Macau on the launch of tailor-made local tours for the elderly with dementia, their family members and caregivers to help them create pleasant memories. This innovative program included 33 tours with 500 people participating. MGM China also sponsored Kiang Wu Nursing College of Macau to compile a guidebook on dementia risk and care with 3,000 copies for distribution to increase the understanding of the illness among the public.



# SUSTAINABILITY

The Macau Assistive Technology Resources Center entered its 2nd anniversary with an open-house event, which was designed to deepen the public’s knowledge of auxiliary tools conceived to enhance the quality of life for those in need. As the sponsoring unit of the Center, MGM China has been funding its operations and organizing various activities to promote the use of auxiliary tools, including related training courses for our volunteers, familiarization programs and student tours to the Center. To date, over 100 Golden Lion Volunteers participated in the “Practical Skills in Using Assistive Devices” training program to learn the proper use of assistive tools and procedures of wheelchair cleaning and disinfection to provide more care services to targeted groups.



## DEEPENING TOURISM+ WITH CROSS-SECTORIAL TIES

With its lion persona as the core, MGM China utilizes Macau’s unique characteristics and cultural context as well as the cultural root shared by the cities of the GBA, to initiate a new “Tourism+” development trend with Lingnan culture as its root - the MGM Lion IP (Intellectual Property) series. With a lineup of original events, the series aim to strengthen the exchanges of cultural tourism in the GBA. Standing firm on its lion spirit, MGM China has launched a range of diverse and cross-sectorial entertainment offerings as well as unique cultural tourism products for its properties as Macau’s must-see attractions. All of these not only underline MGM China’s position as the leader of cultural tourism but also help create a sustainable environment in which talents can thrive and shine.

As one of the key events of MGM Lion IP Program, “MGM Awakening Lion” is a techno-cultural dance drama presented by MGM China and Guangzhou Song and Dance Theatre. Made to be an exclusive and tailor-made version of the award-winning Chinese ethnic dance drama “Awakening Lion”, “MGM Awakening Lion” was created with the objective to showcase traditional dance drama through innovation, telling the great stories of the Chinese people with a modern and contemporary stage design.

“MGM Awakening Lion” depicts the perseverance of the Cantonese people based on the awakening of a nation. Empowered by cutting-edge technologies and the world’s largest permanent indoor LED screen in the MGM Theater, the show integrates theatrical technologies with intangible cultural elements including lion dance, Southern Fist (Nanquan) and dance performance to feature bold and creative innovations in showcasing the essence of Lingnan culture.



“Dialogue on Aesthetics - ‘Beauty in Life’” was one of the highlights of the Cultural Promotion Month which took place at the Spectacle of MGM COTAI. Mok Ian Ian, the Director of Cultural Affairs Bureau at the time, and Lu Jia, the Music Director and Principal Conductor of Macao Orchestra shared their perspectives on how to appreciate the aesthetics in daily life while enjoying the wonderful live performance of Macao Orchestra under the stunning roof of the Spectacle.



# SUSTAINABILITY

## RESPONSIBLE GAMING

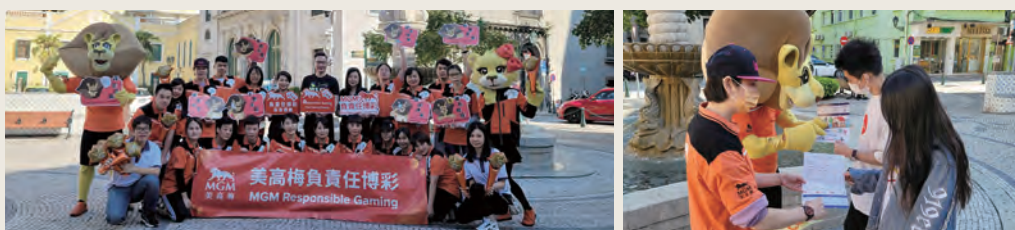
Given the pervasive and inherent compliance risks in the industry, our longstanding commitment is to promote responsible gaming to our team members, guests and the public. As a responsible corporate citizen, we fully recognize the significance of upholding ethical gaming practices and strict adherence to the maintenance of all necessary regulatory licenses, permits, approvals, registrations, suitability studies, orders and authorizations pursuant to the Macau laws, regulations and ordinances pertaining to our operation.

Responsible gaming is a topic that employees from every department must learn on the first day of their job and are reminded of regularly through classroom instruction or internal communications. Trained staff and representatives are on duty 24/7 to offer assistance to players regarding gambling problems and issues. Responsible gaming is promoted to our guests through information kiosks and other communications throughout our properties. The first line of contact in handling a responsible gaming case onsite is the Responsible Gaming Operations Team, who are specifically trained to identify issues, file self-exclusion forms, and liaise with counseling agencies. In line with Macau legislation, we also have a Responsible Gaming Committee comprising of senior management.

To allow our team members to respond to potential gambling-related problems, we collaborated with Sheng Kung Hui to provide professional counselling services for them and their family. We continued to support and participate into the annual “Macau Responsible Gaming Campaign” co-organized by the Social Welfare Bureau, DICJ and the University of Macau.

### CASE STUDY: A Holistic Approach to Responsible Gaming

Apart from our ongoing support and assistance to team members and their families in Responsible Gaming (“RG”), MGM China also proactively rolled out an RG initiative entitled “Lost Control, Lose Family” to align with the direction of the Macau Government. The initiative adopts a holistic approach comprised of a wide range of activities enabling team members, residents and tourists to better acquire RG knowledge. This year, MGM China partnered with the Macao Gaming Industry Employees Home (“GEH”) to reach out to the community by doing RG promotion activities in the central district of Macau.



## ANTI-HUMAN TRAFFICKING

At MGM China, we recognize that forced labor and human trafficking are crimes of global proportions. We were the first operator in Macau to develop a Human Rights & Anti-Human Trafficking Policy which states the Company's support for the elimination of child or forced labor and human trafficking and its destructive effect on humanity and our communities across the globe. The policy is accessible here: <http://en.mgmchinaholdings.com/sustainability-Anti-human-trafficking>.

We address risks associated with human trafficking through three key areas including recruitment, supply chain and community outreach and partnerships. We perform background checks and work with agencies that support the focus of human rights and avoidance of child or forced labor. In 2021, we continued to provide training to all employees in our onboarding orientations as well as to our security department.

## OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

To support the transition to a Greener Future, MGM China attaches great importance to environmental responsibility. We have committed to reducing emissions and carbon footprints, optimizing resource consumption, and developing a more sustainable business model under the Company's Sustainability Policy framework. As a responsible operator, MGM China strictly complies with all applicable environmental laws and regulations mandated by the Environmental Protection Bureau ("DSPA") of the Macau Government and in the areas where the Company operates.

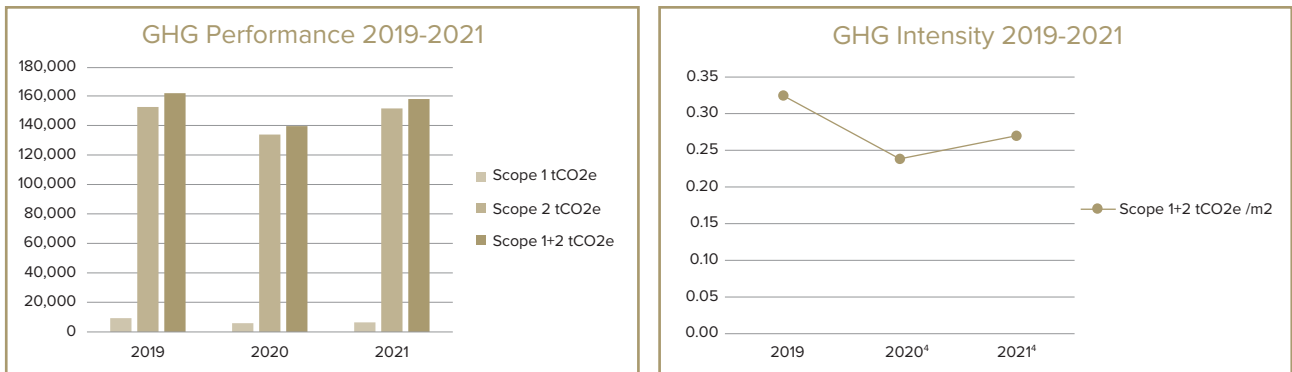
### CLIMATE CHANGE AND CARBON MANAGEMENT (EMISSIONS)

MGM COTAI attained the ISO 50001:2018 certification for effective energy management systems ("EnMS") in 2021, making all of the Company's properties ISO 50001 certified after MGM MACAU became the first integrated resort to receive ISO 50001 certification in 2016. Since its opening over two years ago, MGM COTAI has been operating in line with the national goal of reaching peak emission by 2030 and carbon neutrality by 2060. The property has conducted carbon audits every year and set itself ambitious targets against the goal.

Our co-chairperson and executive director, Ms. Pansy Ho, is the founding chairperson of the Low Carbon Green Hotel Development Alliance in Macau. Under her leadership, MGM China has dedicated itself to advocating the Net Zero Pledge for supporting both national and local initiatives. To align with our commitments to curb greenhouse gas ("GHG") emissions and achieve carbon neutrality in the long run, we consider energy and carbon management as one of our core environmental responsibilities.

# SUSTAINABILITY

Due to the nature of our business, the emission of nitrogen oxides (“NOx”) and sulphur oxides (“SOx”) and other pollutants are considered insignificant in our operations. Currently, 98% of our carbon emissions come from energy consumption, we manage our buildings and operations in the most optimal way through improving energy efficiency and developing green buildings. Looking forward, we have set our long-term energy consumption reduction target at 13% by 2025 for MGM MACAU and MGM COTAI respectively compared to the 2019 baseline. In 2021, the total greenhouse gas emissions (Scope 1<sup>1</sup> and Scope 2<sup>2</sup>) were 157,986<sup>3</sup> tons of CO<sub>2</sub>e, a 13% increase year-over-year.



## GREEN BUILDING

MGM COTAI is honored to receive a Three-star Green Building Operation Label, the highest rating under the “China Green Building Label” certification scheme, from the China Green Building and Energy Saving (Macau) Association. The acclaim is a proud addition to its attainment of a Three-star Green Building Design Label in 2018, which made it the first mega-complex in Macau to receive the highest rating in the design category.

Echoing the Macau Government’s pledge on promoting the development of green buildings, MGM China has held a Seminar on Technology Application and Development of Green Buildings in mainland China and Macau. We invited both Chen Guangxian, the Deputy General Manager of China Construction Engineering (Macau) Company Limited, and Edison Zhang, the National China Green Building Label Assessor from Green Building Research Center of Chinese Society for Urban Studies, to deliver speeches about architecture, electrical and mechanical engineering, property management and environmental protection. They have cited MGM COTAI as a role model in utilizing eco-friendly structures while introducing the technologies and development of green buildings in China. The seminar concluded with a tour of our hotel which demonstrated our green facilities and technologies to the participants.

## USE OF RESOURCES

At MGM China, we are aware that our planet's supply of natural resources is limited. With this in mind, we are actively engaged and committed to resource conservation and efficiency.

Our Building Management System ensures energy and water consumption is closely monitored and energy and water-intensive equipment is effectively calibrated and maintained. We have also implemented a data management system that allows us to access real-time energy and metered water data in a central web-based system. Through this system, analytical tools allow us to perform complex analyses to help us better understand our impact and potential areas for improvement as well as enabling us to produce automated reports for distribution. We fully support the development of Green Transportation and are taking steps to phase out traditional fossil fuel-based vehicles. By increasing the number of charging stations for electric buses and electric cars available at the hotels for both our guests and employees, we are continuously making efforts in our decarbonization journey and targeting to achieve a 100% electric shuttle bus fleet by 2023.

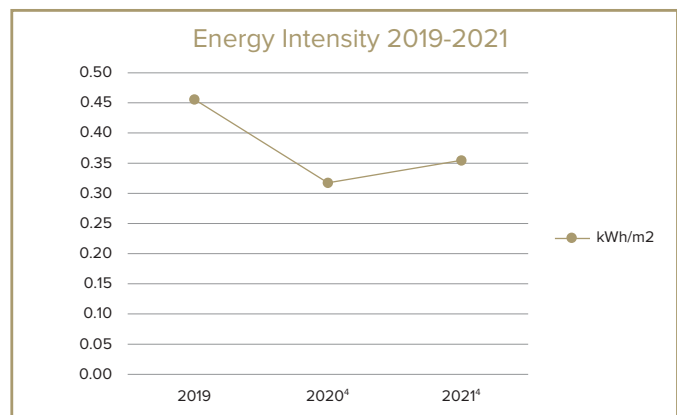
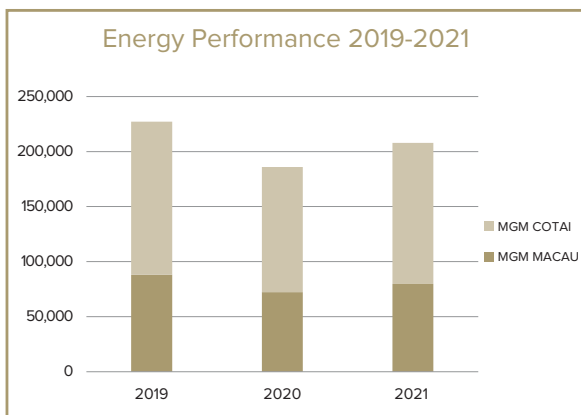
### Energy Performance<sup>5,7</sup>

Our energy consumption in 2021 was 207,837 kilo watt hours in thousands ("kWh in 000s"), which included purchased electricity, liquefied petroleum gas ("LPG"), natural gas, diesel and gasoline.

| Direct / Indirect Energy Consumption | Energy type           | Amount consumed in 2021 (kWh in 000s) |
|--------------------------------------|-----------------------|---------------------------------------|
| Indirect energy consumption          | Purchased electricity | 184,866                               |
| Direct energy consumption            | LPG                   | 13,129                                |
| Direct energy consumption            | Natural Gas           | 7,621                                 |
| Direct energy consumption            | Gasoline              | 1,248                                 |
| Direct energy consumption            | Diesel                | 973                                   |

# SUSTAINABILITY

Year-over-year, we have increased our energy consumption by 12% (due to increase of business volume) and a decrease of 8 % from our 2019 baseline. Targeted retrofitting of our properties with more energy-efficient equipment and focusing on employee behavioral change in favor of energy conservation will continue to be key focal points.



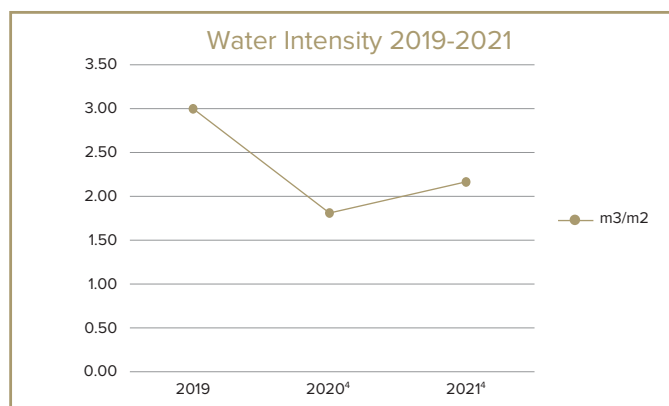
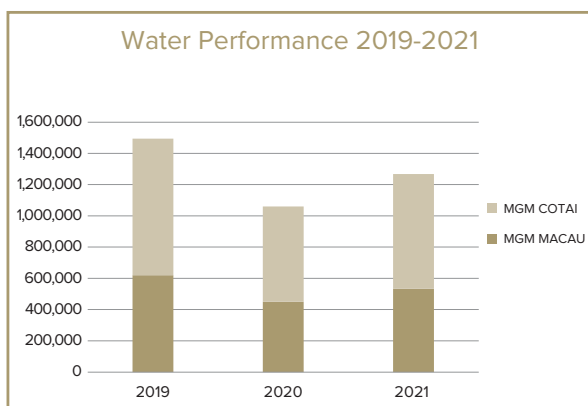
## Water Management

Water scarcity is a pressing and urgent issue for many countries around the world and should be the responsibility of each person to ensure this vital resource is conserved. MGM China has implemented robust water management practices to enhance water efficiency and conserve water resources.

## Water Performance

Throughout the year, we continued to increase the scope of our water recycling program which serves to recycle the condensation from our air handling units as well as the cooling tower bleed-off. The collected water is then reused for flushing. Apart from our conservation of water usage and the upgrading of our fixtures and fittings, our business was more severely and negatively impacted in 2020 by the COVID-19 pandemic that we had fewer hotel guests and customers. Water consumption saw a decrease in 2020 and picked up along with business in 2021. As a result, we had consumed 1,268,067 m<sup>3</sup> of water, which is a 20% increase (all properties) from 2020.





A range of water management measures has been adopted to optimize our water performance, such as replacing showerheads and faucets with low-flow alternatives and adjusting the flow rates. To monitor the effectiveness, we also review water consumption volumes and carry-out regular leakage inspection and faucet leakage tests on water pipes and tanks to identify malfunctions. We have also leveraged technologies to proactively identify water-saving opportunities. For example, a three-level sensor system is in place to measure and monitor 100% of the water usage in our properties. This allows us to trace abnormal water consumption patterns and take remedial actions.

The water consumed across our properties is supplied through municipal water supply systems in compliance with the local laws and regulations and there is no issue in sourcing water that is fit for purpose. There is no significant impact associated with water resources caused by the Company's operation.

## WASTE MANAGEMENT

Our waste composition includes both hazardous and non-hazardous wastes generated along our value chain. We handle and dispose of the waste safely and properly in full compliance with relevant government regulations and guidelines. We have also developed a comprehensive protocol regarding the safety procedures of handling hazardous waste such as oil-based paint, solvent adhesives, fluorescent tubes, batteries, toner cartridges, and other electronic waste. After initial classifications, all the hazardous wastes are handled by licensed contractors for proper disposal, thereby, avoiding negative impacts to our environment. In the coming years, we endeavor to utilize resources and recover waste materials in the most responsible manner and will take more ambitious steps in waste reduction at the source.

# SUSTAINABILITY

Typical non-hazardous waste includes organic waste, plastics, metals, paper & cardboard, fabrics and textiles. Despite packaging materials are not considered a material topic to our operation, we have launched relevant reduction initiatives in our “No Plastic Program” and waste management system in an effort of reducing the use of materials. In 2021, the Group generated 2,854 tons of waste for MGM MACAU and 3,328 tons of waste for MGM COTAI, 42% increase for MGM Macau and 33% increase for MGM COTAI year over year.



Common hazardous wastes include diesel, compressed gases, oil-based paint, cooking oil, solvent adhesives, dry clean oil, acidic/alkaline and chlorine solutions (for pool water treatment), and batteries. Our hazardous waste management procedure ensures that such wastes are used up or returned to suppliers for safe disposal. Items such as cooking oil, toner cartridges and rechargeable batteries are recycled. In 2021, 0.0025% of waste or approximately 15 tons was hazardous waste.



For non-hazardous waste, MGM China has been actively adopting the 5Rs of waste management (reduce, reuse, recycle, recover and repair) to tackle waste generation at our properties.

## CLIMATE CHANGE

The impacts of global climate change are intensifying. With more frequent and severe occurrences of extreme weather events such as typhoons, storm surges and flooding, the potential threats to our business operation as well as the safety of our guests and employees are increasing.

We have adopted a four-step process to manage our climate-related risks. Firstly, we identify relevant climate risk scenarios which are material to our operations. Then, a focused group is established to investigate the appropriate Building Resilience and Emergency Operation Actions. Engineering studies for peak demand management, water and electricity supply shortage plans are conducted for developing mitigation strategies. Contingency Operation Manuals and relevant contingency plans are formulated by our emergency group to safeguard the health and safety of our guests and employees in emergency situations. Furthermore, the concept of climate resilience has been incorporated into the newly built Design Guidelines and commissioning requirements, allowing us to develop specific operation manuals and key documents such as load reduction strategies and operation procedures to address climate risks.

A multi-pronged climate strategy has been formulated to manage climate related risks:

For transition risk associated with climate policies driving to a low-carbon economy, we have incorporated Green concepts into our properties from building design to operational phases, to act in line with national decarbonization commitments and standards.

For acute risks, our new Design Guidelines and commissioning requirements have well incorporated the concept of climate resilience. This assists us to develop our operation manuals and key documents such as load reduction strategies and operational procedures to address climate risks.

Capacity building is another focus of our climate strategy. We conduct workshops for our team members to build their awareness and capabilities to manage future climate related risks.

To support the national strategic goals of achieving peak carbon emission by 2030 and carbon neutrality by 2060, MGM China has taken another step forward to facilitate the journey of decarbonization. During the year, a brand-new solar heating system has been installed on the rooftop of MGM MACAU to harness solar energy for its building operation. This new system supports the water heating in the hotel kitchen and has a total capacity of 33.8kW, which can save approximately 11,800kg of liquefied petroleum gas per year.

# SUSTAINABILITY

During the reporting period, there was no incidence of non-compliance concerning the environmental regulations.

## **SUPPLIERS AND BUSINESS PARTNERS**

We involve various suppliers, contractors and business partners in the daily operation of our integrated resorts. During the year, we sourced products and services from over 1,892 suppliers based in Macau (1,077), mainland China (124), Hong Kong (495) and other overseas countries (196). As a responsible business, we cultivate our sustainability culture in the supply chain with the guidance of our Sustainable Procurement Policy to mitigate our social and environmental impacts while delivering the best service quality to our customers.

### **Supplier Code of Conduct**

Our Vendor Code of Conduct (“VCOC”) covers the Company’s expectations for suppliers and contractors in complying with relevant laws, regulations and standards regarding human rights, diversity, workplace health and safety, climate change and carbon emission, noise control, waste handling, water conservation, corporate governance, business conduct and ethics. Work instructions are also provided for contractors responsible for cleaning and handling chemicals to keep the exposure of hazardous substance to a minimum. We require all vendors who share the same values of sustainability and business integrity to accept the VCOC upon the registration process. Upholding high standards on sustainability throughout our supply chain, the environmental, health and safety performance of suppliers and contractors are taken into account in the procurement evaluation process whenever possible.

Food vendors supplying perishable goods to us also agree to site audit inspections to ensure health and hygiene standards are compliant with MGM China’s requirements to ensure a safe, traceable and sustainable supply of goods to us and our customers. Depending on the food commodities being purchased, the depth and range of our site inspections are scaled to the sensitivity and risk associated with food handling and the processes involved.

### **Procurement Procedures**

Our culture of sustainability is further supported through the procurement practices by MGM China and our suppliers. Guided by our Sustainable Procurement Policy, we seek to maximize the use of sustainable alternatives in the procurement of goods and services at MGM China through collaborative efforts with our internal departments on product and services specifications, tender evaluations and supplier selections.

Our focus on sustainability is further enhanced through requirements of providing sustainable alternatives to consider in proposal submissions to us across a range of commodities including food & beverage, operating supplies, construction and renovation, transportation and logistics.

Additional value is placed on proposal submissions which include innovative and impactful sustainable components from suppliers which have demonstrated leadership in driving sustainability initiatives.

We have also formulated the Purchasing Standard Operating Procedure, with reference to the ISO 14001 Environmental Management System, to manage all potential environmental and social risks involved in the procurement process. The Procedure ensures that robust internal controls are maintained and adhered to and we can obtain quality goods and services at the best available prices from reputable vendors. After suppliers are engaged, we regularly communicate in meetings and briefings with our engaged suppliers and business partners to closely monitor their performance and to exchange sustainable best practices.

### **Supporting Local Small and Medium-sized Business**

We leverage our enthusiasm for innovation by supporting small and medium-sized enterprises (“SMEs”) to foster the diversification of Macau’s economy. Since its establishment in 2015, the MGM SME Committee is dedicated to exploring new opportunities in bringing local SMEs to accelerate their business by regularly organizing a spectrum of events to advocate sustainable procurement by diversifying our supplier portfolio. We strive to explore new opportunities to motivate them to grow sustainably with a primary focus on “Micro SMEs”, “Made in Macau” and “Young Entrepreneurs”. The win-win partnerships demonstrate our commitment to the diversification of Macau’s economy.

MGM China’s SME Procurement Spending rose to 30% of its total procurement spending in 2021. This encouraging outcome is the result of the Company’s initiative to deepen partnerships with SMEs from various industries in Macau as well as the proactive role MGM China has taken to help local SMEs extend business opportunities across Macau and mainland China through innovative solutions and programs. Riding on a strengthened cross-sector synergy, MGM China pledged to lead local SMEs towards a more professional and industrialized development, pitching in to make Macau’s business environment flourish in a sustainable manner.

# SUSTAINABILITY

To align with the Macau Government’s policy to develop a smart city and meet the technological expectations among tourists, MGM China and Pachira Enterprises Limited inked a strategic cooperation framework agreement to usher in various tech upgrades at MGM China like automated room reservation service and smart dial-in and dial-out systems. On the same day, MGM China and DigitalBay, an emerging digital marketing SME founded by a young local entrepreneur, also entered a partnership which will see the “MGM Room Service Mini Program” integrated with DigitalBay’s WeChat community marketing SaaS product “Interactive Marketing Cloud” to enhance MGM China’s digital marketing regime. The Company will press on more collaborations with Tech SMEs on the “Tourism + Tech” endeavors to help Macau become a modern tourist destination.



## Greater Bay Area Opportunities

MGM China collaborated with the Industry and Commerce Association of Macau (“ICAMO”) to co-launch the “Enjoy & Rewards from Macau” Vending Machine Program with five vending machines set up in Huangpu District, Guangzhou. The scheme offers a low-cost, low-risk, flexible channel for local SMEs to enter the GBA market. A total of 17 SMEs were selected, putting 150 Macau specialty products for sale in the vending machines, promoting Macau brands to GBA patrons. At the signing ceremony, both parties co-hosted two sharing sessions where experts provided insights into novel GBA opportunities. 2021 marks the third year for the “Work Hand-in-hand to Explore Greater Bay Area Opportunities” series, co-organized by MGM China and ICAMO, which assisted SMEs in entering and growing in the GBA as well as contributing to Macau’s economic diversification.



### **Privacy Policy and Product Responsibility**

To ensure our customer's personal information and data are well-protected, we established the Privacy Policy and Information Security Policy and Standards ("Privacy Policy") to better inform on the collection, use, protection, and sharing practices of personal information within the Company. We require strict adherence to the Privacy Policy by all employees, contractors, consultants, temporary employees, and other workers. Team members who violate the Policy are subject to disciplinary action including termination of employment. The company Privacy Policy is available on our website: <https://www.mgm.mo/en/macau/privacy>. We respect intellectual property ("IP") right including registered logo and trademark usage, and require our employees to comply with applicable requirements. Furthermore, we acknowledge and protect trademarks, copyrights and loyalties through the contracts we enter into with partners, vendors and agencies. For non-contractual IP issues, our legal team monitors the compliance on IP rights protection.

Engaging our customers with a profound sense of product responsibility, we ensure the fairness and accuracy of marketing information delivered to customers as set out in our policies and practices. We proactively collect feedback from our customers and communicate material information to senior management for consideration when reviewing and updating our internal policies. During the year, no customer data privacy breach or unfair marketing case have been reported.

We make a genuine effort to guarantee customer complaints are promptly addressed. Customers could submit feedback and concerns via our customer survey, customer hotlines, MLife membership and onsite customer care and interaction. Appropriate personnel is assigned to follow up and determine the best course of action to address customer issues in a timely manner. To avoid the reoccurrence of similar instances, complaints received are carefully managed under well-established procedures and reported to management in regular meetings. During the reporting year, there were no unresolved complaint relating to our product and services.

As a service-based business, we consider product recall is not material to us, however, customers' health and safety are always our top priority amidst the pandemic. We make a tremendous effort to ensure the health and safety of our consumers and have gained their trust over the years with internal guidelines and standards delivered by a professional team.

Apart from physical risks, hygiene and food safety are also at the top of our concerns. A Food Safety Management Manual is established based on relevant Macau laws and regulations and draws reference from international food safety standards, such as HACCP and ISO 22000. On-the-job training is conducted for staff to ensure that the quality control standard is well acknowledged. In upholding stringent hygiene and food safety standards, hygiene personnel is appointed to conduct daily inspections whereas independent external parties are engaged to perform food laboratory tests on a monthly basis.

# SUSTAINABILITY

## Social Performance Data Summary

|  | Unit       | 2021           | 2020         |
|--|------------|----------------|--------------|
| <b>Total Workforce</b>                                 |            |                |              |
| Employee   | number     | 10,117         | 10,364       |
| <u>Employee by employment type</u>                     |            |                |              |
| Full-time (Permanent)                                  | number     | 10,109         | 10,354       |
| Part-time (Permanent)                                  |            | 8              | 10           |
| <u>Employee by gender</u>                              |            |                |              |
| Female   | number     | 4,856          | 4,976        |
| Male   |            | 5,261          | 5,388        |
| <u>Employee by age group</u>                           |            |                |              |
| Age under 31   | number     | 2,089          | 2,530        |
| Age between 31-50                                      |            | 6,414          | 6,315        |
| Age 51 or above  |            | 1,614          | 1,519        |
| <u>Employee by geographical region (work location)</u> |            |                |              |
| Macau  | number     | 9,961          | 10,213       |
| Hong Kong  |            | 11             | 14           |
| Mainland China   |            | 145            | 137          |
| <u>Employee by employment category<sup>6</sup></u>     |            |                |              |
| Management   | number     | 735            | 695          |
| General Employee                                       |            | 9,382          | 9,669        |
| <b>Total turnover and turnover rate</b>                |            |                |              |
| Turnover   | number     | 1,068          | 922          |
| Turnover rate  | %          | 10.56          | 8.90         |
| <u>By gender</u>                                       |            |                |              |
| Female   | number (%) | 506 (10.42%)   | 397 (7.98%)  |
| Male   |            | 562 (10.68%)   | 525 (9.74%)  |
| <u>By age group</u>                                    |            |                |              |
| Age under 31   | number (%) | 454 (21.73%)   | 404 (15.97%) |
| Age between 31-50                                      |            | 504 (7.86%)    | 445 (7.05%)  |
| Age 51 or above  |            | 110 (6.82%)    | 73 (4.81%)   |
| <u>By geographical region (work location)</u>          |            |                |              |
| Macau  | number (%) | 1,032 (10.36%) | 905 (8.86%)  |
| Hong Kong  |            | 4 (36.36%)     | 4 (28.57%)   |
| Mainland China   |            | 32 (22.07%)    | 13 (9.49%)   |



|   | Unit  | 2021  | 2020  |
|---|-------|-------|-------|
| <b>Employee Health and Safety</b>   |       |       |       |
| Lost days due to work injury  | day   | 2,780 | 1,956 |
| <b>Employee development and training</b>                                  |       |       |       |
| <u>Percentage of workforce trained by gender</u>                          |       |       |       |
| Female  | %     | 100   | 99    |
| Male  |       | 99    | 100   |
| <u>Percentage of workforce trained by employment category<sup>6</sup></u> |       |       |       |
| Management  | %     | 99    | 100   |
| General Employee  |       | 100   | 99    |
| <u>Average training hours by gender</u>                                   |       |       |       |
| Female  | hours | 47.32 | 42.19 |
| Male  |       | 50.36 | 44.56 |
| <u>Average training hours by employment category<sup>6</sup></u>          |       |       |       |
| Management  | hours | 20.77 | 20.70 |
| General Employee  |       | 51.10 | 45.06 |
| <u>Anti-corruption and anti-money laundering trainings delivered</u>      |       |       |       |
| The board of directors and employees                                      | hours | 2,817 | 4,862 |

|                                   | Unit   | 2021 | 2020 | 2019 |
|-----------------------------------|--------|------|------|------|
| <b>Employee Health and Safety</b> |        |      |      |      |
| <u>Work-related fatalities</u>    | number | 0    | 0    | 0    |
|                                   | %      | 0    | 0    | 0    |

## Notes:

- <sup>1</sup> Scope 1 emissions include emissions from stationary combustion sources, such as boilers, emergency generators and fuel stoves; mobile combustion sources, such as company-owned and leased fleet vehicles, including cars, limousines, and shuttle buses; and fugitive emissions which are the hydrofluorocarbons (“HFC”) used in refrigeration and AC equipment.
- <sup>2</sup> Scope 2 emissions comprise of emissions from the generation of purchased electricity.
- <sup>3</sup> The emission figures are provided by a third-party for consistency in reporting.
- <sup>4</sup> Gross Floor Area of MGM COTAI has been updated in the calculation of intensity for 2020.
- <sup>5</sup> An updated conversion factor has been adopted since 2020 for converting energy units.
- <sup>6</sup> The employee categories have been changed to reflect the employee categorization in our system.
- <sup>7</sup> The total energy consumption for 2019 in this report was updated following the adoption of a third-party carbon report.

# CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures to attain high ethical standards as well as to ensure accountability, transparency and equity in all areas of its operations and in all interactions with its stakeholders. We believe that effective corporate governance is fundamental to enhancing Shareholders' values and safeguarding the interests of employees, business partners, and the communities in which the Company operates.

During the year ended December 31, 2021, the Company has complied with all provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The key corporate governance principles and practices of the Company are as follows:

## ROLE OF THE BOARD

The Board is collectively responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. It focuses on the overall leadership and control of the Group. The principal functions of the Board are to determine the strategic direction and performance objectives of the Group, set management targets and monitor management performance, approve financial budgets, funding and investment proposals as well as to perform corporate governance duties.

## BOARD COMPOSITION

Under article 102(1) of the Articles of Association, the minimum number of Directors shall not be less than eleven and the maximum number shall not be more than fifteen.

The Board is currently comprised of twelve Directors, of whom four are executive Directors, four are non-executive Directors and four are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 11 to 19 of this annual report and on the Company's website.

The number of independent non-executive directors complies with the requirements of the Listing Rules which states that every board of directors of a listed issuer must include at least three independent non-executive directors (Rule 3.10(1) of the Listing Rules) and an issuer must appoint independent non-executive directors representing at least one-third of the Board (Rule 3.10A of the Listing Rules).

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all the four independent non-executive Directors as at the date of this report, namely, Ms. Sze Wan Patricia Lam, Mr. Russell Francis Banham, Mr. Simon Meng and Mr. Chee Ming Liu are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. They are expressly identified as such in all corporate communications that disclose the names of the Directors of the Company.

### **CHAIRPERSONS**

The Chairperson, Mr. William Joseph Hornbuckle, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho lead the Board and oversee the Board's overall direction and functions.

During the year ended December 31, 2021, the Chairperson, Mr. William Joseph Hornbuckle met with the independent non-executive Directors without the presence of the other Directors pursuant to Rule A.2.7 of the Listing Rules.

### **NON-EXECUTIVE DIRECTORS**

Non-executive Directors (including independent non-executive Directors) are subject to retirement by rotation and re-election by Shareholders at the annual general meeting in accordance with article 105 of the Articles of Association.

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Every Director is subject to retirement by rotation at least once every three years in accordance with article 105 of the Articles of Association. Any new Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election, in accordance with article 102 of the Articles of Association.

### **DIRECTORS' TRAINING AND DEVELOPMENT**

Directors are regularly updated on the Group's businesses, the regulatory and industry-specific environments in which the Group operates as well as changes on their legal duties and obligations as Directors, where appropriate. These updates are in the form of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers, or site visits. During the year, materials on topics including anti-corruption regulations applicable to the Group and the latest amendments to the Listing Rules were provided to the Directors. Publications, periodicals, presentations, summaries of the latest developments in the relevant laws, regulations, governance standards and practices are uploaded on the Company's board portal for online access and reference for each of the Directors.

# CORPORATE GOVERNANCE REPORT

The training provided to the Directors for the year ended December 31, 2021 is summarized below:

| Directors                                  | Connected and           |                            |                         |          |
|--|-------------------------|----------------------------|-------------------------|----------|
|  | Corporate<br>Governance | Notifiable<br>Transactions | Legal and<br>Regulatory | Business |
| <b>Executive Directors</b>                 |                         |                            |                         |          |
| Mr. William Joseph Hornbuckle              | ✓                       | ✓                          | ✓                       | ✓        |
| Ms. Pansy Catilina Chiu King Ho            | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Chen Yau Wong                          | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. John M. McManus                        | ✓                       | ✓                          | ✓                       | ✓        |
| <b>Non-executive Directors</b>             |                         |                            |                         |          |
| Mr. Kenneth Xiaofeng Feng                  | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Daniel J. Taylor                       | ✓                       | ✓                          | ✓                       | ✓        |
| Ms. Ayesha Khanna Molino                   | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Jonathan S. Halkyard <sup>(1)</sup>    | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. James Freeman <sup>(2)</sup>           | ✓                       | ✓                          | ✓                       | ✓        |
| <b>Independent Non-executive Directors</b> |                         |                            |                         |          |
| Ms. Sze Wan Patricia Lam                   | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Russell Francis Banham                 | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Simon Meng                             | ✓                       | ✓                          | ✓                       | ✓        |
| Mr. Chee Ming Liu <sup>(3)</sup>           | ✓                       | ✓                          | ✓                       | ✓        |
| Professor Zhe Sun <sup>(4)</sup>           | ✓                       | ✓                          | ✓                       | ✓        |

<sup>(1)</sup> Jonathan S. Halkyard was appointed as non-executive Director on June 29, 2021.

<sup>(2)</sup> James Freeman resigned as non-executive Director on June 29, 2021.

<sup>(3)</sup> Chee Ming Liu was appointed as independent non-executive Director on May 27, 2021.

<sup>(4)</sup> Zhe Sun retired as independent non-executive Director on May 27, 2021.

## BOARD MEETINGS

The Board held six meetings during the year ended December 31, 2021. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2021 is summarized in the following table:

| Name of Directors                          | Number of meetings attended/held <sup>#</sup> |                         |                                |   |                 |   |
|--|---|-------------------------|--------------------------------|---|-----------------|---|
|  | Board Meeting                                 | Audit Committee Meeting | Remuneration Committee Meeting | Nomination and Corporate Governance Committee Meeting | General Meeting | Continuous Professional Development <sup>##</sup> |
| <b>EXECUTIVE DIRECTORS</b>                 |   |                         |                                |   |                 |   |
| Mr. William Joseph Hornbuckle              | 5/6   | N/A                     | N/A                            | N/A   | 1/1             | √   |
| Ms. Pansy Catilina Chiu King Ho            | 6/6   | N/A                     | 2/2                            | N/A   | 1/1             | √   |
| Mr. Chen Yau Wong                          | 6/6   | N/A                     | N/A                            | 3/3   | 1/1             | √   |
| Mr. John M. McManus                        | 6/6   | N/A                     | N/A                            | 3/3   | 1/1             | √   |
| <b>NON-EXECUTIVE DIRECTORS</b>             |   |                         |                                |   |                 |   |
| Mr. Kenneth Xiaofeng Feng                  | 6/6   | N/A                     | N/A                            | N/A   | 1/1             | √   |
| Mr. Daniel J. Taylor                       | 6/6   | N/A                     | 2/2                            | N/A   | 1/1             | √   |
| Ms. Ayesha Khanna Molino                   | 6/6   | 5/5                     | N/A                            | 3/3   | 1/1             | √   |
| Mr. Jonathan S. Halkyard <sup>(1)</sup>    | 2/2   | 2/2                     | N/A                            | N/A   | N/A             | √   |
| Mr. James Freeman <sup>(2)</sup>           | 4/4   | 3/3                     | N/A                            | N/A   | 1/1             | √   |
| <b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b> |   |                         |                                |   |                 |   |
| Ms. Sze Wan Patricia Lam                   | 6/6   | N/A                     | 2/2                            | 3/3   | 1/1             | √   |
| Mr. Russell Francis Banham                 | 6/6   | 5/5                     | 2/2                            | 3/3   | 1/1             | √   |
| Mr. Simon Meng                             | 6/6   | 5/5                     | 2/2                            | 3/3   | 1/1             | √   |
| Mr. Chee Ming Liu <sup>(3)</sup>           | 3/3   | 2/2                     | 1/1                            | 1/1   | N/A             | √   |
| Professor Zhe Sun <sup>(4)</sup>           | 4/4   | 3/3                     | 1/1                            | 2/2   | 1/1             | √   |

# CORPORATE GOVERNANCE REPORT

# the number of meetings held during the year ended December 31, 2021 where each Director was a member of the Board and/or the relevant Board Committees

## keeping abreast of matters relevant to their role as Directors by means of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers concerning relevant laws, regulations, governance standards and practices about the industry

<sup>(1)</sup> Jonathan S. Halkyard was appointed as non-executive Director on June 29, 2021.

<sup>(2)</sup> James Freeman resigned as non-executive Director on June 29, 2021.

<sup>(3)</sup> Chee Ming Liu was appointed as independent non-executive Director on May 27, 2021.

<sup>(4)</sup> Zhe Sun retired as independent non-executive Director on May 27, 2021.

## DELEGATION BY THE BOARD

The Board has delegated responsibility for day-to-day operations of the Group to the executive Directors and senior management under the leadership of the chief operating decision-maker but has reserved certain matters for its own approval. These matters include, but are not limited to, strategic policies, funding and capital investment decisions. The Board has also delegated certain functions and matters to the Board Committees pursuant to their respective terms of reference.

## BOARD COMMITTEES

The Board has established the following committees with specific and clear written terms of reference:

### AUDIT COMMITTEE

The Audit Committee is comprised of five members: Mr. Russell Francis Banham (Chairperson), Mr. Simon Meng and Mr. Chee Ming Liu who are independent non-executive Directors, Ms. Ayesha Khanna Molino and Mr. Jonathan S. Halkyard, both of whom are non-executive Directors. Professor Zhe Sun retired as independent non-executive Director and member of the Audit Committee with effect from May 27, 2021 and Mr. Chee Ming Liu was appointed as independent non-executive Director and member of the Audit Committee with effect from May 27, 2021. Mr. James Freeman resigned as non-executive Director and member of the Audit Committee with effect from June 29, 2021 and Mr. Jonathan S. Halkyard was appointed as non-executive Director and member of the Audit Committee with effect from June 29, 2021. The Audit Committee held five meetings during the year ended December 31, 2021 supplemented by circulation of written resolutions of all committee members where appropriate.

The major duties of the Audit Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012 and amended by a resolution of the Board passed on November 5, 2015 (which are available on the websites of the Hong Kong Stock Exchange and the Company) include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgments contained therein, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting, and reviewing the Group's financial controls, internal controls and risk management systems. The Management Risk Committee, appointed by and subject to the oversight of the Audit Committee assists the Audit Committee, the Board and senior management as appropriate to oversee the overall risk management framework of the Group and to identify and effectively manage risks considered by the Management Risk Committee to be significant to the Group, including strategic, financial, business, operational, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks on an ongoing basis.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2021 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2020 and interim results for the six months ended June 30, 2021;
- 2020 annual and 2021 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2020, the review of the financial statements for the six months ended June 30, 2021;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- review of financial forecasts, refinancing initiatives and financial covenant compliance under the Group's borrowing arrangements;
- approval of internal audit plan for 2021 and the Internal Audit Department Charter;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2021 internal Audit plan;
- compliance with the Deed of Non-Compete Undertakings by MGM Resorts International and Ms. Pansy Ho;
- re-appointment of independent auditor;

# CORPORATE GOVERNANCE REPORT

- external audit plan and audit timetable for the financial year ended December 31, 2021 presented by the independent auditor;
- approval of audit and non-audit fees;
- compliance with obligations in relation to continuing connected transactions under the Listing Rules;
- Policy on audit and non-audit services;
- financial covenants and current ratio;
- matters arising from the meetings of the Compliance Committee of MGM Grand Paradise;
- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- matters reported on the anti-corruption program as part of the report on the Compliance Committee activities;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with the Sarbanes-Oxley Act;
- assessment of exchange rate risk around USD bond and possible hedging strategies;
- review of internal controls and risk management systems; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management.

## REMUNERATION COMMITTEE

The Remuneration Committee is comprised of six members: Ms. Sze Wan Patricia Lam (Chairperson), Mr. Russell Francis Banham, Mr. Simon Meng and Mr. Chee Ming Liu, all of whom are independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho, who is an executive Director and Mr. Daniel J. Taylor, who is a non-executive Director. Professor Zhe Sun retired as independent non-executive Director and Chairperson of the Remuneration Committee with effect from May 27, 2021 and Ms. Sze Wan Patricia Lam was appointed as Chairperson of the Remuneration Committee with effect from May 27, 2021. Mr. Chee Ming Liu was appointed as independent non-executive Director and member of the Remuneration Committee with effect from May 27, 2021. The Remuneration Committee held two meetings during the year ended December 31, 2021 supplemented by circulation of written resolutions of all committee members where appropriate.

The principal functions of the Remuneration Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012, which are available on the websites of the Hong Kong Stock Exchange and the Company, include determining (with delegated responsibilities) the remuneration packages of executive Directors and recommending to the Board the remuneration packages for the non-executive Directors and members of the senior management of the Group, approving the terms of the executive Directors' service contracts and compensation-related issues.



Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2021 by the Remuneration Committee included the following:

- recommending to the Board that no fees be payable to new non-executive directors;
- granting of share options to certain existing and new senior executives;
- bonus payout for senior management and general staff;
- executive salary adjustment; and
- new senior management appointments.

Details of the remuneration of the Directors for the year ended December 31, 2021 are set out in note 13 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out below:

|                                  | Number of<br>members of<br>senior management |
|----------------------------------|--|
| HK\$1,000,001 to HK\$1,500,000   | 2  |
| HK\$3,000,001 to HK\$3,500,000   | 1  |
| HK\$5,500,001 to HK\$6,000,000   | 1  |
| HK\$8,500,001 to HK\$9,000,000   | 1  |
| HK\$10,000,001 to HK\$10,500,000 | 1  |
| HK\$14,000,001 to HK\$14,500,000 | 1  |
|                                  | 7  |

# CORPORATE GOVERNANCE REPORT

## NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee is comprised of seven members: Mr. Simon Meng (Chairperson), Ms. Sze Wan Patricia Lam, Mr. Russell Francis Banham and Mr. Chee Ming Liu, all of whom are independent non-executive Directors, Mr. Chen Yau Wong and Mr. John M. McManus, both of whom are executive Directors, and Ms. Ayesha Khanna Molino, who is a non-executive Director. Professor Zhe Sun retired as independent non-executive Director and member of the Nomination and Corporate Governance Committee with effect from May 27, 2021 and Mr. Simon Meng was appointed as the Chairperson of the Nomination and Corporate Governance Committee with effect from May 27, 2021. Ms. Sze Wan Patricia Lam stepped down as Chairperson but remained as a member of the Nomination and Corporate Governance Committee with effect from May 27, 2021 and Mr. Chee Ming Liu was appointed as independent non-executive Director and member of the Nomination and Corporate Governance Committee with effect from May 27, 2021. The Nomination and Corporate Governance Committee held three meetings during the year ended December 31, 2021 supplemented by circulation of written resolutions of all committee members where appropriate.

The duties of the Nomination and Corporate Governance Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012, and amended by a resolution of the Board passed on November 9, 2018 which are available on the websites of the Hong Kong Stock Exchange and the Company, include making recommendations to the Board on nominations and appointments of Directors, reviewing the size, diversity and composition of the Board, assessing the independence of independent non-executive Directors and performing corporate governance functions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## BOARD DIVERSITY

The Board has a balance of skills, experience and diversity of perspectives appropriate for the requirements of the Group's gaming and hospitality businesses. The representation on the Board by the non-executive and independent non-executive Directors ensures that objective and independent judgment is exercised by the Board and enables their views to carry weight.

The Board's composition ensures there is experience in commercial, professional, financial, legal and gaming industry matters. There is proper balance of various attributes, including but not limited to, gender, age, cultural and education background, race, family status and skills in order to discharge its functions effectively and to enhance the quality of its deliberations and decisions. No single individual or group of individuals is able to dominate the decision-making process.

The Company's Corporate Governance Policy relating to Board diversity sets out the Company's approach to achieve diversity on the Board.

The Company is committed to achieving equality of opportunity in all respects of its business and seeks continuously to enhance the effectiveness of the Board and recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board should have a diversity of perspectives appropriate for the requirements of the Group's business model and specific needs. When considering appointments to the Board and assessing the composition of the Board, a range of diversity factors will be considered, including but not limited to gender, age, cultural and education background, race, family status, skills or professional experience. Board appointments will continue to be made based upon merit and candidates will be considered against objective criteria.

The Nomination and Corporate Governance Committee is primarily responsible for identifying and nominating suitably qualified candidates to become members of the Board and reviewing and assessing the Board's structure, size and composition. In carrying out this responsibility, it will give adequate consideration to the Board's diversity policy in the Company's Corporate Governance Policy.

The Nomination and Corporate Governance Committee is responsible for reviewing the Board's diversity policy, and will recommend any revisions to the Board for consideration and approval. The Nomination and Corporate Governance Committee is also responsible for monitoring and reporting on the implementation of the Board's diversity policy regularly to ensure its continued effectiveness.

# CORPORATE GOVERNANCE REPORT

## SELECTION AND APPOINTMENT OF DIRECTORS

The Company has in place a formal and transparent procedure for the selection and appointment of new Directors to the Board, adopted by a resolution of the Board passed on November 30, 2012 and amended by a resolution of the Board passed on November 9, 2018. In the circumstances where the Nomination and Corporate Governance Committee or the Board believe there is a need to appoint another Director, whether due to retirement of a Director or the growth or complexity of the Company's business, certain procedures have to be followed by the Nomination and Corporate Governance Committee, including:

- determining the skills and experience required from the candidate considering those of the existing Directors and any other likely changes made to the Board;
- agreeing the process and timetable for seeking such a person; and
- preparing a short list of candidates.

The Nomination and Corporate Governance Committee shall evaluate each candidate based upon whether they will be able to make meaningful contributions to the Board's oversight of the business and affairs of the Company and pursuant to the following criteria:

- skills, competencies and qualifications;
- status under applicable independence requirements (i.e. serving more than nine years could be relevant to the determination of an independent non-executive Director's independence and his further appointment should be subject to a separate resolution to be approved by the Company's shareholders);
- personal and professional ethics and integrity;
- business and professional experience in fields relevant to the Company's business (including whether that experience complements the expertise and experience of the other Directors);
- other directorships held in other listed companies (Hong Kong or overseas) (previously and currently) (for example, independent non-executive Directors sitting on multiple boards will need to ensure that they devote sufficient time to each Board and Board committees);
- ability to devote sufficient time to perform their duties as a Director;
- contribution to the overall balance of the composition of the Board;
- commitment to represent the interests of all shareholders of the Company; and
- contribution to the diversity of the Board, including gender, age, cultural and educational background or professional experience.

The Board will appoint any new Director during the year and that person will hold office only until the next following annual general meeting of the Company where that person will then stand for re-election by Shareholders.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2021 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2020 annual report;
- review of the Environmental, Social and Governance (“ESG”) Report in the draft 2020 annual report;
- review of the 2020 standalone Sustainability Report;
- review of the structure, size and composition of the Board, in particular relating to Board diversity, and monitoring the implementation of the board diversity policy;
- independence of independent non-executive Directors;
- review of compliance with deed of non-compete undertakings by substantial Shareholders;
- appointment of non-executive director;
- appointment of independent non-executive director;
- appointment of directors as members of Board Committees; and
- retirement of Directors by rotation at the 2021 annual general meeting and re-election of retiring Directors.

#### **DISCLOSURE COMMITTEE**

The Disclosure Committee which was established by written resolution of the Board on August 8, 2011 comprises all the executive Directors.

The Disclosure Committee is delegated by the Board to assess the likely impact of any unexpected and significant event that may impact the Company’s share price and/or share trading volume and to decide whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. The Disclosure Committee may also be responsible for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time. The form and contents of the announcements and/or circulars submitted to the approval of the Disclosure Committee are communicated and circulated to all Directors and the feedback and comments received are properly addressed prior to publication.

# CORPORATE GOVERNANCE REPORT

## **DIRECTORS' AND OFFICERS' INSURANCE**

The Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT**

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the "Code"), the terms of which are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers' contained in Appendix 10 to the Listing Rules. The last revision of the Code was approved by a resolution of the Board passed on November 9, 2018, to restore the role of the Company Secretary in the pre-clearance procedure to deal in MGM China Securities as provided in the original version of the Code dated May 13, 2011.

The Company has made specific inquiries and has received written confirmations from all Directors that they have complied with the required standard as set out in the Code during the period covered by this annual report.

## **FINANCIAL REPORTING**

### **DIRECTORS' RESPONSIBILITY**

The Board acknowledges its responsibility for preparing financial statements which give a true and fair view of the state of affairs and financial performance of the Company and of the Group. In presenting the interim and annual financial statements of the Company and the Group, the Directors have considered whether suitable accounting policies were applied consistently, that judgments and estimates are prudent and reasonable and whether those financial statements have been prepared on a going concern basis.

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Management presents to the Board annual and interim business reviews and financial reports comparing the Group's actual performance with the budget and highlights relevant matters to enable the Board to make an informed assessment on the Group's performance, position and prospects.

## AUDITOR'S RESPONSIBILITY AND AUDITOR'S REMUNERATION

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 173 to 180 of this annual report.

During the year ended December 31, 2021, the remuneration paid and payable to the Company's external auditor, is set out below:

| Type of Services               | HK\$'000 |
|--------------------------------|----------|
| Audit services                 | 8,332    |
| Non-audit services             |          |
| Taxation and advisory services | 425      |

## COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communications with the Company's shareholders and potential investors. The Group is committed to ensuring the Shareholders and potential investors receive timely information through the publication of annual and interim reports, announcements, circulars and press releases. All Shareholders' communications are available on the Company's website. The Company regards the annual general meeting as an opportunity for the Board to communicate directly with the Shareholders. Questions from the Shareholders at the annual general meeting are encouraged and welcomed. The Company has adopted a Shareholders' Communication Policy to ensure effective communication with the Shareholders, which has been reviewed on a regular basis to ensure its effectiveness. A copy of the policy is available on the websites of the Hong Kong Stock Exchange and the Company.

## INVESTOR RELATIONS

The Board recognizes that effective communications with the Shareholders is the key to establish Shareholders' confidence and to attract new investors. The Company maintains regular dialogues with institutional investors, financial analysts and financial media to keep them informed of the Group's latest strategy, operations, management and plans.

# CORPORATE GOVERNANCE REPORT

The Articles of Association were amended at the annual general meeting held on May 17, 2012, at the extraordinary general meeting held on November 30, 2012 and at the annual general meeting held on May 24, 2019. Details of the amendments to the Articles of Association were set out in the circulars to the Shareholders dated April 16, 2012, November 6, 2012 and April 17, 2019.

## RISK MANAGEMENT AND INTERNAL CONTROLS

Our risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage rather than eliminate significant risks of failure in operational systems and achievement of the Group's objectives.

### RISK MANAGEMENT

#### Key principles

Risk management is a core discipline of our business. We are exposed to a range of different risk types, including: strategic, operational, financial, compliance, cross-border, reputational and cyber threats.

We recognize the importance of having in place an effective and robust risk management system.

We are committed to continually monitoring and improving our group-wide risk management system in order to ensure that significant risks are appropriately managed such that the Group's strategic and operational plans are met.

The Board is responsible for setting risk tolerance and the Board and the Audit Committee are responsible for monitoring and reviewing the effectiveness of the risk management system.

#### Management Risk Committee

A decision was made in 2015 by the Board to establish the Management Risk Committee which has the responsibility to create and implement the risk management system of the Group.

The Management Risk Committee is appointed by and is subject to the oversight of the Audit Committee.



The Management Risk Committee’s mission is to develop and oversee the overall risk management system of the Group by, on an ongoing and enterprise-wide basis, identifying and measuring the risks which could have a material impact on our business including the development, monitoring and reporting of risk mitigation and management strategies in order to avoid or reduce these risks to a level as low as reasonably practicable and, thus, protect our assets and enhance Shareholder value.

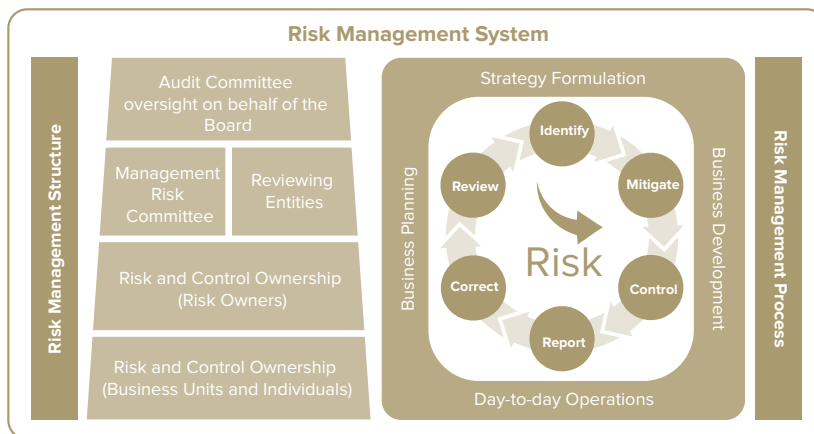
By doing this, the Management Risk Committee gives management a clear view of the significant risks facing the Company, which is used to support the decision making process including strategy formulation, business development and planning, internal control and day-to-day operations.

**Risk Management System**

Our risk management system is reviewed every quarter and analyzes risks based upon an Impact / Likelihood matrix which assigns to the risks one of the following ratings: Low, Medium Low, Medium, Medium High and High.

In addition to rating the risks, our risk management system identifies the parties who will be primarily and secondarily responsible for such risks as well as the relevant reviewing parties and any plans to mitigate such risks.

The list of risks, their risk rating and the mitigation plans in place are analyzed regularly, at least on an annual basis, by the Audit Committee on behalf of the Board, to ensure that our risk management system is effective, as the business and external environment in which the Group is operating are constantly changing.



# CORPORATE GOVERNANCE REPORT

Periodic reports on the activities of the Management Risk Committee are presented to the Audit Committee and by the Audit Committee to the Board.

## Initiative in 2021

The major Risk Management initiative in 2021 was the following:

- In order to add further robustness to our Risk Management System, we initiated an exercise with the aim to attribute a financial value to our material risks;
- Drafting of the framework for a Supplier Risk Management Plan, which aims to provide an assessment of Suppliers' risk profile and potential to adversely affect MGM Grand Paradise as well as implement a systematic approach to address and mitigate the risks posed.

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Shareholders' investment and the Group's assets. The Group conducts regular reviews of the internal control systems. The management team is primarily responsible for the design, implementation and maintenance of the internal controls. The Board is responsible for overseeing the performance of the management team and the Board and the Audit Committee are responsible for monitoring and reviewing the effectiveness of the internal controls that have been put in place.

The Group's internal control systems encompass policies and procedures aiming to:

- respond appropriately to significant business, operational, financial, compliance and other risks in a timely manner with a view to achieving the Group's business objectives. This includes safeguarding assets from inappropriate use or from loss and fraud and ensuring that potential liabilities are identified and managed;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and
- ensure compliance with the relevant legislation, rules and regulations and also with our internal policies with respect to the conduct of our business.

The Company's Internal Audit Department ("IA") is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee. IA plans its internal audit projects annually based upon applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management about the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team has occurred. Status of follow up and the management team's remedial actions are reported to the Audit Committee. To preserve IA's independence, the director of IA reports directly to the Audit Committee on audit matters and to the President, Strategic & Chief Financial Officer on administrative matters. During 2021, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2021, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and risk management, and through the review and findings of the Audit Committee, considered that (i) the Group's risk management and internal control systems were effective and adequate and that the Group had complied satisfactorily with the provisions on risk management and internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions were adequate.

The risk management and internal control systems are designed to provide reasonable but not absolute assurance against misstatement or loss and to manage rather than to eliminate risks of failure in operational systems and achievement of the Group's objectives. Please refer to the scope of work of our Disclosure Committee in relation to the handling of inside information.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

For the purpose of conforming to the Hong Kong Stock Exchange's requirements, the directors of the Company have undertaken by letter to the Hong Kong Stock Exchange dated January 15, 2019, to convene an extraordinary general meeting on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings and to put forward a resolution to approve an amendment to the Articles at the next annual general meeting of the Company. The Articles of Association of the Company were amended at the annual general meeting of the Company held in May 24, 2019.

Under the Articles of Association, the Board shall, on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company, or any one Shareholder being a recognized clearing house (or its nominee(s)) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company, proceed duly to convene an extraordinary general meeting of the Company. The requisition must specify the objects of the meeting and must be signed by the requisitionist(s) and deposited at the principal place of business of the Company in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. Once the Company verifies that the request is proper and in order, the Company Secretary will as soon as practicable inform the Board of such request. If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting to be held with a further twenty-one days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

### PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Enquiries can be made by the public in writing with their contact information and deposited at the Company's principal place of business and head office in Macau at Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau or the Company's principal place of business in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. The Company has a dedicated investor relations team which supports the Board in dealing with enquiries raised by the Shareholders and potential investors. The Company's corporate website also includes the contact details of the Company for the Shareholders and potential investors to post their queries.

### **PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS**

To put forward a proposal at a general meeting, the Shareholder(s) should submit a written notice of the proposal specifying the intention to move it as an ordinary or a special resolution, the particulars of the resolution together with the detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong as detailed above not less than six weeks (42 days) before the meeting at which it is moved. Once the Company verifies that the request is proper and in order, the Company Secretary will request the Board to include the said resolution in the agenda for the general meeting.

To put forward a proposal to elect a person (other than a retiring Director and other than the Shareholder himself/herself) as a Director (the "Candidate") at a general meeting of the Company, the Shareholder shall deposit a written notice of such proposal (signed by the Shareholder who is duly qualified to attend and vote at the general meeting) providing the biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules at the Company's principal place of business and head office in Macau as detailed above or the Company's registered office at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands for the attention of the Company Secretary, and a written consent signed by the Candidate indicating his/her willingness to be elected. Unless otherwise determined by the Directors and notified by the Company to the Shareholders, the period for lodgment of such a written notice will commence on the day after the dispatch of the notice of the relevant general meeting and end no later than seven days prior to the date of such general meetings.

### **CODE OF BUSINESS CONDUCT AND ETHICS AND CONFLICT OF INTEREST POLICY**

The Board and senior staff are committed to conducting the Group's business with integrity and the highest standard of business ethics, and in compliance with all the applicable laws and regulatory requirements. The Company has adopted an internal Code of Business Conduct and Ethics and Conflict of Interest Policy which sets out the Company's ethical value and business principles and applies to employees, Directors, contractors or other agents of the Company or its subsidiaries and affiliates. Periodically, the Company may adopt additional guidelines to assist in complying with this policy.

### **WHISTLE-BLOWING POLICY**

The Group has in place an integrity hotline, available by telephone or internet, where employees, customers, contractors and vendors can raise in confidence (where they can choose to be anonymous or otherwise), their concerns on possible improprieties or relating to any alleged breach of the Code of Business Conduct and Ethics and Conflict of Interest Policy, without fear of reprisals. Under the policy, there are arrangements in place for independent investigations of such matters of concern and for appropriate follow up actions to be taken.

# REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the development and 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. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and other particulars, is set out in note 32 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis and Chairperson's Statement set out on pages 22 to 57 and pages 4 to 10 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis and Sustainability sections set out on pages 22 to 57 and pages 80 to 111 respectively, and as described on pages 137 to 139 of this annual report. Discussions on the Group's environmental policies and performance are included in the Sustainability section set out on pages 80 to 111. This discussion forms part of this directors' report.

## COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

The Group and its activities are subject to extensive regulations in several jurisdictions and are required to obtain and maintain licenses in order to operate certain aspects of the business.

As a public company listed on the Hong Kong Stock Exchange, the Company is subject to the regulations imposed by the Securities and Futures Ordinance, the Listing Rules, and the Hong Kong Companies Ordinance.

Gaming is a highly regulated industry in Macau. The continuation of operations is contingent upon maintaining all necessary regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to the Macau laws. The laws, regulations and ordinances requiring these licenses, permits and approvals generally impose on the Group specific requirements related to 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.

The activities of the Group in Macau are subject to administrative review and approval by various agencies of the Macau Government, including the Gaming Inspection and Coordination Bureau, the Health Department, the Labor Bureau, the Public Works Bureau, the Fire Department, the Economic Services Bureau (including the Tax Department), the Institute for Civic and Municipal Affairs, the Macau Monetary Authority, the Financial Intelligence Bureau and the Macau Government Tourism Office.

As a subsidiary of MGM Resorts International, the Company is subject to regulations imposed by the Foreign Corrupt Practices Act. MGM Resorts International, the controlling Shareholder of the Company, is subject to the laws, rules and regulations of the State of Nevada, U.S.A., and the laws of other jurisdictions in which MGM Resorts International operates pertaining to gaming activities.

The Group is subject to various reporting and anti-money laundering regulations as it deals with significant amounts of cash in its operations. The Group recognizes the importance of complying with applicable legal and regulatory requirements and seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of business units with designated resources at different levels of the Group.

# REPORT OF THE DIRECTORS

MGM Grand Paradise has established a Compliance Committee to oversee the MGM Grand Paradise's activities in the area of compliance pursuant to a compliance plan, that may impact the business operations or public image, in light of applicable government and industry standards, as well as legal and business trends and public policy issues. The Compliance Committee is composed of no more than four individuals, at least one of whom is determined by the Board to be independent of the Group, the Parent Company and its Affiliates, who, by virtue of their familiarity with law enforcement, regulated businesses, ethics, or gaming compliance, are sensitive to the concerns of the Macau gaming authorities and capable of determining the existence or likelihood of an unsuitable situation. The Compliance Committee will exercise its best efforts to identify and evaluate situations arising in the course of the business of the Group that may have a negative effect upon the objectives of gaming control. Generally speaking, a situation adversely affects the objectives of gaming control if it has an adverse effect on the public faith in the ability of any appropriate gaming regulatory system to ensure that licensed gaming is conducted honestly and competitively and that gaming is free from criminal and corruptive elements. The Compliance Officer shall be the recording secretary of the Compliance Committee and shall be responsible for supervising and coordinating all activities on behalf of the Compliance Committee in preparing all minutes and exhibits. The responsibility for day-to-day administration of the compliance plan rests with the Compliance Officer. The Compliance Officer shall report to the Compliance Committee any relevant information coming to the attention of the Compliance Officer concerning any matters subject to review or that are required to be reported under the compliance plan that occurred during the prior quarter.

## FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 181 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 296 of this annual report.

## DIVIDEND POLICY

In accordance with the dividend policy announced by the Company on February 28, 2013 the Company may make semi-annual distributions in an aggregate amount per year that will not exceed 35% of the anticipated consolidated annual profits of the Company, taking into consideration the criteria described below and the Directors' fiduciary duties. The Company may also declare special distributions from time to time in addition to the semi-annual distributions. It is anticipated that these distributions will be declared semi-annually following the announcement of the half-year results and following the announcement of the full year results. Dividends will be declared and paid in Hong Kong dollars.



The Company will evaluate its distribution policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The determination to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, development pipeline, cash flow, financial condition, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant and having regard to the Directors' fiduciary duties. The payment of distributions may also be limited by legal restrictions and by the Company's financing agreements (including any financing agreements that the Company may enter into in the future).

The Company's ability to make distributions is also subject to the requirements of Cayman Islands law and the Articles of Association. Other limitations on the Company's ability to declare and pay dividends include the fact that, as a holding company, the Company is dependent upon the receipt of cash contributions from MGM Grand Paradise, and its other subsidiaries to fund any dividend payments that the Company makes. As substantially all of the Company's operations are conducted through MGM Grand Paradise and the Company's other operating subsidiaries, the ability of these subsidiaries to make dividend and other payments to the Company will be restricted by their constitutional documents and to the laws of and regulations of Macau or other relevant laws and regulations to which those subsidiaries are subject.

## **DIVIDENDS**

The Board did not recommend an interim dividend payment for the six months ended June 30, 2021.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021.

## **SHARE CAPITAL AND WARRANTS**

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Except as disclosed in note 24 to the consolidated financial statements and the subsection headed "Share Option Scheme" in this report of the Directors, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries during the year ended December 31, 2021.

# REPORT OF THE DIRECTORS

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Articles of Association which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

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

During the year ended December 31, 2021, the Company repurchased a total of 8,979,100 Shares at an aggregate purchase price of HK\$128.0 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

| Month of repurchase | Total number of Shares repurchased | Highest price paid per Share<br>HK\$ | Lowest price paid per Share<br>HK\$ | Aggregate consideration paid<br>HK\$'000 |
|---------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| March 2021          | 8,827,800                          | 14.58                                | 13.90                               | 126,181                                  |
| June 2021           | 151,300                            | 12.22                                | 12.06                               | 1,842                                    |
|                     | 8,979,100                          |                                      |                                     | 128,023                                  |

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased an aggregate number of Shares equivalent to the aggregate number of new Shares issued under the Share Option Scheme during the year ended December 31, 2021 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

Except as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended December 31, 2021.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2021, the Company's reserves available for distribution to Shareholders were as follows:

|                   | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|-------------------|-------------------|------------------|
| Share premium     | <b>10,409,009</b> | 10,406,223       |
| Retained earnings | <b>5,991,286</b>  | 6,485,099        |
|                   | <b>16,400,295</b> | 16,891,322       |

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the Shareholders of the Company subject to the provisions of its Articles of Association and provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

## CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2021, the Group made charitable contributions totaling HK\$20.8 million.

## EMPLOYEES

The Group recognizes the accomplishment of the employees by providing comprehensive benefit packages, career development opportunities and training in a healthy and safe workplace. The Group is committed to maintaining a work environment free from all forms of harassment and discrimination based upon race, color, religion, gender, national origin, ancestry, age, sexual orientation, mental or physical disability, or any other basis protected by law. This applies to all aspects of employment including, but not limited to, recruitment, hiring, training, promotion, compensation and benefits.

# REPORT OF THE DIRECTORS

## CUSTOMERS

The Group's business is built upon a customer-oriented culture. To maintain our market competitiveness within the industry, the Group has continued to execute our strategies on improving customer experience by providing high quality gaming and non-gaming offerings. We have also invested in the diversification of Macau by bringing world class art to both entertain our local community and drive international visitation. Our MGM COTAL property allows us to capitalize on our international expertise in providing exciting, and diversified entertainment offerings that local residents and visitors to Macau have not previously experienced. It represents what we are known for by our clients under our mojo "Make Great Moments". Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan.

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. There is volatility in such revenue sources including the risk of loss of a substantial amount of revenue if we should lose the business of these individuals. To address this risk, risk owners have been designated by the Management Risk Committee and mitigation plans have been put in place, including adjusting the Company's business mix between operations according to the economic context, and monitoring and assuring a volume of business from these individuals which is sufficient to ensure that the volatility is in an acceptable range in the long term by means of a marketing plan and budget to support the acquisition and retention of these high value individuals.

For the year ended December 31, 2021, the aggregate amount of operating revenues attributable to the Group's five largest customers represented less than 30% of the Group's total operating revenues.

None of our Directors, their associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2021.

## SUPPLIERS

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers and contractors. The departments work closely to make sure the procurement process is conducted in an open and fair manner. The Group's requirements and standards are also well-communicated to suppliers, which are required to adhere to our Code of Conduct as well as our Sustainability Policy.

The Vendor Code of Conduct as well as the Sustainable Procurement Policy adopted by the Company provides guidance in the procurement of goods and services that contribute to achieving the sustainability goals of our Company. The policy applies to all employees authorized to initiate, contribute to, and/or participate in, the purchasing process. By incorporating sustainable considerations in procurement decisions, the Company is able to reduce its burden on the local and global environment, remove unnecessary hazards from operations, help to protect public health, contribute to reducing costs and liabilities, and potentially improve the environmental quality of the areas in which we operate.

The Company has also in place a Purchasing Standard Operating Procedure, applicable to all parties involved in the purchasing process, which details the procedures to be followed to obtain quality goods and services at the best available prices from reputable vendors, and to ensure that robust internal controls are maintained and adhered to.

Risks related to reliance on major suppliers are considered by the Management Risk Committee and mitigation plans are in place.

For the year ended December 31, 2021, the aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers represented 33.1% of the Group's total purchases. Our five largest suppliers were AIA International Limited, Companhia de Electricidade de Macau – CEM, MGM Branding, JLT Insurance Brokers Limited and Angel Macau Limited, which accounted for approximately 11.1%, 9.4%, 7.3%, 2.8% and 2.5% of our total purchases, respectively.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

### EXECUTIVE DIRECTORS:

William Joseph Hornbuckle (*Chairperson*)

Pansy Catilina Chiu King Ho (*Co-Chairperson*)

Chen Yau Wong

John M. McManus

### NON-EXECUTIVE DIRECTORS:

Kenneth Xiaofeng Feng

Daniel J. Taylor

Ayesha Khanna Molino

Jonathan S. Halkyard <sup>(1)</sup>

James Freeman <sup>(2)</sup>

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng

Chee Ming Liu <sup>(3)</sup>

Zhe Sun <sup>(4)</sup>

<sup>(1)</sup> Jonathan S. Halkyard was appointed as non-executive Director on June 29, 2021.

<sup>(2)</sup> James Freeman resigned as non-executive Director on June 29, 2021.

<sup>(3)</sup> Chee Ming Liu was appointed as independent non-executive Director on May 27, 2021.

<sup>(4)</sup> Zhe Sun retired as independent non-executive Director on May 27, 2021.

In accordance with article 105 of the Amended and Restated Articles of Association of the Company adopted at the annual general meeting held on May 24, 2019, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any other Directors to retire shall be determined on the basis that (a) at least one executive Director shall retire each year, (b) at least one non-executive Director (who is not an independent non-executive Director) shall retire each year, and (c) at least one independent non-executive Director shall retire each year, provided that no Director shall be required by the Board to retire by rotation if the last re-election or appointment of that Director is more recent than the last re-election or appointment of any other Director who is not being required to retire by rotation. Any Director appointed pursuant to article 102(2) or 102(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Details of the Directors who shall retire from office of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting will be set out in the circular and notice of the annual general meeting to be sent to the Shareholders.

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 21 of this annual report.

## **UPDATE ON DIRECTORS' INFORMATION**

Changes in the information of the Directors since disclosure made in the Company's 2021 interim report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Ms. Pansy Ho was appointed as member of Board of Trustees of Cultural Development by the Government of Macau Special Administrative Region in January 2022 and served as executive Chairman of World Federation of Chinese Entrepreneur Organization since November 2021.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The Directors' emoluments are determined by the Board with reference to their duties and responsibilities.

## DIRECTORS' INTEREST IN CONTRACTS

Except as disclosed in note 31 to the consolidated financial statements on pages 286 to 289 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2021 in which the Group was a party and in which a Director was materially interested.

## PERMITTED INDEMNITY

Pursuant to the Company's article 178 of the Articles of Association, every Director shall be indemnified and held harmless out of the assets of the Company, to the fullest extent permitted by applicable laws, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred.



## **DEED OF NON-COMPETE UNDERTAKINGS WITH MS. PANSY HO AND MGM RESORTS INTERNATIONAL**

The Company entered into a Deed of Non-compete Undertakings with Ms. Pansy Ho and MGM Resorts International on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party as set out in pages 134 to 137 of the Company's IPO Prospectus. 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 renewal of the Deed of Non-Compete Undertakings pursuant to the First Renewed Deed of Non-Compete Undertakings aligns the term of such undertakings with the extended term of the Sub-Concession. The terms of the First Renewed Deed of Non-Compete Undertakings were arrived at after arm's length negotiations between the relevant parties, and are substantially the same as the Deed of Non-Compete Undertakings. The Directors (including the independent non-executive Directors) consider that the entry into the First Renewed Deed of Non-Compete Undertakings is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2021 from Ms. Pansy Ho and MGM Resorts International. Based upon the confirmations received from Ms. Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Ms. Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2021.

Except as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2021.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2021.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

### (A) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

| Name of Director      | Personal Interests         | Family Interests | Corporate Interests        | Number of Shares and Underlying Shares held | Percentage of issued share capital |
|-----------------------|----------------------------|------------------|----------------------------|---|------------------------------------|
| Pansy Ho              | 380,000,000 <sup>(1)</sup> | —                | 474,561,200 <sup>(2)</sup> | 854,561,200                                 | 22.49%                             |
| Kenneth Xiaofeng Feng | 3,042,000 <sup>(3)</sup>   | —                | —                          | 3,042,000                                   | 0.08%                              |

### (B) LONG POSITION IN DEBENTURES OF THE COMPANY

| Name of Director | Personal Interests                            | Family Interests | Corporate Interests | Number of Debentures held | Percentage of Debentures in issue of relevant company |
|------------------|---|------------------|---------------------|---------------------------|---|
| Pansy Ho         | US\$15,000,000 <sup>(4)</sup><br>(Beneficial) | —                | —                   | US\$15,000,000            | 3%  |

**(C) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS - MGM GRAND PARADISE**

| Name of Director | Personal Interests    | Family Interests | Corporate Interests | Number of Shares held | Percentage of issued share capital |
|------------------|-----------------------|------------------|---------------------|-----------------------|------------------------------------|
| Pansy Ho         | 20,000 <sup>(5)</sup> | —                | —                   | 20,000                | 10.00%                             |

**(D) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS - MGM RESORTS INTERNATIONAL <sup>(6)</sup>**

| Name of Director          | Personal Interests      | Family Interests | Corporate Interests       | Other Interests         | Number of Common Stocks and Underlying Shares held | Percentage of issued common stocks |
|---------------------------|-------------------------|------------------|---------------------------|-------------------------|--|------------------------------------|
| William Joseph Hornbuckle | 20,053 <sup>(7)</sup>   | —                | —                         | —                       | 20,053   | 0.0044%                            |
|                           | 520,522 <sup>(8)</sup>  | —                | —                         | —                       | 520,522  | 0.1147%                            |
|                           | 630 <sup>(9)</sup>      | —                | —                         | —                       | 630  | 0.0001%                            |
|                           | 571,105 <sup>(10)</sup> | —                | —                         | —                       | 571,105  | 0.1258%                            |
|                           | 2,190 <sup>(11)</sup>   | —                | —                         | —                       | 2,190  | 0.0005%                            |
|                           | —                       | —                | —                         | 242,603 <sup>(12)</sup> | 242,603  | 0.0535%                            |
|                           | 55,363 <sup>(13)</sup>  | —                | —                         | —                       | 55,363   | 0.0122%                            |
| Pansy Ho                  | —                       | —                | 3,266,157 <sup>(14)</sup> | —                       | 3,266,157  | 0.7197%                            |
| John M. McManus           | 713 <sup>(15)</sup>     | —                | —                         | —                       | 713  | 0.0002%                            |
|                           | 65,053 <sup>(16)</sup>  | —                | —                         | —                       | 65,053   | 0.0143%                            |
|                           | 199 <sup>(17)</sup>     | —                | —                         | —                       | 199  | 0.00004%                           |
|                           | 150,084 <sup>(18)</sup> | —                | —                         | —                       | 150,084  | 0.0331%                            |
|                           | 962 <sup>(19)</sup>     | —                | —                         | —                       | 962  | 0.0002%                            |
|                           | 56,820 <sup>(20)</sup>  | —                | —                         | —                       | 56,820   | 0.0125%                            |
| Kenneth Xiaofeng Feng     | 32,392 <sup>(21)</sup>  | —                | —                         | —                       | 32,392   | 0.0071%                            |
|                           | 1,642 <sup>(22)</sup>   | —                | —                         | —                       | 1,642  | 0.0004%                            |
|                           | 61 <sup>(23)</sup>      | —                | —                         | —                       | 61   | 0.00001%                           |
|                           | 15,915 <sup>(24)</sup>  | —                | —                         | —                       | 15,915   | 0.0035%                            |
|                           | 875 <sup>(25)</sup>     | —                | —                         | —                       | 875  | 0.0002%                            |

# REPORT OF THE DIRECTORS

| Name of Director         | Personal Interests     | Family Interests    | Corporate Interests | Other Interests | Number of Common Stocks and Underlying Shares held | Percentage of issued common stocks |
|--------------------------|------------------------|---------------------|---------------------|-----------------|--|------------------------------------|
| Daniel J. Taylor         | 79,462 <sup>(26)</sup> | —                   | —                   | —               | 79,462   | 0.0175%                            |
|                          | 57,337 <sup>(27)</sup> | —                   | —                   | —               | 57,337   | 0.0126%                            |
|                          | 4,498 <sup>(28)</sup>  | —                   | —                   | —               | 4,498  | 0.0010%                            |
|                          | 3,425 <sup>(29)</sup>  | —                   | —                   | —               | 3,425  | 0.0008%                            |
| Ayesha Khanna Molino     | 25,000 <sup>(30)</sup> | —                   | —                   | —               | 25,000   | 0.0055%                            |
|                          | 15,545 <sup>(31)</sup> | —                   | —                   | —               | 15,545   | 0.0034%                            |
|                          | 160 <sup>(32)</sup>    | —                   | —                   | —               | 160  | 0.00004%                           |
|                          | 15,585 <sup>(33)</sup> | —                   | —                   | —               | 15,585   | 0.0034%                            |
|                          | 4 <sup>(34)</sup>      | —                   | —                   | —               | 4  | 0.000001%                          |
|                          | 6,906 <sup>(35)</sup>  | —                   | —                   | —               | 6,906  | 0.0015%                            |
|                          | —                      | 200 <sup>(36)</sup> | —                   | —               | 200  | 0.00004%                           |
| Jonathan S. Halkyard (*) | 30,748 <sup>(37)</sup> | —                   | —                   | —               | 30,748   | 0.0068%                            |
|                          | 7 <sup>(38)</sup>      | —                   | —                   | —               | 7  | 0.000002%                          |
|                          | 29,491 <sup>(39)</sup> | —                   | —                   | —               | 29,491   | 0.0065%                            |
|                          | 1 <sup>(40)</sup>      | —                   | —                   | —               | 1  | 0.0000002%                         |
| James Freeman (**)       | 19,945 <sup>(41)</sup> | —                   | —                   | —               | 19,945   | 0.0041%                            |
|                          | 275 <sup>(42)</sup>    | —                   | —                   | —               | 275  | 0.00006%                           |
|                          | 46,718 <sup>(43)</sup> | —                   | —                   | —               | 46,718   | 0.0096%                            |
|                          | 903 <sup>(44)</sup>    | —                   | —                   | —               | 903  | 0.0002%                            |
|                          | 16,588 <sup>(45)</sup> | —                   | —                   | —               | 16,588   | 0.0034%                            |
|                          | 233 <sup>(46)</sup>    | —                   | —                   | —               | 233  | 0.00005%                           |

**(E) LONG POSITIONS IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS - MGM GROWTH PROPERTIES <sup>(47)</sup>**

| Name of Director              | Personal Interests     | Family Interests | Corporate Interests     | Other Interests       | Number of                                | Percentage of        |
|-------------------------------|------------------------|------------------|-------------------------|-----------------------|--|----------------------|
|                               |                        |                  |                         |                       | Common Stocks and Underlying Shares held | issued common stocks |
| William Joseph Hornbuckle     | 31,671 <sup>(48)</sup> | —                | —                       | —                     | 31,671                                   | 0.0202%              |
|                               | —                      | —                | —                       | 7,541 <sup>(49)</sup> | 7,541                                    | 0.0048%              |
| Pansy Ho                      | —                      | —                | 300,057 <sup>(50)</sup> | —                     | 300,057                                  | 0.1914%              |
| John M. McManus               | 27,582 <sup>(51)</sup> | —                | —                       | —                     | 27,582                                   | 0.0176%              |
| Daniel J. Taylor              | 30,730 <sup>(52)</sup> | —                | —                       | —                     | 30,730                                   | 0.0196%              |
|                               | 23,424 <sup>(53)</sup> | —                | —                       | —                     | 23,424                                   | 0.0149%              |
|                               | 3,866 <sup>(54)</sup>  | —                | —                       | —                     | 3,866                                    | 0.0025%              |
|                               | 7,411 <sup>(55)</sup>  | —                | —                       | —                     | 7,411                                    | 0.0047%              |
| James Freeman <sup>(**)</sup> | 14,311 <sup>(56)</sup> | —                | —                       | —                     | 14,311                                   | 0.0091%              |

Notes:

- (1) These represent the Shares beneficially held by Ms. Pansy Ho in her personal capacity.
- (2) These represent the Shares held by Grand Paradise Macau Limited, a company which Ms. Pansy Ho has control.
- (3) These represent 3,042,000 share options of the Company granted to Kenneth Xiaofeng Feng pursuant to the share option scheme of the Company, details of which are set out in note 24 to the consolidated financial statements.
- (4) This represents US\$15,000,000 of the 2025 Notes of the Company purchased by Ms. Pansy Ho.

# REPORT OF THE DIRECTORS

- (5) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (6) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.
- (7) This represents 20,053 vested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (8) This represents 520,522 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (9) This represents 630 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (10) This represents 356,941 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) This represents 1,368 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (12) These represent the common stock of MGM Resorts International indirectly held through trust.
- (13) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.

- (14) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Ms. Pansy Ho has control.
- (15) This represents 713 vested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (16) This represents 65,053 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (17) This represents 199 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (18) This represents 93,803 unvested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (19) This represents 601 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (20) These represent the common stock of MGM Resorts International held by John M. McManus.
- (21) This represents 32,392 vested SARs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (22) This represents 1,642 unvested RSUs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (23) This represents 61 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (24) These represent the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (25) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.

# REPORT OF THE DIRECTORS

- (26) This represents 79,462 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (27) This represents 57,337 vested RSUs in the common stock of MGM Resorts International held by Daniel J. Taylor.
- (28) This represents 4,498 unvested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (29) This represents 3,425 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.
- (30) This represents 25,000 vested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (31) This represents 15,545 unvested RSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino.
- (32) This represents 160 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino.
- (33) This represents 9,741 unvested PSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (34) This represents 2 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (35) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (36) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino's spouse.
- (37) This represents 30,748 unvested RSUs in the common stock of MGM Resorts International granted to Jonathan S. Halkyard.



- (38) This represents 7 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Jonathan S. Halkyard.
- (39) This represents 18,432 unvested PSUs in the common stock of MGM Resorts International granted to Jonathan S. Halkyard. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (40) This represents 1 dividend equivalent right for the outstanding PSUs equity awards of MGM Resorts International held by Jonathan S. Halkyard. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (41) This represents 19,945 unvested RSUs in the common stock of MGM Resorts International granted to James Freeman.
- (42) This represents 275 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Freeman.
- (43) This represents 29,199 unvested PSUs in the common stock of MGM Resorts International granted to James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (44) This represents 564 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (45) These represent the common stock of MGM Resorts International held by James Freeman.
- (46) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (47) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years respectively. MGM Growth Properties' practice is to issue new shares upon vesting of awards.

# REPORT OF THE DIRECTORS

- (48) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (49) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (50) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Ms. Pansy Ho has control.
- (51) These represent the common stock of MGM Growth Properties held by John M. McManus.
- (52) This represents 30,730 deferred stock units in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (53) This represents 23,424 vested RSUs in the common stock of MGM Growth Properties held by Daniel J. Taylor.
- (54) This represents 3,866 unvested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (55) This represents 7,411 dividend equivalent rights for the outstanding RSUs equity awards of MGM Growth Properties held by Daniel J. Taylor.
- (56) These represent the common stock of MGM Growth Properties held by James Freeman.
- (\*) Jonathan S. Halkyard was appointed as a non-executive Director on June 29, 2021.
- (\*\*) James Freeman resigned as a non-executive Director on June 29, 2021.

Except as disclosed above, as at December 31, 2021, none of the Directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2021 so far as is known to any Director of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

### (A) LONG POSITION IN THE SHARES OF THE COMPANY

| Name  | Capacity/nature of interest          | Number of Shares held | Percentage of shareholding |
|---|--------------------------------------|-----------------------|----------------------------|
| MGM Resorts International <sup>(1)</sup>    | Interest in a controlled corporation | 2,126,100,001         | 55.95%                     |
| MGM International, LLC <sup>(1)</sup>       | Interest in a controlled corporation | 2,126,100,001         | 55.95%                     |
| MRIH <sup>(1)</sup>                         | Direct interest                      | 2,126,100,001         | 55.95%                     |
| Pansy Ho <sup>(2)</sup>                     | Direct interest                      | 380,000,000           | 10.00%                     |
|   | Interest in a controlled corporation | 474,561,200           | 12.49%                     |
| Grand Paradise Macau Limited <sup>(2)</sup> | Direct interest                      | 474,561,200           | 12.49%                     |

Notes:

- (1) MRIH is a wholly-owned subsidiary of MGM International, LLC, which in turn is wholly-owned by MGM Resorts International. Therefore, MGM International, LLC and MGM Resorts International are deemed or taken to be interested in 2,126,100,001 Shares which are directly held by MRIH.
- (2) Grand Paradise Macau Limited is a company controlled by Ms. Pansy Ho and therefore Ms. Pansy Ho is deemed or taken to be interested in 474,561,200 Shares which are directly held by Grand Paradise Macau Limited.

# REPORT OF THE DIRECTORS

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2021, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

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 at the Annual General Meeting held on May 24, 2017 (“Share Option Scheme”) to approve changes to paragraphs 1.1, 6, 7 and 11 of the Share Option Scheme, details of which were set out in the circular of the Company dated April 20, 2017. 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 Share Option Scheme and the Renewed Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date, after which period no further options shall be granted. For options remaining outstanding on the expiration of the ten-year period, the provisions of the Share Option Scheme and of the Renewed Share Option Scheme shall remain in full force and effect.

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, 2021, 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 98,703,688, representing approximately 2.6% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Renewed Share Option Scheme of the Company is 379,972,600, which is approximately 10.0% of the issued share capital as at the date of this report. The Share Option Scheme expired on May 10, 2021 and no further option will be granted under this scheme. The total number of Shares available for issue based on the outstanding options granted under the expired Share Option Scheme as at the date of this report is 69,352,788.

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.

The vesting periods for all of the options granted were 25% per year on each of the subsequent four anniversary dates of the date of grant, with the exception of the options granted on May 3, 2021, in which were 100% vested on December 31, 2021.

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.

The Board may in its absolute discretion specify such conditions as it thinks fit when making an offer to an Eligible Person (including, without limitation, as to any performance criteria which must be satisfied by the Eligible Person and/or the Company and/or its Subsidiaries, and any minimum period for which an option must be held, before an option may be exercised, if any), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme and of the Renewed Share Option Scheme.

# REPORT OF THE DIRECTORS

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.

A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2021 is as follows:

| Directors, eligible employees and consultant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Number of share options |  |                           |                         | Outstanding at December 31, 2021 |
|--|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---------------------------|-------------------------|----------------------------------|
|  |                   |                                       |                               |                                | Granted during the year | Exercised during the year <sup>(1)</sup> | Forfeited during the year | Expired during the year |                                  |
| Grant R. Bowie*                              | 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                        | 1,730,000                      | –                       | –  | –                         | (1,730,000)             | –                                |
| 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                          |
| Grant R. Bowie*                              | 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                        | 10,780,000                     | –                       | –  | (1,730,000)               | –                       | 9,050,000                        |
| 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                        | –                       | –  | (80,000)                  | –                       | 100,000                          |
| 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                        | 207,500                        | –                       | –  | (45,000)                  | –                       | 162,500                          |
| Employees                                    | May 15, 2015      | May 15, 2016 – May 14, 2025           | 15.100                        | 120,000                        | –                       | –  | –                         | –                       | 120,000                          |
| Grant R. Bowie*                              | 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                        | 5,030,988                      | –                       | –  | (765,700)                 | –                       | 4,265,288                        |
| 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                        | 135,000                        | –                       | –  | –                         | –                       | 135,000                          |
| Employees                                    | November 16, 2015 | November 16, 2016 – November 15, 2025 | 11.450                        | 715,000                        | –                       | –  | –                         | –                       | 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                          |

| Directors, eligible employees and consultant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Granted during the year | Number of share options                  |                           |                         | Outstanding at December 31, 2021 |
|--|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---------------------------|-------------------------|----------------------------------|
|  |                   |                                       |                               |                                |                         | Exercised during the year <sup>(1)</sup> | Forfeited during the year | Expired during the year |                                  |
| Grant R. Bowie*                              | 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                        | 7,473,000                      | —                       | (2,736,000)                              | (572,100)                 | —                       | 4,164,900                        |
| Consultant                                   | June 3, 2016      | June 3, 2017 – June 2, 2026           | 10.900                        | 550,000                        | —                       | —  | —                         | —                       | 550,000                          |
| Grant R. Bowie*                              | 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                        | 6,782,400                      | —                       | (339,100)                                | (847,700)                 | —                       | 5,595,600                        |
| 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                        | 300,000                        | —                       | —  | —                         | —                       | 300,000                          |
| Employees                                    | February 21, 2017 | February 21, 2018 – February 20, 2027 | 14.500                        | 937,500                        | —                       | —  | (112,500)                 | —                       | 825,000                          |
| Employees                                    | May 15, 2017      | May 15, 2018 – May 14, 2027           | 16.990                        | 370,000                        | —                       | —  | —                         | —                       | 370,000                          |
| Grant R. Bowie*                              | 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                        | 6,524,700                      | —                       | —  | (786,600)                 | —                       | 5,738,100                        |
| 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                        | 250,000                        | —                       | —  | —                         | —                       | 250,000                          |
| Employees                                    | November 15, 2017 | November 15, 2018 – November 14, 2027 | 19.240                        | 300,000                        | —                       | —  | —                         | —                       | 300,000                          |
| Employees                                    | February 23, 2018 | February 23, 2019 – February 22, 2028 | 23.200                        | 830,000                        | —                       | —  | —                         | —                       | 830,000                          |
| Employees                                    | May 15, 2018      | May 15, 2019 – May 14, 2028           | 23.130                        | 200,000                        | —                       | —  | —                         | —                       | 200,000                          |
| Grant R. Bowie*                              | 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                        | 5,032,000                      | —                       | —  | (553,500)                 | —                       | 4,478,500                        |
| 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                        | —                       | —  | (100,000)                 | —                       | 100,000                          |
| 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                        | 50,000                         | —                       | —  | —                         | —                       | 50,000                           |
| Employees                                    | May 15, 2019      | May 15, 2020 – May 14, 2029           | 14.292                        | 420,000                        | —                       | —  | (80,000)                  | —                       | 340,000                          |
| Grant R. Bowie*                              | 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                        | 9,688,100                      | —                       | (210,000)                                | (738,100)                 | —                       | 8,740,000                        |
| 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                        | 330,000                        | —                       | (12,500)                                 | (50,000)                  | —                       | 267,500                          |
| Kenneth Feng                                 | 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                        | 150,000                        | —                       | —  | —                         | —                       | 150,000                          |

# REPORT OF THE DIRECTORS

| Directors, eligible employees and consultant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Number of share options   |  |                           |                         | Outstanding at December 31, 2021 |
|--|-------------------|---------------------------------------|-------------------------------|--------------------------------|---------------------------|--|---------------------------|-------------------------|----------------------------------|
|  |                   |                                       |                               |                                | Granted during the year   | Exercised during the year <sup>(1)</sup> | Forfeited during the year | Expired during the year |                                  |
| Employees                                    | April 1, 2020     | April 1, 2021 – March 31, 2030        | 7.976                         | 180,000                        | —                         | (12,500)                                 | (37,500)                  | —                       | 130,000                          |
| Employees                                    | May 15, 2020      | May 15, 2021 – May 14, 2030           | 9.316                         | 160,000                        | —                         | —  | —                         | —                       | 160,000                          |
| Kenneth Feng                                 | 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                         | 14,570,800                     | —                         | (27,400)                                 | (1,174,200)               | —                       | 13,369,200                       |
| 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                      | —                         | —  | —                         | —                       | 2,249,400                        |
| Employees                                    | November 16, 2020 | November 16, 2021 – November 15, 2030 | 15.120                        | 625,000                        | —                         | —  | —                         | —                       | 625,000                          |
| Consultant                                   | November 16, 2020 | November 16, 2021 – November 15, 2030 | 11.240                        | 200,000                        | —                         | —  | —                         | —                       | 200,000                          |
| Employees                                    | March 15, 2021    | March 15, 2022 – March 14, 2031       | 13.860                        | —                              | 200,000 <sup>(2)</sup>    | —  | —                         | —                       | 200,000                          |
| Employees                                    | May 3, 2021       | December 31, 2021 – May 2, 2031       | 12.672                        | —                              | 1,422,800 <sup>(3)</sup>  | —  | (29,200)                  | —                       | 1,393,600                        |
| Kenneth Feng                                 | May 3, 2021       | December 31, 2021 – May 2, 2031       | 12.672                        | —                              | 282,400 <sup>(3)</sup>    | —  | —                         | —                       | 282,400                          |
| Employees                                    | May 17, 2021      | May 17, 2022 – May 16, 2031           | 11.312                        | —                              | 290,000 <sup>(4)</sup>    | —  | —                         | —                       | 290,000                          |
| Kenneth Feng                                 | June 3, 2021      | June 3, 2022 – June 2, 2031           | 12.480                        | —                              | 859,600 <sup>(5)</sup>    | —  | —                         | —                       | 859,600                          |
| Employees                                    | June 3, 2021      | June 3, 2022 – June 2, 2031           | 12.480                        | —                              | 11,439,600 <sup>(5)</sup> | —  | (41,600)                  | —                       | 11,398,000                       |
| Employees                                    | August 16, 2021   | August 16, 2022 – August 15, 2031     | 8.256                         | —                              | 250,000 <sup>(6)</sup>    | —  | —                         | —                       | 250,000                          |
|  |                   |                                       |                               | 107,437,088                    | 14,744,400                | (8,979,100)                              | (8,493,700)               | (6,005,000)             | 98,703,688                       |

\* Grant R. Bowie resigned as executive Director with effect from August 6, 2020.

## Notes:

- (1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$13.57.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$13.58 and the estimated weighted average fair value of share options granted on that date was HK\$4.89 per share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$12.82 and the estimated weighted average fair value of share options granted on that date was HK\$3.62 per share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$11.02 and the estimated weighted average fair value of share options granted on that date was HK\$3.89 per share.



- (5) The closing price of the Shares immediately before the date of this grant was HK\$12.46 and the estimated weighted average fair value of share options granted on that date was HK\$4.07 per share.
- (6) The closing price of the Shares immediately before the date of this grant was HK\$8.12 and the estimated weighted average fair value of share options granted on that date was HK\$2.66 per share.

## CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group engaged in transactions with MGM Resorts International, Ms. Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions exempt from circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules

#### 1. Third Renewed Development Agreements

As disclosed in the IPO Prospectus, MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and the Company entered into the Development Agreement on May 17, 2011. The Development Agreement was replaced and renewed by the First Renewed Development Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014. The First Renewed Development Agreement was replaced and renewed by the Second Renewed Development Agreement on December 12, 2016, for a term of three years commencing from January 1, 2017.

MGM Resorts International, through its wholly-owned subsidiaries, holds approximately 56% of the entire issued share capital of the Company and is the controlling shareholder of the Company. MRIH is an indirect wholly-owned subsidiary of MGM Resorts International. Ms. Pansy Ho holds directly and indirectly approximately 22.49% of the entire issued share capital of the Company and is a substantial shareholder of the Company. She is also the Co-Chairperson and an Executive Director of the Company. NCE is wholly owned by Ms. Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. According to the Listing Rules, MGM Resorts International, MRIH, Ms. Pansy Ho, NCE and MGM Branding are connected persons of the Company. As such, the transactions contemplated under the Development Agreement, and the subsequent renewed Development Agreements as set out below, constitute continuing connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

# REPORT OF THE DIRECTORS

The major purpose of the Development Agreement, and the subsequent renewed Development Agreements as set out below, is that, through the development services provided, the Company will have access to the expertise of MGM Resorts International and New Corporate Enterprises Limited (a company wholly-owned by Ms. Pansy Ho) in the design, construction, management and operation of high quality casino projects.

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. The details of the terms of the Third Renewed Development Agreement were set out in the Company's announcement dated December 27, 2019.

The terms of the Third Renewed Development Agreement were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) consider that the entry into the Third Renewed Development Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Third Renewed Development Agreement, the Company has 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 on, amongst others, the potential projects that the Company 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 provider of development services if it fails to comply with its obligations to provide the services. 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, including the payment of the development fee.

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 on, amongst others, (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 had been paid pursuant to the Third Renewed Development Agreement during the year ended December 31, 2021.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Third Renewed Development Agreement are only subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **2. Third Renewed Master Service Agreements and Related Arrangements**

As disclosed in the IPO Prospectus and the announcement of the Company dated June 3, 2011, Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2011. The Master Service Agreement was replaced and renewed by the First Renewed Master Service Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014. The First Renewed Master Service Agreement was replaced and renewed by the Second Renewed Master Service Agreement on December 12, 2016, for a term of three years commencing from January 1, 2017.

# REPORT OF THE DIRECTORS

Ms. Pansy Ho is the managing director and a substantial shareholder of Shun Tak. By virtue of a number of direct and indirect interests in Shun Tak, the Hong Kong Stock Exchange has determined that Shun Tak is an associate of Ms. Pansy Ho and therefore Shun Tak is deemed to be a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Service Agreement, and the subsequent renewed Master Service Agreements as set out below, constitute continuing connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

The purpose of the Master Service Agreement, and the subsequent renewed Master Service Agreements as set out below, is to provide a framework for the provision of products and services between the Group and the Shun Tak Group. The Master Service Agreements and the existing transactions shall continue to enable the Group to foster its hospitality-related business in Macau and enhance its overall revenue.

Upon the expiry of the term of the Second Renewed Master Service Agreement 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, commencing from January 1, 2020. The details of the terms of the Third Renewed Development Agreement were set out in the Company's announcement dated December 27, 2019. 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 Directors (including the independent non-executive Directors) consider that the entry into the Third Renewed Master Service Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The services and products provided or to be provided by the Shun Tak Group under the Third Renewed Master Service Agreement include sale of ferry tickets at discounted bulk purchase rate, sale of travel products including accommodation and transportation, provision of laundry services, transportation services, 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 prevailing market price. Existing agreements entered into under the Master Service Agreement, the First Renewed Master Service Agreement and the Second First 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. Further details of the terms of the existing transactions under the Third Renewed Master Service Agreement were set out in the Company's announcement dated December 27, 2019. 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.

Our Company's continuing connected transactions with Shun Tak fall under Rule 14A.76(2) of the Listing Rules which are exempt from circular and independent Shareholders' approval requirements. Our Company has complied with the reporting and announcement requirements set out in Rules 14A.49, 14A.35 and 14A.68, the annual review requirements set out in Rules 14A.55 to 14A.59, 14A.71 and 14A.72 and the requirements set out in Rules 14A.34, 14A.50 to 14A.54 and 14A.68(4) of the Listing Rules.

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.

# REPORT OF THE DIRECTORS

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 three years ending December 31, 2020, 2021 and 2022 are as follows:

| Period (for the year ended) | Annual cap<br>on payments to<br>Shun Tak Group<br>(HK\$) | Annual cap<br>on payments from<br>Shun Tak Group<br>(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 determined by reference to (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 determined by reference to (i) historical amounts of revenues 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 year ended December 31, 2021, 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\$39.5 million, which fell within the revised annual cap of HK\$250,000,000 for the year ended December 31, 2021; and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$20 thousand which fell within the annual cap of HK\$2,500,000 for the year ended December 31, 2021.

### **3. First Renewed Branding Agreement**

As disclosed in the IPO Prospectus, 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 for a term co-extensive with that of the Sub-Concession, ending on March 31, 2020, i.e. the original expiry date of the Sub-Concession under the Sub-Concession Contract.

Following the extension of the Sub-Concession pursuant to the Sub-Concession extension contract and in order to align the expiry dates of the Branding Agreement with that of the Sub-Concession, the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the First Renewed Branding Agreement on September 30, 2019 to replace and renew the Branding Agreement. The renewal of the Branding Agreement pursuant to the First Renewed Branding Agreement aligns the term of such license with the extended term of the Sub-Concession. The details of the terms of the First Renewed Branding Agreement were set out in the Company's announcement dated September 30, 2019.

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 56% of the issued share capital of the Company and is the controlling shareholder of the Company. MRIH is an indirect wholly-owned subsidiary of MGM Resorts International. Ms. Pansy Ho holds directly and indirectly approximately 22.49% of the entire issued share capital of the Company and is a substantial shareholder of the Company. She is also the Co-Chairperson and an Executive Director of the Company. NCE is wholly owned by Ms. Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. As MGM Branding, MGM Resorts International, MRIH and NCE are connected persons, the transactions contemplated under the Branding Agreement and the First Renewed Branding Agreement constitute continuing connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

# REPORT OF THE DIRECTORS

The purpose of the Branding Agreement and the First Renewed Branding Agreement enables MGM MACAU, MGM COTAI and any future resort and casino projects or sites we may develop in the Restricted Zone to use the MGM brand, and grants a license to the Company to use the Subject Marks, which is critical to the success of the business of the Group, given that the Subject Marks are integral to the Group's corporate identity.

The terms of the First Renewed Branding Agreement were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) consider that the entry into the First Renewed Branding Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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. 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). 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<br>year ending<br>December 31,<br>2020<br>(US\$'000) | For the<br>year ending<br>December 31,<br>2021<br>(US\$'000) | For the<br>period ending<br>June 26,<br>2022<br>(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   |
| <b>Total</b>                                | <b>102,300</b>   | <b>112,200</b>   | <b>74,400</b>  |



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 Sub-Concession; 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 Sub-Concession, 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).

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Branding Agreement and the First Renewed Branding Agreement are only subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, 2021 amounted to HK\$164.7 million (equivalent to approximately US\$21.2 million) which was within the annual cap of US\$88,200,000 for year ended December 31, 2021.

# REPORT OF THE DIRECTORS

## 4. 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 member of 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.

Ms. Pansy Ho is the Co-Chairperson, Executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Since September 2020, Ms. Pansy Ho indirectly holds 50% of the entire issued share capital of Occasions. Therefore, Occasions has become an associate of Ms. Pansy Ho and a connected person of the Company since September 2020. As a result, the transactions contemplated under the Consultancy Services Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

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.

The terms of the Consultancy Services Agreement were determined after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) consider that the entering into the Consultancy Services Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual caps under the Consultancy Services Agreement are, on an annual basis, more than 0.1% but less than 5%, the continuing connected transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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; KOL, 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.

In respect of 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 3 years (unless justified by special circumstances and subject to compliance with the Listing Rules), set out the basis of the calculation of payments to be made and on normal commercial terms, and 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 each of the period from January 13, 2021 to December 31, 2021 and the two years ending December 31, 2022 and 2023, respectively.

The annual caps under the Consultancy Services Agreement were determined by reference to, amongst others, (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 tender.

The historical fees paid by the Group to the Occasions Group in respect of the Services 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.

For the year ended December 31, 2021, the aggregate total consideration payable by the Group to the Occasions Group was HK\$32.2 million, which fell within the annual cap of HK\$116,000,000 for the year ended December 31, 2021.

# REPORT OF THE DIRECTORS

Except as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions of the Group made during the year are disclosed in note 31 to the consolidated financial statements.

Pursuant to Rule 14A.56 of the Listing Rules, our Board engaged Deloitte Touche Tohmatsu, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2021:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 159 to 169 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set out by the Company.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange. In addition, all of the non-exempt continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 31 to the consolidated financial statements.

The independent non-executive Directors of the Company have reviewed these transactions, considered the internal control procedures that are in place to monitor these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2021 have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or on terms no less favorable to the Company than the terms available to and from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Hong Kong Stock Exchange granted to the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of Shares which must be in public hands must not be less than 21.6% of the total issued share capital of the Company. Based upon the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company maintained the prescribed public float under the Listing Rules and as required by the Public Float Waiver.

# REPORT OF THE DIRECTORS

## AUDITOR

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**William Joseph Hornbuckle**

*Chairperson and Executive Director*

**Pansy Catilina Chiu King Ho**

*Co-chairperson and Executive Director*

Hong Kong, March 10, 2022

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

德勤

**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 181 to 295, which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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.

# INDEPENDENT AUDITOR'S REPORT

## 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  |
|---|---|
| <p><b>Loss allowance of trade receivables</b></p> <p>We have identified the loss allowance of trade receivables, of approximately HK\$244.1 million as at December 31, 2021 as a key audit matter due to the inherent level of uncertainty in the estimation of expected credit loss that requires significant accounting estimates and judgment by the Group's management.</p> <p>As disclosed in note 19 to the consolidated financial statements, trade receivables mainly consist of casino receivables. As further disclosed in note 26 to the consolidated financial statements, for credit-impaired debtors, the Group performed an 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 coronavirus disease pandemic on the customers' ability to settle. For non-credit-impaired debtors, the Group used debtors' aging to assess the impairment for trade receivables based upon provision matrix. The loss rates are determined based upon historical observed default rates over the expected life of the receivables and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort.</p> <p>The Group has recognized impairment losses on trade receivables of approximately HK\$125.1 million for the year ended December 31, 2021.</p> | <p>Our procedures in relation to the loss allowance of trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process and internal controls over the granting of credit to customers, collection processes and the Group 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;</li> <li>• Evaluating the appropriateness of the management's identification of credit-impaired debtors and their assessment on loss allowances for these debtors, on a sample basis with reference to available information relating to the financial standing of the individual debtors;</li> <li>• Assessing the appropriateness of the management's basis and judgment in determining the estimated loss rates applied in each category in the provision matrix under the expected credit loss model; and</li> <li>• Testing the accuracy of age analysis used by the management to develop the provision matrix, by testing the age of the trade receivables as at December 31, 2021, on a sample basis, against the relevant marker issuance date.</li> </ul> |



| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <b>Classification of borrowings</b>  |  |
| <p>We have identified the classification of borrowings as a key audit matter due to the critical judgments involved in the Group management’s interpretation and application of International Accounting Standard 1 Presentation of Financial Statements (“IAS 1”).</p> <p>As disclosed in note 1 to the consolidated financial statements, gaming in Macau is administered by the Macau Special Administrative Region Government through concessions awarded to three different concessionaires and three sub-concessionaires, of which a subsidiary of the Company, MGM Grand Paradise Limited (“MGM Grand Paradise”) is one. Similar to other concessionaires/sub-concessionaires, the sub-concession extension contract of MGM Grand Paradise (the “Sub-Concession”) is due to expire on June 26, 2022. Accordingly, this may result in a special put option triggering event under the unsecured senior notes and events of default under the unsecured revolving credit facilities as described in note 21 to the consolidated financial statements.</p> | <p>Our procedures in relation to the classification of borrowings included:</p> <ul style="list-style-type: none"> <li>• Reading copies of the unsecured senior notes’ indentures and the unsecured credit facilities agreement and understanding the terms of the special put option and clauses on events of default to assess their impact on the classification of the Unsecured Senior Notes and Unsecured Credit Facilities;</li> <li>• Obtaining an understanding of controls over the Group’s management’s process to determine the classification of these borrowings, including such controls over identifying and assessing applicable authoritative accounting standards and related interpretive literature;</li> <li>• Assessing the Group management’s judgment on the interpretation and application of IAS 1 regarding the classification of the Unsecured Senior Notes and Unsecured Credit Facilities with the involvement of our internal subject matter experts; and</li> <li>• Evaluating the appropriateness of the Group’s disclosures related to the management’s judgment pertaining to the classification of borrowings.</li> </ul> |

# INDEPENDENT AUDITOR'S REPORT

| Key audit matter   | How our audit addressed the key audit matter |
|--|--|
| <b>Classification of borrowings</b>  |  |
| <p>As disclosed in note 21 to the consolidated financial statements, the Group's unsecured borrowings included credit facilities and senior notes and the Group classified (i) unsecured senior notes with an aggregate carrying value of approximately HK\$21,440.7 million, before the net of debt finance costs (the "Unsecured Senior Notes"), and (ii) HK\$2,810.0 million, before the net of debt finance costs in loans outstanding under the Group's unsecured revolving credit facility and second revolving credit facility (the "Unsecured Credit Facilities") as non-current liabilities as of December 31, 2021. The classification of the Unsecured Senior Notes and Unsecured Credit Facilities involved significant management's judgment and an increased extent of management's effort, as this classification is, dependent upon whether the Group has the unconditional right to defer settlement of the liability for a 12 month period from the end of the reporting period as disclosed in note 4 to the consolidated financial statements.</p> <p>As disclosed in notes 4 and 21 to the consolidated financial statements, the Unsecured Senior Notes and Unsecured Credit Facilities have been classified as non-current liabilities by management of the Group on the basis that the special put option under the Unsecured Senior Notes and the event of default relating to the loss of the Sub-concession under the Unsecured Credit Facilities are considered to be future uncertain events that had not been triggered or breached as at December 31, 2021.</p> |  |

## 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.

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSA's 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 HKSA's, 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.

# INDEPENDENT AUDITOR'S REPORT

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 Lau Kai Hung.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

March 10, 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

|   | NOTES | 2021<br>HK\$'000       | 2020<br>HK\$'000 |
|---|-------|------------------------|------------------|
| <b>OPERATING REVENUE</b>  |       |                        |                  |
| Casino revenue  | 6     | <b>8,223,054</b>       | 4,384,081        |
| Other revenue   | 6     | <b>1,187,760</b>       | 711,902          |
|   |       | <b>9,410,814</b>       | 5,095,983        |
| <b>OPERATING COSTS AND EXPENSES</b>   |       |                        |                  |
| Gaming taxes  | 7     | <b>(4,242,245)</b>     | (2,404,651)      |
| Inventories consumed  |       | <b>(443,773)</b>       | (290,639)        |
| Staff costs   | 8     | <b>(3,147,909)</b>     | (2,916,868)      |
| Loss allowance on trade receivable, net                                     |       | <b>(125,095)</b>       | (92,642)         |
| Other expenses and losses   | 9     | <b>(1,642,947)</b>     | (1,057,709)      |
| Depreciation and amortization   | 10    | <b>(2,157,474)</b>     | (2,467,666)      |
|   |       | <b>(11,759,443)</b>    | (9,230,175)      |
| Operating loss  |       | <b>(2,348,629)</b>     | (4,134,192)      |
| Interest income   |       | <b>4,789</b>           | 9,232            |
| Finance costs   | 11    | <b>(1,383,508)</b>     | (1,118,409)      |
| Net foreign currency (loss)/gain  |       | <b>(100,653)</b>       | 52,024           |
| Loss before tax   |       | <b>(3,828,001)</b>     | (5,191,345)      |
| Income tax expense  | 12    | <b>(18,615)</b>        | (10,186)         |
| Loss for the year attributable to owners of the Company                     |       | <b>(3,846,616)</b>     | (5,201,531)      |
| Other comprehensive income:   |       |                        |                  |
| Item that may be subsequently reclassified to profit or loss:               |       |                        |                  |
| Exchange differences on translation of foreign operations                   |       | <b>2,213</b>           | 5,212            |
| Total comprehensive loss for the year attributable to owners of the Company |       | <b>(3,844,403)</b>     | (5,196,319)      |
| Loss per Share — Basic  | 15    | <b>(HK101.2 cents)</b> | (HK136.9 cents)  |
| Loss per Share — Diluted  | 15    | <b>(HK101.2 cents)</b> | (HK136.9 cents)  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

|   | NOTES | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|---|-------|-------------------|------------------|
| <b>ASSETS</b>                               |       |                   |                  |
| Non-current assets                          |       |                   |                  |
| Property and equipment                      | 16    | <b>23,397,105</b> | 24,949,783       |
| Right-of-use assets                         | 17    | <b>1,287,946</b>  | 1,326,893        |
| Sub-concession premium                      | 18    | <b>46,274</b>     | 141,698          |
| Other assets                                |       | <b>7,681</b>      | 7,438            |
| Prepayments, deposits and other receivables |       | <b>31,679</b>     | 19,029           |
| Restricted cash                             | 20    | <b>—</b>          | 36,439           |
| Total non-current assets                    |       | <b>24,770,685</b> | 26,481,280       |
| Current assets                              |       |                   |                  |
| Inventories                                 |       | <b>164,413</b>    | 159,847          |
| Trade receivables                           | 19    | <b>269,712</b>    | 292,040          |
| Prepayments, deposits and other receivables |       | <b>122,527</b>    | 99,746           |
| Amounts due from related companies          | 31    | <b>218</b>        | 330              |
| Cash and cash equivalents                   | 20    | <b>3,112,020</b>  | 2,635,511        |
| Total current assets                        |       | <b>3,668,890</b>  | 3,187,474        |
| <b>TOTAL ASSETS</b>                         |       | <b>28,439,575</b> | 29,668,754       |



|                                      | NOTES | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|--------------------------------------|-------|--------------------|------------------|
| <b>EQUITY</b>                        |       |                    |                  |
| Capital and reserves                 |       |                    |                  |
| Share capital                        | 23    | <b>3,800,000</b>   | 3,800,000        |
| Share premium and (deficit)/reserves | 23    | <b>(2,603,084)</b> | 1,217,664        |
| <b>TOTAL EQUITY</b>                  |       | <b>1,196,916</b>   | 5,017,664        |
| <b>LIABILITIES</b>                   |       |                    |                  |
| Non-current liabilities              |       |                    |                  |
| Borrowings                           | 21    | <b>23,929,106</b>  | 21,155,040       |
| Lease liabilities                    | 17    | <b>188,174</b>     | 184,826          |
| Payables and accrued charges         | 22    | <b>10,671</b>      | 8,210            |
| Construction retention payable       |       | <b>1,000</b>       | 10,932           |
| <b>Total non-current liabilities</b> |       | <b>24,128,951</b>  | 21,359,008       |
| Current liabilities                  |       |                    |                  |
| Lease liabilities                    | 17    | <b>27,895</b>      | 32,110           |
| Payables and accrued charges         | 22    | <b>3,016,350</b>   | 3,199,112        |
| Construction retention payable       |       | <b>36,471</b>      | 35,250           |
| Amounts due to related companies     | 31    | <b>18,332</b>      | 18,244           |
| Income tax payable                   |       | <b>14,660</b>      | 7,366            |
| <b>Total current liabilities</b>     |       | <b>3,113,708</b>   | 3,292,082        |
| <b>TOTAL LIABILITIES</b>             |       | <b>27,242,659</b>  | 24,651,090       |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |       | <b>28,439,575</b>  | 29,668,754       |

The consolidated financial statements on pages 181 to 295 were approved and authorized for issue by the Board of Directors on March 10, 2022 and are signed on its behalf by:

**William Joseph Hornbuckle**  
Chairperson and Executive Director

**Pansy Catilina Chiu King Ho**  
Co-chairperson and Executive Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

|   | Share capital | Share premium | Capital redemption reserve | Share option reserve | Equity reserve | Other reserves | Currency translation reserves | Retained earnings/ (accumulated losses) | Share premium and reserves/ (deficit) total | Shareholders' funds total |
|---|---------------|---------------|----------------------------|----------------------|----------------|----------------|-------------------------------|---|---|---------------------------|
| NOTES   | HK\$'000      | HK\$'000      | HK\$'000                   | HK\$'000             | HK\$'000       | HK\$'000       | HK\$'000                      | HK\$'000                                | HK\$'000                                    | HK\$'000                  |
|   |               |               |                            |                      | Note 23        | Note 23        |                               |   |   |                           |
| At 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                         | (5,201,531)                             | (5,196,319)                                 | (5,196,319)               |
| Transfer to legal reserve                                 | –             | –             | –                          | –                    | –              | 1,372          | –                             | (1,372)                                 | –   | –                         |
| Exercise of share options                                 | 23&24         | 349           | 4,711                      | –                    | (1,184)        | –              | –                             | –                                       | 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 and January 1, 2021                  | 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                 |
| Loss for the year   | –             | –             | –                          | –                    | –              | –              | –                             | (3,846,616)                             | (3,846,616)                                 | (3,846,616)               |
| Exchange differences on translation of foreign operations | –             | –             | –                          | –                    | –              | –              | 2,213                         | –                                       | 2,213                                       | 2,213                     |
| Total comprehensive income/(loss)                         | –             | –             | –                          | –                    | –              | –              | 2,213                         | (3,846,616)                             | (3,844,403)                                 | (3,844,403)               |
| Transfer to legal reserve                                 | –             | –             | –                          | –                    | –              | 606            | –                             | (606)                                   | –   | –                         |
| Exercise of share options                                 | 23&24         | 8,979         | 121,830                    | –                    | (30,773)       | –              | –                             | –                                       | 91,057                                      | 100,036                   |
| Share repurchase and cancellation                         |               |               |                            |                      |                |                |                               |   |   |                           |
| – repurchases of Shares                                   | 23            | (8,979)       | (119,044)                  | –                    | –              | –              | –                             | –                                       | (119,044)                                   | (128,023)                 |
| – transfer  | 23            | –             | –                          | 8,979                | –              | –              | –                             | (8,979)                                 | –   | –                         |
| Forfeiture and expiry of share options                    | 24            | –             | –                          | –                    | (97,694)       | –              | –                             | 97,694                                  | –   | –                         |
| Recognition of share-based payments                       | 24            | –             | –                          | –                    | 51,642         | –              | –                             | –                                       | 51,642                                      | 51,642                    |
| At December 31, 2021                                      | 3,800,000     | 10,409,009    | 23,708                     | 445,682              | 293,725        | (13,131,327)   | 4,778                         | (648,659)                               | (2,603,084)                                 | 1,196,916                 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

|   | NOTES | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|---|-------|--------------------|------------------|
| <b>OPERATING ACTIVITIES</b>   |       |                    |                  |
| Loss before tax   |       | <b>(3,828,001)</b> | (5,191,345)      |
| Adjustments for:  |       |                    |                  |
| Depreciation and amortization   |       | <b>2,157,474</b>   | 2,467,666        |
| Interest expense  |       | <b>1,362,530</b>   | 1,097,511        |
| Loss on disposal or write-off of property and equipment<br>and other assets |       | <b>19,543</b>      | 13,287           |
| Interest income   |       | <b>(4,789)</b>     | (9,232)          |
| Loss allowance on trade receivables, net                                    |       | <b>125,095</b>     | 92,642           |
| Share-based payments  |       | <b>51,642</b>      | 68,583           |
| Net foreign currency loss/(gain)  |       | <b>121,523</b>     | (57,849)         |
| Operating cash flows before movements in working capital                    |       | <b>5,017</b>       | (1,518,737)      |
| (Increase)/decrease in inventories  |       | <b>(4,566)</b>     | 4,082            |
| (Increase)/decrease in trade receivables                                    |       | <b>(102,767)</b>   | 147,261          |
| (Increase)/decrease in prepayments, deposits and<br>other receivables       |       | <b>(31,070)</b>    | 32,413           |
| Decrease in amounts due from related companies                              |       | <b>112</b>         | 1,040            |
| Decrease in payables and accrued charges                                    |       | <b>(346,056)</b>   | (1,566,147)      |
| Increase/(decrease) in amounts due to related companies                     |       | <b>88</b>          | (29,841)         |
| Decrease/(increase) in restricted cash                                      |       | <b>36,439</b>      | (36,439)         |
| Cash used in operations   |       | <b>(442,803)</b>   | (2,966,368)      |
| Income tax paid   |       | <b>(12,516)</b>    | (13,134)         |
| Income tax refunded   |       | <b>906</b>         | 32               |
| Interest received   |       | <b>4,806</b>       | 9,581            |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                |       | <b>(449,607)</b>   | (2,969,889)      |
| <b>INVESTING ACTIVITIES</b>   |       |                    |                  |
| Purchase of property and equipment  |       | <b>(527,715)</b>   | (838,797)        |
| Proceeds from disposal of property and<br>equipment and other assets        |       | <b>84</b>          | 76               |
| Proceeds from insurance claims  |       | <b>9,142</b>       | 6,763            |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                |       | <b>(518,489)</b>   | (831,958)        |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

|   | NOTES | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|---|-------|--------------------|------------------|
| <b>FINANCING ACTIVITIES</b>   |       |                    |                  |
| Proceeds from draw down on credit facilities  | 21    | <b>2,850,000</b>   | 5,560,000        |
| Proceeds from issuance of unsecured senior notes  | 21    | <b>5,813,006</b>   | 3,876,173        |
| Repayments of credit facilities   | 21    | <b>(6,010,000)</b> | (4,790,000)      |
| Payments of debt finance costs  |       | <b>(89,946)</b>    | (106,983)        |
| Payments of lease liabilities   | 17    | <b>(32,064)</b>    | (39,825)         |
| Interest paid   |       | <b>(1,063,162)</b> | (1,022,155)      |
| Dividends paid  |       | —                  | (315,400)        |
| Proceeds from exercise of share options   |       | <b>102,750</b>     | 3,955            |
| Payments on repurchase of Shares  | 23    | <b>(128,023)</b>   | (3,210)          |
| <b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>   |       | <b>1,442,561</b>   | 3,162,555        |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                       |       | <b>474,465</b>     | (639,292)        |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                                     |       | <b>2,635,511</b>   | 3,270,296        |
| Effect of foreign exchange rate changes, net  |       | <b>2,044</b>       | 4,507            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents</b> |       | <b>3,112,020</b>   | 2,635,511        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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, Edifício MGM MACAU, NAPE, Macau.

The consolidated financial statements are presented in HK\$, which is the functional currency of the Company and its subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 1. GENERAL *(Continued)*

### GAMING SUB-CONCESSION

Gaming in Macau is administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one. Similar to other Concessionaires/Sub-Concessionaires, the Sub-Concession Extension Contract of the Group's subsidiary is due to expire on June 26, 2022. Unless the Sub-Concession is extended, or legislation with regard to reversion of casino premises is amended, the MGM Grand Paradise's casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date without compensation, and the Group will cease to generate any revenues from such gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities as described in note 21 to the consolidated financial statements.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considers a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval and the bill was made available for consultation at the Macau Legislative Assembly website from January 18, 2022.

## 1. GENERAL *(Continued)*

### GAMING SUB-CONCESSION *(Continued)*

Under the bill, the existing sub-concessions will be discontinued and a maximum of six gaming concessions will be awarded for a term to be specified in the concession contract that may not exceed 10 years and which may be extended by a further three years under certain circumstances. The proposed maximum number of six gaming concessions was seen by the market analysts as an indication of continuity, in line with the declarations of the Macau Government reiterating the importance of balancing the stability of the economy and employment with the healthy development of the gaming industry.

The bill is subject to debate and approval by the Macau Legislative Assembly. The approval of the new gaming law bill will precede the public tender for the awarding of new gaming concessions and up to the date of this report, the Macau Government has provided no indication as to when the public tender will take place, but on March 3, 2022, the Macau Government announced that the gaming concessionaires and sub-concessionaires will be allowed to submit an application for the extension of the existing concessions and sub-concessions beyond their current term on June 26, 2022, for an additional period until December 31, 2022.

The Group intends to apply for an extension of its gaming sub-concession and continues to closely monitor developments regarding the gaming concessions retendering or extension, including the issuance of guidance by the Macau Government. The Group intends to respond proactively and believes that it will be in position to satisfy the relevant requirements as they may be set out by the Macau Government relating to the retendering of a gaming concession or the extension of the existing gaming sub-concession.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 1. GENERAL *(Continued)*

### 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. As a result, China's individual visa scheme was temporarily suspended and all operations at MGM MACAU and MGM COTAI were suspended for a 15-day period that commenced on February 5, 2020, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, although certain health safeguards, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect at the date of this report.

Since July 15, 2020, certain travel restrictions such as the medical observation period have been eased between cities in mainland China and Macau, subject to other COVID-19 safeguards measures. Additionally, tourist visa 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.

Effective from March 3, 2021, all guests entering casinos in Macau are not required to provide a negative nucleic acid test result and effective from March 16, 2021, certain exemptions apply to those individuals entering Macau who are not residents of mainland China, Hong Kong or Taiwan. However, as local COVID-19 cases were reported in mainland China and Macau from time to time during 2021, in response to the risk of COVID-19 outbreak, tightened safeguard measures such as the medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result and closedown of certain entertainment and leisure facilities were reinforced on a temporary basis during the year.



## 1. GENERAL *(Continued)*

### IMPACT OF COVID-19 *(Continued)*

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, despite certain tightened safeguard measures being temporarily reinforced from time to time.

At the date of this report, various 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, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors). Given the uncertainties in the development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may be reintroduced. These restrictions significantly impact visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the year ended December 31, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

Further to the mitigating measures taken in 2020 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 Group has undertaken the following initiatives:

- 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;
- on March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million and a final maturity date of February 1, 2027. 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\$11.21 billion after the repayment) and for general corporate purposes. The 2027 Notes were listed on the Hong Kong Stock Exchange on March 31, 2021 and on Chongwa (Macao) Financial Asset Exchange Co., Limited on May 17, 2021; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 1. GENERAL *(Continued)*

### IMPACT OF COVID-19 *(Continued)*

- on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third 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.

## 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 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *COVID-19 Related Rent Concessions beyond June 30, 2021* 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.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) *(Continued)*

### 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 <sup>3</sup>  |
| Amendments to IFRS 3                              | Reference to the Conceptual Framework <sup>2</sup>   |
| Amendments to IFRS 10 and IAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup> |
| Amendments to IAS 1                               | Classification of Liabilities as Current or Non-current <sup>3</sup>                               |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>3</sup>   |
| Amendments to IAS 8                               | Definition of Accounting Estimates <sup>3</sup>  |
| Amendments to IAS 12                              | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>      |
| Amendments to IAS 16                              | Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>                           |
| Amendments to IAS 37                              | Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>                                     |
| Amendments to IFRS Standards                      | Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>                                       |

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2023

The Group has commenced the assessment of the impact of the new or amendments to IFRSs to the Group, but is not yet in a position to state whether their adoption would have a significant impact on the results of operations and financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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.

As described in note 1, the Sub-Concession Extension Contract has an expiry date of June 26, 2022 which falls within twelve months from the end of the reporting period. 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 (including an extension of the gaming sub-concession and/or an award of a new gaming concession). 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.

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Basis of consolidation** *(Continued)*

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 complementaries provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complementaries on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 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.

#### 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. 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                                 |

In determining the estimated useful lives of property and equipment beyond the expiration of the Sub-Concession Contract on June 26, 2022, the Group considers the possibility of an extension of the gaming sub-concession and/or an award of a new gaming concession as well as the anticipated usage of the assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Property and equipment *(Continued)*

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).

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.



### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **Impairment of tangible and intangible assets (other than financial assets) *(Continued)***

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Taxation *(Continued)*

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)*

#### 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **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.

#### **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.

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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 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.

###### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 loss 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.



### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### Financial instruments *(Continued)*

##### *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 and 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.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Financial instruments *(Continued)*

##### *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)*

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### Financial instruments *(Continued)*

##### *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. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

#### 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.

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### Leases *(Continued)*

##### *Definition of a lease (Continued)*

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, 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.

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *The Group as a lessee (Continued)*

##### *Right-of-use assets*

The cost of right-of-use assets 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)*

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *The Group as a lessee (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 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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 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/accumulated losses.

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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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:

### CRITICAL JUDGMENT IN APPLYING THE GROUP'S ACCOUNTING POLICIES

#### Classification of borrowings

The Group follows IAS 1 Presentation of Financial Statements to determine the classification of the Unsecured Senior Notes and Unsecured Credit Facilities which requires judgment, as this classification is dependent upon whether the Group has the unconditional right to defer settlement of the liability for a 12 month period from the end of the reporting period.

As disclosed in note 21, the Unsecured Senior Notes and Unsecured Credit Facilities have been classified as non-current liabilities on the basis that the special put option under the Unsecured Senior Notes and the event of default relating to the loss of our sub-concession under the Unsecured Credit Facilities are considered to be future uncertain events that had not been triggered or breached as at December 31, 2021.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

#### 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.

Information about the Group's trade receivables is disclosed in notes 19 and 26.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### KEY SOURCES OF ESTIMATION UNCERTAINTY *(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 an extension of the gaming sub-concession and/or an award of a new gaming 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 judgment 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.

Information about the Group's leases is disclosed in note 17.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### 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.

Information about the Group's property and equipment is disclosed in note 16.

## 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.

## 5. SEGMENT INFORMATION *(Continued)*

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to loss for the year attributable to owners of the Company:

|  | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|--|--------------------|------------------|
| Adjusted EBITDA (unaudited)  | <b>187,176</b>     | (1,371,723)      |
| Share-based payments   | <b>(51,642)</b>    | (68,583)         |
| Corporate expenses (unaudited)   | <b>(287,782)</b>   | (212,933)        |
| Pre-opening costs <sup>(1)</sup> (unaudited)                             | <b>(19,364)</b>    | —                |
| Loss on disposal/write-off of property and equipment<br>and other assets | <b>(19,543)</b>    | (13,287)         |
| Depreciation and amortization  | <b>(2,157,474)</b> | (2,467,666)      |
| Operating loss   | <b>(2,348,629)</b> | (4,134,192)      |
| Interest income  | <b>4,789</b>       | 9,232            |
| Finance costs  | <b>(1,383,508)</b> | (1,118,409)      |
| Net foreign currency (loss)/gain   | <b>(100,653)</b>   | 52,024           |
| Loss before tax  | <b>(3,828,001)</b> | (5,191,345)      |
| Income tax expense   | <b>(18,615)</b>    | (10,186)         |
| Loss for the year attributable to owners of the Company                  | <b>(3,846,616)</b> | (5,201,531)      |

<sup>(1)</sup> 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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:

|   | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|---|--------------------|------------------|
| Main floor gross table games win                  | <b>7,506,977</b>   | 3,623,441        |
| VIP gross table games win                         | <b>2,112,353</b>   | 1,648,511        |
| Slot machine gross win                            | <b>911,598</b>     | 560,705          |
| Gross casino revenue                              | <b>10,530,928</b>  | 5,832,657        |
| Commissions, complimentaries and other incentives | <b>(2,307,874)</b> | (1,448,576)      |
|   | <b>8,223,054</b>   | 4,384,081        |

Other revenue comprises:

|                   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------|------------------|------------------|
| Hotel rooms       | <b>516,946</b>   | 289,823          |
| Food and beverage | <b>532,356</b>   | 312,523          |
| Retail and other  | <b>138,458</b>   | 109,556          |
|                   | <b>1,187,760</b> | 711,902          |



## 6. CASINO AND OTHER REVENUE *(Continued)*

### 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:

|                        | Outstanding Chips<br>Liabilities <sup>(i)</sup> |           | Loyalty Programs<br>Liabilities |          | Customer Advances<br>and Other |          |
|------------------------|---|-----------|---------------------------------|----------|--------------------------------|----------|
|                        | 2021  | 2020      | 2021                            | 2020     | 2021                           | 2020     |
|                        | HK\$'000  | HK\$'000  | HK\$'000                        | HK\$'000 | HK\$'000                       | HK\$'000 |
| Balance at January 1   | <b>1,031,086</b>                                | 1,682,714 | <b>151,278</b>                  | 145,875  | <b>689,567</b>                 | 619,946  |
| Balance at December 31 | <b>366,993</b>                                  | 1,031,086 | <b>160,192</b>                  | 151,278  | <b>725,440</b>                 | 689,567  |
| (Decrease)/increase    | <b>(664,093)</b>                                | (651,628) | <b>8,914</b>                    | 5,403    | <b>35,873</b>                  | 69,621   |

<sup>(i)</sup> The change of HK\$664.1 million and HK\$651.6 million in outstanding chip liabilities was mainly caused by realization to revenue by gaming play and redemption for cash during the years ended December 31, 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 7. GAMING TAXES

According to the Sub-Concession Contract, 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

|   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------------------|------------------|
| Salaries and discretionary and performance related incentive payments | <b>2,555,831</b> | 2,192,528        |
| Retirement benefits scheme contributions                              | <b>98,156</b>    | 103,766          |
| Share-based payments  | <b>50,850</b>    | 67,606           |
| Other benefits  | <b>443,072</b>   | 552,968          |
|   | <b>3,147,909</b> | 2,916,868        |

## 8. STAFF COSTS *(Continued)*

### 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\$8.3 million (2020: HK\$5.7 million).

The total expense recognized in the profit or loss of HK\$98.2 million (2020: HK\$103.8 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, 2021. As at December 31, 2021, contributions of approximately HK\$18.0 million (2020: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 9. OTHER EXPENSES AND LOSSES

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Advertising and promotion  | <b>390,970</b>   | 198,974          |
| Repairs and maintenance  | <b>258,350</b>   | 243,898          |
| Utilities and fuel   | <b>240,540</b>   | 209,294          |
| Other support services   | <b>180,780</b>   | 145,392          |
| License fees (note 31)   | <b>164,689</b>   | 89,180           |
| Loss on disposal/write-off of property and equipment<br>and other assets | <b>19,543</b>    | 13,287           |
| Auditor's remuneration   | <b>8,332</b>     | 8,703            |
| Other <sup>(1)</sup>   | <b>379,743</b>   | 148,981          |
|  | <b>1,642,947</b> | 1,057,709        |

<sup>(1)</sup> Other expenses for the year ended December 31, 2021 includes provisions of HK\$202.7 million relating to expected losses for the Group's joint liabilities with gaming promoters, further details of which are disclosed in note 28.

## 10. DEPRECIATION AND AMORTIZATION

|                             | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Depreciation in respect of: |                  |                  |
| — Property and equipment    | <b>1,986,146</b> | 2,259,652        |
| — Right-of-use assets       | <b>70,462</b>    | 78,742           |
| Amortization in respect of: |                  |                  |
| — Sub-concession premium    | <b>95,424</b>    | 103,147          |
| — other assets              | <b>5,442</b>     | 26,125           |
|                             | <b>2,157,474</b> | 2,467,666        |

## 11. FINANCE COSTS

|   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------------------|------------------|
| Interest on unsecured senior notes      | <b>1,067,883</b> | 763,299          |
| Interest on unsecured credit facilities | <b>189,667</b>   | 253,206          |
| Amortization of debt finance costs      | <b>92,204</b>    | 67,735           |
| Interest on lease liabilities           | <b>12,776</b>    | 13,271           |
| Bank fees and charges                   | <b>20,978</b>    | 20,898           |
| Total borrowing costs                   | <b>1,383,508</b> | 1,118,409        |

## 12. INCOME TAX EXPENSE

|                                      | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current income tax expense:          |                  |                  |
| Macau Dividend Withholding Tax       | <b>14,660</b>    | 9,612            |
| Mainland China Income Tax            | <b>1,070</b>     | 665              |
| Under/(over) provision in prior year | <b>2,885</b>     | (91)             |
| Income tax expense                   | <b>18,615</b>    | 10,186           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 12. INCOME TAX EXPENSE *(Continued)*

Pursuant to approval notices issued by the Macau Government, 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 June 26, 2022 the date upon which the Sub-Concession Extension Contract expires. 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 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 extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 (2020: MOP13,805,000, equivalent to approximately HK\$13,403,000) 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%.

**12. INCOME TAX EXPENSE** *(Continued)*

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

|  | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|--|--------------------|------------------|
| Loss before tax  | <b>(3,828,001)</b> | (5,191,345)      |
| Tax credit calculated at rates applicable to profits/losses<br>in the respective jurisdictions | <b>(484,787)</b>   | (640,856)        |
| Effect of tax exemption granted to MGM Grand Paradise  | <b>(120,677)</b>   | —                |
| Effect of tax losses not recognized  | <b>487,801</b>     | 541,620          |
| Effect of expenses not deductible for tax purposes   | <b>244,707</b>     | 190,564          |
| Effect of income not taxable for tax purposes  | <b>(143,325)</b>   | (121,557)        |
| Effect of utilization of tax losses previously not recognized                                  | <b>(200)</b>       | —                |
| Effect of temporary differences not recognized   | <b>17,560</b>      | 33,336           |
| Lump sum dividend tax  | <b>14,660</b>      | 9,612            |
| Under/(over) provision in prior year   | <b>2,885</b>       | (91)             |
| Other  | <b>(9)</b>         | (2,442)          |
| Income tax expense   | <b>18,615</b>      | 10,186           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 12. INCOME TAX EXPENSE *(Continued)*

At the end of the reporting period, the Group has unused tax losses as follows:

|   | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|---|-------------------|------------------|
| Macau Complementary Tax losses which will expire in one to three years  | <b>11,871,114</b> | 11,448,813       |
| Hong Kong Profits Tax losses which may be carried forward indefinitely  | <b>147,935</b>    | 133,962          |
| Mainland China Income Tax losses which will expire in one to five years | <b>678</b>        | 421              |
| Unused tax losses   | <b>12,019,727</b> | 11,583,196       |

As at December 31, 2021, the Group has a deductible temporary difference of approximately HK\$1,892.1 million (2020: approximately HK\$1,777.0 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:

|   | Fees<br>HK\$'000 | Salary<br>and other<br>benefits<br>HK\$'000 | Contributions<br>to retirement<br>benefits scheme<br>HK\$'000 | Share-based<br>payments<br>HK\$'000 | Discretionary<br>and performance<br>related<br>incentive<br>payments <sup>(1)</sup><br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------|---|---|-------------------------------------|---|-------------------|
| Year ended December 31, 2021                              |                  |   |   |                                     |   |                   |
| <i>Executive Directors<sup>(1)</sup>:</i>                 |                  |   |   |                                     |   |                   |
| William Joseph Hornbuckle                                 | —                | —   | —   | —                                   | —   | —                 |
| Pansy Ho  | —                | —   | —   | —                                   | —   | —                 |
| Chen Yau Wong   | —                | —   | —   | —                                   | —   | —                 |
| John M. McManus   | —                | —   | —   | —                                   | —   | —                 |
| <i>Non-executive Directors:</i>                           |                  |   |   |                                     |   |                   |
| Kenneth Xiaofeng Feng <sup>(2)</sup>                      | —                | 5,060                                       | 134   | 4,228                               | 3,498   | 12,920            |
| Daniel J. Taylor  | —                | —   | —   | —                                   | —   | —                 |
| Ayesha Khanna Molino                                      | —                | —   | —   | —                                   | —   | —                 |
| Jonathan S. Halkyard <sup>(3)</sup>                       | —                | —   | —   | —                                   | —   | —                 |
| James Freeman <sup>(4)</sup>                              | —                | —   | —   | —                                   | —   | —                 |
| <i>Independent Non-executive Directors<sup>(5)</sup>:</i> |                  |   |   |                                     |   |                   |
| Sze Wan Patricia Lam                                      | 855              | —   | —   | —                                   | —   | 855               |
| Russell Francis Banham                                    | 1,166            | —   | —   | —                                   | —   | 1,166             |
| Simon Meng  | 792              | —   | —   | —                                   | —   | 792               |
| Chee Ming Liu <sup>(6)</sup>                              | 418              | —   | —   | —                                   | —   | 418               |
| Zhe Sun <sup>(7)</sup>                                    | 349              | —   | —   | —                                   | —   | 349               |
| <b>Total emoluments</b>                                   | <b>3,580</b>     | <b>5,060</b>                                | <b>134</b>  | <b>4,228</b>                        | <b>3,498</b>  | <b>16,500</b>     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

|   | Fees<br>HK\$'000 | Salary<br>and other<br>benefits<br>HK\$'000 | Contributions<br>to retirement<br>benefits scheme<br>HK\$'000 | Share-based<br>payments<br>HK\$'000 | Discretionary<br>and performance<br>related<br>incentive<br>payments <sup>(i)</sup><br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------|---|---|-------------------------------------|---|-------------------|
| Year ended December 31, 2020                                      |                  |   |   |                                     |   |                   |
| <i>Executive Directors<sup>(i)</sup>:</i>                         |                  |   |   |                                     |   |                   |
| William Joseph Hornbuckle   | —                | —   | —   | —                                   | —   | —                 |
| Pansy Ho  | —                | —   | —   | —                                   | —   | —                 |
| Chen Yau Wong   | —                | —   | —   | —                                   | —   | —                 |
| John M. McManus <sup>(8)</sup>                                    | —                | —   | —   | —                                   | —   | —                 |
| James Joseph Murren <sup>(9)</sup>                                | —                | —   | —   | —                                   | —   | —                 |
| Grant R. Bowie ( <i>Chief executive officer</i> ) <sup>(10)</sup> | —                | 18,012                                      | 1,361   | 19,635                              | —   | 39,008            |
| <i>Non-executive Directors:</i>                                   |                  |   |   |                                     |   |                   |
| Kenneth Xiaofeng Feng <sup>(2)</sup>                              | —                | 4,530                                       | 125   | 2,818                               | 1,749   | 9,222             |
| James Freeman   | —                | —   | —   | —                                   | —   | —                 |
| Daniel J. Taylor <sup>(11)</sup>                                  | —                | —   | —   | —                                   | —   | —                 |
| Ayesha Khanna Molino <sup>(12)</sup>                              | —                | —   | —   | —                                   | —   | —                 |
| <i>Independent Non-executive Directors<sup>(5)</sup>:</i>         |                  |   |   |                                     |   |                   |
| Zhe Sun   | 796              | —   | —   | —                                   | —   | 796               |
| Sze Wan Patricia Lam  | 796              | —   | —   | —                                   | —   | 796               |
| Russell Francis Banham  | 1,086            | —   | —   | —                                   | —   | 1,086             |
| Simon Meng  | 652              | —   | —   | —                                   | —   | 652               |
| Total emoluments  | 3,330            | 22,542                                      | 1,486   | 22,453                              | 1,749   | 51,560            |

**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) 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.
- (3) Jonathan S. Halkyard was appointed as a non-executive Director with effect from June 29, 2021.
- (4) James Freeman resigned as a non-executive Director with effect from June 29, 2021.
- (5) The independent non-executive Directors' emoluments were for services as Directors of the Company.
- (6) Chee Ming Liu was appointed as an independent non-executive Director with effect from May 27, 2021.
- (7) Zhe Sun retired as an independent non-executive Director with effect from May 27, 2021.
- (8) 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.
- (9) James Joseph Murren resigned as a chairperson and executive Director with effect from March 26, 2020.
- (10) 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. Mr. Bowie remains as an advisor of the Company for a period up to December 31, 2022.
- (11) Daniel J. Taylor was appointed as a non-executive Director with effect from March 26, 2020.
- (12) Ayesha Khanna Molino was appointed as a non-executive Director with effect from August 6, 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2021 and 2020.

Of the five individuals with the highest emoluments in the Group, one (2020: two) were Directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2020: three) individuals were as follows:

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Salaries and other benefits  | <b>16,866</b>    | 12,612           |
| Contributions to retirement benefits scheme                                | <b>789</b>       | 641              |
| Share-based payments   | <b>9,755</b>     | 10,529           |
| Discretionary and performance related<br>incentive payments <sup>(i)</sup> | <b>8,919</b>     | 3,795            |
|  | <b>36,329</b>    | 27,577           |

### 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

|                                  | 2021<br>No. of<br>employees | 2020<br>No. of<br>employees |
|----------------------------------|-----------------------------|-----------------------------|
| HK\$5,500,001 to HK\$6,000,000   | 1                           | —                           |
| HK\$7,000,001 to HK\$7,500,000   | —                           | 1                           |
| HK\$8,000,001 to HK\$8,500,000   | 1                           | —                           |
| HK\$9,000,001 to HK\$9,500,000   | 1                           | 1                           |
| HK\$10,500,001 to HK\$11,000,000 | —                           | 1                           |
| HK\$13,000,001 to HK\$13,500,000 | 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, 2021 and 2020.

Note:

- <sup>(i)</sup> Discretionary and performance related incentive payments for the years ended December 31, 2021 and 2020 are provided based upon the Group's performance and the individual's contribution to the Group for the respective years.

### 14. DIVIDENDS

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, 2021 and 2020, nor a final dividend payment for the year ended December 31, 2020.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 15. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based upon the following:

|   | 2021                   | 2020            |
|---|------------------------|-----------------|
| <b>Loss</b>   |                        |                 |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000) | <b>(3,846,616)</b>     | (5,201,531)     |
| <b>Weighted average number of Shares</b>  |                        |                 |
| Weighted average number of Shares for the purpose of basic loss per Share ('000)  | <b>3,800,531</b>       | 3,800,062       |
| Number of dilutive potential Shares arising from exercise of share options ('000) <sup>(1)</sup>                        | —                      | —               |
| Weighted average number of Shares for the purpose of diluted loss per Share ('000)                                      | <b>3,800,531</b>       | 3,800,062       |
| Loss per Share — Basic  | <b>(HK101.2 cents)</b> | (HK136.9 cents) |
| Loss per Share — Diluted  | <b>(HK101.2 cents)</b> | (HK136.9 cents) |

<sup>(1)</sup> The computation of the diluted loss per share for the years ended December 31, 2021 and 2020 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

## 16. PROPERTY AND EQUIPMENT

|   | Buildings<br>and<br>improvements<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Gaming<br>machines and<br>equipment<br>HK\$'000 | Computer<br>equipment<br>and software<br>HK\$'000 | Art works<br>and<br>paintings<br>HK\$'000 | Vehicles<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Grand<br>total<br>HK\$'000 |
|---|--|---------------------------------------|---|---|---|---|----------------------|---|----------------------------|
| <b>COST</b>                                 |  |                                       |   |   |   |   |                      |   |                            |
| At 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                                       | —                    | 449,247                                 | 521,304                    |
| Transfers from construction<br>in progress  | 71,065                                       | —                                     | 25,070  | 45,964  | 2,441   | —   | —                    | (144,540)                               | —                          |
| 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 and<br>January 1, 2021 | 29,348,611                                   | 2,153,570                             | 2,796,503   | 912,312   | 865,762   | 253,019                                   | 51,363               | 402,820                                 | 36,783,960                 |
| Additions                                   | 2,945  | —                                     | 32,330  | 21,527  | 31,052  | 12,871                                    | 5,800                | 352,272                                 | 458,797                    |
| Transfers from construction in progress     | 567,803                                      | 36                                    | 56,781  | 23,094  | 21,483  | —   | —                    | (669,197)                               | —                          |
| Disposal/write-off                          | (66,011)                                     | (22,990)                              | (28,531)  | (37,184)  | (6,839)   | —   | —                    | (2,532)                                 | (164,087)                  |
| Exchange difference                         | —  | 990                                   | 363   | —   | 105   | —   | —                    | —                                       | 1,458                      |
| At December 31, 2021                        | 29,853,348                                   | 2,131,606                             | 2,857,446   | 919,749   | 911,563   | 265,890                                   | 57,163               | 83,363                                  | 37,080,128                 |
| <b>DEPRECIATION</b>                         |  |                                       |   |   |   |   |                      |   |                            |
| At 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 and<br>January 1, 2021 | (6,552,581)                                  | (2,080,959)                           | (1,758,880)   | (610,298)                                       | (799,488)   | —   | (31,971)             | —                                       | (11,834,177)               |
| Eliminated on disposal/write-off            | 46,324                                       | 22,590                                | 26,402  | 36,418  | 6,829   | —   | —                    | —                                       | 138,563                    |
| Charge for the year                         | (1,333,213)                                  | (16,288)                              | (437,340)   | (126,415)                                       | (63,975)  | —   | (8,915)              | —                                       | (1,986,146)                |
| Exchange difference                         | —  | (864)                                 | (295)   | —   | (104)   | —   | —                    | —                                       | (1,263)                    |
| At December 31, 2021                        | (7,839,470)                                  | (2,075,521)                           | (2,170,113)   | (700,295)                                       | (856,738)   | —   | (40,886)             | —                                       | (13,683,023)               |
| <b>CARRYING AMOUNT</b>                      |  |                                       |   |   |   |   |                      |   |                            |
| At December 31, 2021                        | 22,013,878                                   | 56,085                                | 687,333   | 219,454   | 54,825  | 265,890                                   | 16,277               | 83,363                                  | 23,397,105                 |
| 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                 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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 COTAL 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           | Equipment |            | Total     |
|  | land                | Buildings | and others |           |
| HK\$'000                                 | HK\$'000            | HK\$'000  | HK\$'000   |           |
| At 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 and January 1, 2021 | 1,266,418           | 27,123    | 33,352     | 1,326,893 |
| Addition                                 | —                   | 28,975    | 2,264      | 31,239    |
| Depreciation charge                      | (36,959)            | (24,089)  | (9,414)    | (70,462)  |
| Foreign exchange difference              | —                   | 276       | —          | 276       |
| At December 31, 2021                     | 1,229,459           | 32,285    | 26,202     | 1,287,946 |



**17. LEASES** *(Continued)***THE GROUP AS A LESSEE** *(Continued)*

A maturity analysis of lease liabilities based on undiscounted cash flows is reported as follows:

|   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------------------|------------------|
| Within one year   | <b>37,791</b>    | 42,182           |
| Over one year but not exceeding two years                 | <b>29,464</b>    | 21,057           |
| Over two years but not exceeding five years               | <b>36,524</b>    | 44,803           |
| Over five years   | <b>386,614</b>   | 394,753          |
|   | <b>490,393</b>   | 502,795          |
| Less: Effect of discounting at incremental borrowing rate | <b>(274,324)</b> | (285,859)        |
|   | <b>216,069</b>   | 216,936          |
| Current   | <b>27,895</b>    | 32,110           |
| Non-current   | <b>188,174</b>   | 184,826          |
|   | <b>216,069</b>   | 216,936          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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:

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Variable lease payments not included in the measurement of lease liabilities | <b>1,126</b>     | 406              |
| COVID-19-related rent concessions  | <b>(346)</b>     | (2,157)          |
| Expenses relating to short-term leases                                       | <b>29,585</b>    | 32,141           |
| Expenses relating to leases of low value assets                              | <b>400</b>       | 353              |

The following are the amounts recognized in statement of cash flows:

|                               | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Total cash outflow for leases | <b>77,965</b>    | 89,338           |

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\$38.0 million (2020: HK\$39.6 million).

**17. LEASES** *(Continued)***THE GROUP AS A LESSEE** *(Continued)*

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, 2021 and 2020, there was no such triggering event.

As at December 31, 2021 and 2020, 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:

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Payments that are fixed or depend on an index or a rate    | <b>40,582</b>    | 31,354           |
| Variable payments that do not depend on an index or a rate | <b>60,171</b>    | 52,224           |
|  | <b>100,753</b>   | 83,578           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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:

|   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------------------|------------------|
| Within one year                                   | <b>43,094</b>    | 45,258           |
| More than one year and not longer than five years | <b>28,883</b>    | 47,738           |
|   | <b>71,977</b>    | 92,996           |

## 18. SUB-CONCESSION PREMIUM

|  | HK\$'000    |
|--|-------------|
| <b>COST</b>                                |             |
| At December 31, 2020 and December 31, 2021 | 1,773,592   |
| <b>AMORTIZATION</b>                        |             |
| At January 1, 2020                         | (1,528,747) |
| Charge for the year                        | (103,147)   |
| At December 31, 2020 and January 1, 2021   | (1,631,894) |
| Charge for the year                        | (95,424)    |
| At December 31, 2021                       | (1,727,318) |
| <b>CARRYING AMOUNT</b>                     |             |
| At December 31, 2021                       | 46,274      |
| At December 31, 2020                       | 141,698     |

## 19. TRADE RECEIVABLES

|                      | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------------|------------------|------------------|
| Trade receivables    | <b>513,818</b>   | 436,848          |
| Less: Loss allowance | <b>(244,106)</b> | (144,808)        |
|                      | <b>269,712</b>   | 292,040          |

Trade receivables mainly consist of casino receivables. The Group issues markers and credit to approved gaming customers (“VIP gaming customers”) following background checks and assessments of creditworthiness. During the year ended December 31, 2021 and 2020, the Group also granted unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group generally allows a credit period up to 14 days to VIP gaming customers and 30 days on issuance of markers to gaming promoters.

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, 2020, trade receivables from contracts with customers amounted to HK\$531.9 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 19. TRADE RECEIVABLES *(Continued)*

The following is an analysis of trade receivables, net of loss allowance, by age presented based upon marker issuance date or invoice date:

|                | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | <b>107,210</b>   | 137,967          |
| 31 — 90 days   | <b>27,959</b>    | 5,661            |
| 91 — 180 days  | <b>52,634</b>    | 6,540            |
| Over 180 days  | <b>81,909</b>    | 141,872          |
|                | <b>269,712</b>   | 292,040          |

As at December 31, 2021, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$150.3 million (2020: HK\$156.9 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$118.9 million (2020: HK\$142.0 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, 2021 and 2020 are set out in note 26.

## 20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

|   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------------------|------------------|
| Cash at bank and on hand                      | <b>2,545,380</b> | 1,669,474        |
| Short-term bank deposits                      | <b>566,640</b>   | 966,037          |
| Cash and cash equivalents, current            | <b>3,112,020</b> | 2,635,511        |
| Restricted cash, non-current                  | —                | 36,439           |
| Cash and cash equivalents and restricted cash | <b>3,112,020</b> | 2,671,950        |

The cash and cash equivalents and restricted cash are denominated in the following currencies:

|                        | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|------------------------|------------------|------------------|
| HK\$                   | <b>2,944,927</b> | 2,426,175        |
| Renminbi ("RMB")       | <b>70,800</b>    | 57,581           |
| US\$                   | <b>46,213</b>    | 122,974          |
| Taiwan dollar ("TW\$") | <b>23,336</b>    | 23,010           |
| Other                  | <b>26,744</b>    | 42,210           |
|                        | <b>3,112,020</b> | 2,671,950        |

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, 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

The restricted cash balance at December 31, 2020 reflected the freeze of funds deposited at a bank account of Mingyi Investments Limited (“Mingyi”), an indirect wholly-owned subsidiary of the Company, by order of the Hong Kong Court of First Instance, following an injunction filed against Mingyi. On May 6, 2021, the Court issued an order for the discharge of the injunction and the funds in Mingyi’s bank account were released.

## 21. BORROWINGS

During the year ended December 31, 2021, the Company completed the following significant refinancing transactions:

- entered into 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; and
- the issuance of senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes.

In addition, on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed.



## 21. BORROWINGS *(Continued)*

At December 31, 2021 the Group's unsecured borrowings included credit facilities and senior notes.

|   | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|---|-------------------|------------------|
| Unsecured senior notes repayable:             |                   |                  |
| Over two years but not exceeding three years  | <b>5,847,450</b>  | —                |
| Over three years but not exceeding four years | <b>3,898,300</b>  | 5,814,675        |
| Over four years but not exceeding five years  | <b>5,847,450</b>  | 3,876,450        |
| Over five years                               | <b>5,847,450</b>  | 5,814,675        |
|   | <b>21,440,650</b> | 15,505,800       |
| Less: Debt finance costs                      | <b>(214,079)</b>  | (181,924)        |
|   | <b>21,226,571</b> | 15,323,876       |
| Unsecured credit facilities repayable:        |                   |                  |
| Over two years but not exceeding three years  | <b>2,810,000</b>  | —                |
| Over three years but not exceeding four years | —                 | 5,970,000        |
|   | <b>2,810,000</b>  | 5,970,000        |
| Less: Debt finance costs                      | <b>(107,465)</b>  | (138,836)        |
|   | <b>2,702,535</b>  | 5,831,164        |
| Current                                       | —                 | —                |
| Non-current                                   | <b>23,929,106</b> | 21,155,040       |
|   | <b>23,929,106</b> | 21,155,040       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 21. 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 and US\$750 million of 5.875% senior notes due May 15, 2026. 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.

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million due June 18, 2025. 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.

On March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. 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 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

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 2025 and the 2027 Notes were issued pursuant to an indenture, dated June 18, 2020 and March 31, 2021, respectively, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The Unsecured Senior Notes are general unsecured obligations of the Company. The Unsecured Senior Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The Unsecured Senior 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 Unsecured Senior Notes.

## 21. BORROWINGS *(Continued)*

### UNSECURED SENIOR NOTES *(Continued)*

The Unsecured Senior 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 Unsecured Senior Notes provide for certain events of default, including certain insolvency related proceedings relating to the Group.

Under the indentures of the Unsecured Senior Notes, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming license in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior 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 (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

The special put option is considered to be a future uncertain event that had not been triggered at December 31, 2021, and accordingly the Unsecured Senior Notes were classified as non-current liabilities at that date. Refer to Note 1 for further information related to the Gaming Sub-Concession.

As at the date of this report, the Company has no secured indebtedness and no subordinated indebtedness.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 21. BORROWINGS *(Continued)*

### 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.

On May 26, 2020, the Company entered into 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, 2021, the Group had total available undrawn unsecured credit facilities of HK\$10.06 billion.

## 21. BORROWINGS *(Continued)*

### UNSECURED CREDIT FACILITIES

#### 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, 2021, HK\$2.81 billion of the Revolving Credit Facility was drawn. HK\$6.94 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, 2021, the Group paid interest at HIBOR plus 2.75% per annum (2020: HIBOR plus 2.75% per annum).

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 21. BORROWINGS *(Continued)*

### UNSECURED CREDIT FACILITIES

#### Revolving Credit Facility and Second Revolving Credit Facility *(Continued)*

##### *Financial Covenants (Continued)*

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, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

Subsequent to the execution of the amendments referred to above, the permitted leverage ratio and the permitted interest coverage ratio under the Revolving Credit Facility and under the Second Revolving Credit Facility are as follows:

| Accounting Date  | Interest Coverage Ratio          | Leverage Ratio                   |
|--|----------------------------------|----------------------------------|
| March 31, 2021   | Not Applicable <sup>(2)</sup>    | Not Applicable <sup>(1)</sup>    |
| June 30, 2021  | Not Applicable <sup>(2)</sup>    | Not Applicable <sup>(2)</sup>    |
| September 30, 2021   | Not Applicable <sup>(3)(4)</sup> | Not Applicable <sup>(3)(4)</sup> |
| December 31, 2021  | Not Applicable <sup>(3)(4)</sup> | Not Applicable <sup>(3)(4)</sup> |
| March 31, 2022   | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| June 30, 2022  | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| September 30, 2022   | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| December 31, 2022  | Not Applicable <sup>(5)</sup>    | Not Applicable <sup>(5)</sup>    |
| Each quarter ended on and after<br>March 31, 2023 through maturity | Not Applicable <sup>(6)</sup>    | Not Applicable <sup>(6)</sup>    |

<sup>(1)</sup> Amendment on February 21, 2020 under the Revolving Credit Facility.

<sup>(2)</sup> Amendment on April 9, 2020 under the Revolving Credit Facility.

<sup>(3)</sup> Amendment on October 14, 2020 under the Second Revolving Credit Facility

<sup>(4)</sup> Amendment on October 15, 2020 under the Revolving Credit Facility.

<sup>(5)</sup> Amendment on February 24, 2021 under the Revolving Credit Facility and the Second Revolving Credit Facility.

<sup>(6)</sup> Amendment on February 10, 2022 under the Revolving Credit Facility and the Second Revolving Credit Facility.

## 21. BORROWINGS *(Continued)*

### UNSECURED CREDIT FACILITIES

#### **Revolving Credit Facility and Second Revolving Credit Facility** *(Continued)*

##### *Compliance with Covenants*

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2021 and 2020.

##### *Cancellation*

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, the total commitments shall be cancelled immediately and all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents shall become immediately due and payable 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 21. BORROWINGS *(Continued)*

### UNSECURED CREDIT FACILITIES

#### **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 and certain insolvency related proceedings relating to the Group. If the Group does not own or manage casino or gaming areas or operate casino games of fortune and chance for a period of ten consecutive days or more and such event has a material adverse effect on the financial condition or business, or in case of termination, rescission, revocation or modification of any gaming sub-concession which has a material adverse effect on the financial condition, business, properties, or results of operations of the Group, 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 concession; provided that such renewal, tender or other process results in the granting or renewal of the relevant gaming concession, an event of default will be triggered. Under the applicable acceleration provisions, if an event of default is outstanding, the facility agent may, and must if so instructed by the majority lenders, by notice to the Company, cancel all or any part of the total commitments; or declare that all or part of any amounts outstanding under the finance documents are immediately due and payable; or payable on demand by the facility agent acting on the instructions of the majority lenders.

Any potential default as a result of the material adverse effect due to the loss of the Sub-Concession is considered to be a future uncertain event at December 31, 2021, and accordingly the Unsecured Credit Facilities was classified as non-current liabilities at that date. Refer to Note 1 for further information related to the Gaming Sub-Concession.

##### ***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

|                                    |      | 2021             | 2020      |
|------------------------------------|------|------------------|-----------|
|                                    | NOTE | HK\$'000         | HK\$'000  |
| Customer advances and other        | 6    | <b>725,440</b>   | 689,567   |
| Other payables and accrued charges |      | <b>718,756</b>   | 284,117   |
| Accrued staff costs                |      | <b>480,692</b>   | 427,046   |
| Gaming taxes payables              |      | <b>442,198</b>   | 377,699   |
| Outstanding chips liabilities      | 6    | <b>366,993</b>   | 1,031,086 |
| Loyalty programs liabilities       | 6    | <b>160,192</b>   | 151,278   |
| Construction payables and accruals |      | <b>91,967</b>    | 146,586   |
| Other casino liabilities           |      | <b>6,346</b>     | 63,361    |
| Trade payables                     |      | <b>34,437</b>    | 36,582    |
|                                    |      | <b>3,027,021</b> | 3,207,322 |
| Current                            |      | <b>3,016,350</b> | 3,199,112 |
| Non-current                        |      | <b>10,671</b>    | 8,210     |
|                                    |      | <b>3,027,021</b> | 3,207,322 |

The following is an analysis of trade payables by age based upon the invoice date:

|                | 2021          | 2020     |
|----------------|---------------|----------|
|                | HK\$'000      | HK\$'000 |
| Within 30 days | <b>33,276</b> | 30,209   |
| 31 — 60 days   | <b>536</b>    | 3,634    |
| 61 — 90 days   | <b>92</b>     | 2,571    |
| 91 — 120 days  | <b>436</b>    | 106      |
| Over 120 days  | <b>97</b>     | 62       |
|                | <b>34,437</b> | 36,582   |

The average credit period on purchases of goods and services is one month.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 23. SHARE CAPITAL, SHARE PREMIUM AND (DEFICIT)/RESERVES

### (A) SHARE CAPITAL

|   | NOTE | Number of Shares | Share Capital<br>HK\$ |
|---|------|------------------|-----------------------|
| Ordinary Shares of HK\$1 each   |      |                  |                       |
| Authorized  |      |                  |                       |
| At January 1, 2020, December 31, 2020,<br>January 1, 2021 and December 31, 2021 |      | 10,000,000,000   | 10,000,000,000        |
| Issued and fully paid   |      |                  |                       |
| At January 1, 2020  |      | 3,800,000,001    | 3,800,000,001         |
| Share options exercised   | 24   | 349,400          | 349,400               |
| Share repurchase and cancellation   | (i)  | (349,400)        | (349,400)             |
| At December 31, 2020 and January 1, 2021  |      | 3,800,000,001    | 3,800,000,001         |
| Share options exercised   | 24   | 8,979,100        | 8,979,100             |
| Share repurchase and cancellation   | (i)  | (8,979,100)      | (8,979,100)           |
| At December 31, 2021  |      | 3,800,000,001    | 3,800,000,001         |

- (i) During the year ended December 31, 2021, 8,979,100 Shares (2020: 349,400) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$128.0 million (2020: HK\$3.2 million).

## 23. SHARE CAPITAL, SHARE PREMIUM AND (DEFICIT)/RESERVES *(Continued)*

### (B) SHARE PREMIUM AND (DEFICIT)/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) 8,979,100 Shares (2020: 349,400) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2021. The premium of HK\$119.0 million (2020: HK\$2.9 million) paid on the repurchase of the 8,979,100 Shares (2020: 349,400) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$9.0 million (2020: HK\$0.3 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, 2021 and 2020 are summarized as follows:

#### December 31, 2021

| Month of repurchase | Total number of Shares repurchased | Highest price paid per Share<br>HK\$ | Lowest price paid per Share<br>HK\$ | Aggregate consideration paid<br>HK\$'000 |
|---------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| March 2021          | 8,827,800                          | 14.58                                | 13.90                               | 126,181                                  |
| June 2021           | 151,300                            | 12.22                                | 12.06                               | 1,842                                    |
|                     | <b>8,979,100</b>                   |                                      |                                     | <b>128,023</b>                           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 23. SHARE CAPITAL, SHARE PREMIUM AND (DEFICIT)/RESERVES *(Continued)*

### (B) SHARE PREMIUM AND (DEFICIT)/RESERVES *(Continued)*

#### (i) *(Continued)*

December 31, 2020

| Month of repurchase | Total number of Shares repurchased | Highest price paid per Share<br>HK\$ | Lowest price paid per Share<br>HK\$ | Aggregate consideration paid<br>HK\$'000 |
|---------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| March 2020          | 249,200                            | 8.22                                 | 8.17                                | 2,052                                    |
| December 2020       | 100,200                            | 11.62                                | 11.44                               | 1,158                                    |
|                     | 349,400                            |                                      |                                     | 3,210                                    |

#### (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 (DEFICIT)/RESERVES *(Continued)*

### (B) SHARE PREMIUM AND (DEFICIT)/RESERVES *(Continued)*

#### (iii) Other reserves

Other reserves of HK\$13,131.3 million as at December 31, 2021 (2020: HK\$13,131.9 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, 2021, HK\$0.6 million (2020: HK\$1.4 million) was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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, 2021, 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 98,703,688 (2020: 107,437,088), representing approximately 2.6% (2020: 2.8%) of the Shares of the Company in issue at that date.

## 24. SHARE-BASED PAYMENTS *(Continued)*

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, with the exception of the options granted on May 3, 2021, in which were 100% vested on December 31, 2021.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 24. SHARE-BASED PAYMENTS (Continued)

A summary of the movements of the outstanding options under the Scheme is as follows:

### December 31, 2021

| Type of participant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Number of share options |                           |                           |                         | Outstanding at December 31, 2021 |
|---------------------|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------------|
|                     |                   |                                       |                               |                                | Granted during the year | Exercised during the year | Forfeited during the year | Expired 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                        | 1,730,000                      | –                       | –                         | –                         | (1,730,000)             | –                                |
| 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                        | 10,780,000                     | –                       | –                         | (1,730,000)               | –                       | 9,050,000                        |
| 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                        | –                       | –                         | (80,000)                  | –                       | 100,000                          |
| 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                        | 207,500                        | –                       | –                         | (45,000)                  | –                       | 162,500                          |
| Employees           | May 15, 2015      | May 15, 2016 – May 14, 2025           | 15.100                        | 120,000                        | –                       | –                         | –                         | –                       | 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                        | 5,030,988                      | –                       | –                         | (765,700)                 | –                       | 4,265,288                        |
| 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                        | 135,000                        | –                       | –                         | –                         | –                       | 135,000                          |
| Employees           | November 16, 2015 | November 16, 2016 – November 15, 2025 | 11.450                        | 715,000                        | –                       | –                         | –                         | –                       | 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                        | 7,473,000                      | –                       | (2,736,000)               | (572,100)                 | –                       | 4,164,900                        |



## 24. SHARE-BASED PAYMENTS (Continued)

## December 31, 2021 (Continued)

| Type of participant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Number of share options |                           |                           |                         | Outstanding at December 31, 2021 |
|---------------------|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------------|
|                     |                   |                                       |                               |                                | Granted during the year | Exercised during the year | Forfeited during the year | Expired during the year |                                  |
| 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                        | 6,782,400                      | –                       | (339,100)                 | (847,700)                 | –                       | 5,595,600                        |
| 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                        | 300,000                        | –                       | –                         | –                         | –                       | 300,000                          |
| Employees           | February 21, 2017 | February 21, 2018 – February 20, 2027 | 14.500                        | 937,500                        | –                       | –                         | (112,500)                 | –                       | 825,000                          |
| 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                        |
| Employees           | June 5, 2017      | June 5, 2018 – June 4, 2027           | 17.132                        | 6,524,700                      | –                       | –                         | (786,600)                 | –                       | 5,738,100                        |
| 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                        | 250,000                        | –                       | –                         | –                         | –                       | 250,000                          |
| Employees           | November 15, 2017 | November 15, 2018 – November 14, 2027 | 19.240                        | 300,000                        | –                       | –                         | –                         | –                       | 300,000                          |
| Employees           | February 23, 2018 | February 23, 2019 – February 22, 2028 | 23.200                        | 830,000                        | –                       | –                         | –                         | –                       | 830,000                          |
| Employees           | May 15, 2018      | May 15, 2019 – May 14, 2028           | 23.130                        | 200,000                        | –                       | –                         | –                         | –                       | 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                        | 5,032,000                      | –                       | –                         | (553,500)                 | –                       | 4,478,500                        |
| 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                        | –                       | –                         | (100,000)                 | –                       | 100,000                          |
| 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                        | 50,000                         | –                       | –                         | –                         | –                       | 50,000                           |
| Employees           | May 15, 2019      | May 15, 2020 – May 14, 2029           | 14.292                        | 420,000                        | –                       | –                         | (80,000)                  | –                       | 340,000                          |
| 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                        | 9,688,100                      | –                       | (210,000)                 | (738,100)                 | –                       | 8,740,000                        |
| 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                        | 330,000                        | –                       | (12,500)                  | (50,000)                  | –                       | 267,500                          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 24. SHARE-BASED PAYMENTS (Continued)

### December 31, 2021 (Continued)

| Type of participant                        | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2021 | Number of share options |                           |                           |                         | Outstanding at December 31, 2021 |
|--|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-------------------------|----------------------------------|
|  |                   |                                       |                               |                                | Granted during the year | Exercised during the year | Forfeited during the year | Expired during the year |                                  |
| 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                        | 150,000                        | –                       | –                         | –                         | –                       | 150,000                          |
| Employees                                  | April 1, 2020     | April 1, 2021 – March 31, 2030        | 7.976                         | 180,000                        | –                       | (12,500)                  | (37,500)                  | –                       | 130,000                          |
| Employees                                  | May 15, 2020      | May 15, 2021 – May 14, 2030           | 9.316                         | 160,000                        | –                       | –                         | –                         | –                       | 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                         | 14,570,800                     | –                       | (27,400)                  | (1,174,200)               | –                       | 13,369,200                       |
| 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                      | –                       | –                         | –                         | –                       | 2,249,400                        |
| Employees                                  | November 16, 2020 | November 16, 2021 – November 15, 2030 | 15.120                        | 625,000                        | –                       | –                         | –                         | –                       | 625,000                          |
| Consultant                                 | November 16, 2020 | November 16, 2021 – November 15, 2030 | 11.240                        | 200,000                        | –                       | –                         | –                         | –                       | 200,000                          |
| Employees                                  | March 15, 2021    | March 15, 2022 – March 14, 2031       | 13.860                        | –                              | 200,000                 | –                         | –                         | –                       | 200,000                          |
| Employees                                  | May 3, 2021       | December 31, 2021 – May 2, 2031       | 12.672                        | –                              | 1,422,800               | –                         | (29,200)                  | –                       | 1,393,600                        |
| Director                                   | May 3, 2021       | December 31, 2021 – May 2, 2031       | 12.672                        | –                              | 282,400                 | –                         | –                         | –                       | 282,400                          |
| Employees                                  | May 17, 2021      | May 17, 2022 – May 16, 2031           | 11.312                        | –                              | 290,000                 | –                         | –                         | –                       | 290,000                          |
| Director                                   | June 3, 2021      | June 3, 2022 – June 2, 2031           | 12.480                        | –                              | 859,600                 | –                         | –                         | –                       | 859,600                          |
| Employees                                  | June 3, 2021      | June 3, 2022 – June 2, 2031           | 12.480                        | –                              | 11,439,600              | –                         | (41,600)                  | –                       | 11,398,000                       |
| Employees                                  | August 16, 2021   | August 16, 2022 – August 15, 2031     | 8.256                         | –                              | 250,000                 | –                         | –                         | –                       | 250,000                          |
|  |                   |                                       |                               | 107,437,088                    | 14,744,400              | (8,979,100)               | (8,493,700)               | (6,005,000)             | 98,703,688                       |
| Weighted average exercise price per Share  |                   |                                       |                               | HK\$15.46                      | HK\$12.43               | HK\$11.14                 | HK\$16.41                 | HK\$15.39               | HK\$15.32                        |
| Exercisable at end of the reporting period |                   |                                       |                               |                                |                         |                           |                           |                         | 65,523,788                       |

## 24. SHARE-BASED PAYMENTS (Continued)

December 31, 2020

| Type of participant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2020 | Number of share options |                           |                           |                             | Outstanding at December 31, 2020 |
|---------------------|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-----------------------------|----------------------------------|
|                     |                   |                                       |                               |                                | Granted during the year | 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) <sup>(b)</sup>  | 1,730,000                        |
| Employees           | August 22, 2011   | August 21, 2012 – May 10, 2021        | 15.120                        | 625,000                        | –                       | –                         | –                         | (625,000) <sup>(b)</sup>    | –                                |
| 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                          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 24. SHARE-BASED PAYMENTS (Continued)

December 31, 2020 (Continued)

| Type of participant | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2020 | Number of share options |                           |                           |                             | Outstanding at December 31, 2020 |
|---------------------|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-----------------------------|----------------------------------|
|                     |                   |                                       |                               |                                | Granted during the year | Exercised during the year | Forfeited during the year | Replacement during the year |                                  |
| 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                        |
| 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                        |

## 24. SHARE-BASED PAYMENTS (Continued)

December 31, 2020 (Continued)

| Type of participant                        | Date of grant     | Exercisable period                    | Exercise price per Share HK\$ | Outstanding at January 1, 2020 | Number of share options |                           |                           |                             | Outstanding at December 31, 2020 |
|--|-------------------|---------------------------------------|-------------------------------|--------------------------------|-------------------------|---------------------------|---------------------------|-----------------------------|----------------------------------|
|  |                   |                                       |                               |                                | Granted during the year | Exercised during the year | Forfeited during the year | Replacement during the year |                                  |
| 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 <sup>(1)</sup>    | 2,249,400                        |
| Employees                                  | November 16, 2020 | November 16, 2021 – November 15, 2030 | 15.120                        | –                              | –                       | –                         | –                         | 625,000 <sup>(1)</sup>      | 625,000                          |
| Consultant                                 | November 16, 2020 | November 16, 2021 – November 15, 2030 | 11.240                        | –                              | 200,000                 | –                         | –                         | –                           | 200,000                          |
|  |                   |                                       |                               | 98,167,388                     | 16,970,000              | (349,400)                 | (7,350,900)               | –                           | 107,437,088                      |
| Weighted average exercise price per Share  |                   |                                       |                               | HK\$16.51                      | HK\$9.48                | HK\$11.09                 | HK\$15.89                 | HK\$15.51                   | HK\$15.46                        |
| Exercisable at end of the reporting period |                   |                                       |                               |                                |                         |                           |                           |                             | 73,032,788                       |

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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, |        |
|--|-------------------------|--------|
|  | 2021                    | 2020   |
| Expected volatility  | <b>42.96%</b>           | 43.32% |
| Expected life (years)  | <b>5.08</b>             | 5.41   |
| Risk-free annual interest rate   | <b>0.541%</b>           | 0.569% |
| Expected dividends   | <b>1.67%</b>            | 1.22%  |
| Weighted average share price at the date of grant (HK\$)                       | <b>12.39</b>            | 9.73   |
| Weighted average exercise price (HK\$)   | <b>12.43</b>            | 10.35  |
| Weighted average fair value of each share option granted by the Company (HK\$) | <b>4.00</b>             | 3.20   |

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 2021 was HK\$13.32 (2020: HK\$13.02).

The Group recognized a total expense of HK\$51.6 million (2020: HK\$68.6 million) for the year ended December 31, 2021 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, 2021, the gearing ratio of the Group was 94.6% (2020: 78.7%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 26. FINANCIAL INSTRUMENTS

Categories of financial instruments

|                                    | 2021              | 2020       |
|------------------------------------|-------------------|------------|
|                                    | HK\$'000          | HK\$'000   |
| <b>Financial assets</b>            |                   |            |
| Amortized cost:                    |                   |            |
| Cash and cash equivalents          | <b>3,112,020</b>  | 2,635,511  |
| Trade receivables                  | <b>269,712</b>    | 292,040    |
| Other receivables                  | <b>26,558</b>     | 18,537     |
| Deposits                           | <b>16,026</b>     | 16,266     |
| Amounts due from related companies | <b>218</b>        | 330        |
| Restricted cash                    | <b>—</b>          | 36,439     |
|                                    | <b>3,424,534</b>  | 2,999,123  |
| <b>Financial liabilities</b>       |                   |            |
| Amortized cost:                    |                   |            |
| Borrowings                         | <b>23,929,106</b> | 21,155,040 |
| Customer advances and other        | <b>646,470</b>    | 606,237    |
| Outstanding chips liabilities      | <b>366,993</b>    | 1,031,086  |
| Other payables                     | <b>343,555</b>    | 134,451    |
| Construction retention payable     | <b>37,471</b>     | 46,182     |
| Trade payables                     | <b>34,437</b>     | 36,582     |
| Amounts due to related companies   | <b>18,332</b>     | 18,244     |
| Construction payables              | <b>5,538</b>      | 4,166      |
| Other casino liabilities           | <b>5,371</b>      | 62,349     |
| Subtotal                           | <b>25,387,273</b> | 23,094,337 |
| Lease liabilities                  | <b>216,069</b>    | 216,936    |
|                                    | <b>25,603,342</b> | 23,311,273 |



## 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 VIP gaming customers and gaming promoters 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, 2021 and 2020:

|                                | Gross<br>amounts of<br>recognized<br>financial<br>assets<br>HK\$'000 | Gross<br>amounts of<br>recognized<br>financial<br>liabilities<br>set off<br>HK\$'000 | Net<br>amounts of<br>financial<br>assets<br>presented<br>HK\$'000 | Related amounts not set off in<br>the consolidated statement<br>of financial position |  |                           |
|--------------------------------|--|--|---|---|--|---------------------------|
|                                |  |  |   | Financial<br>instruments<br>HK\$'000  | Cash<br>collateral<br>received<br>HK\$'000 | Net<br>amount<br>HK\$'000 |
| <b>As at December 31, 2021</b> |  |  |   |   |  |                           |
| Casino receivables (i)         | <b>244,784</b>   | <b>(35,034)</b>  | <b>209,750</b>  | –   | –  | <b>209,750</b>            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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 liabilities<br>HK\$'000 | Gross amounts of recognized financial assets set off<br>HK\$'000 | Net amounts of financial liabilities presented<br>HK\$'000 | Related amounts not set off in the consolidated statement of financial position |                                     |                        |
|--|---|--|--|---|-------------------------------------|------------------------|
|  |   |  |  | Financial instruments<br>HK\$'000   | Cash collateral pledged<br>HK\$'000 | Net amount<br>HK\$'000 |
| <b>As at December 31, 2021</b>                                   |   |  |  |   |                                     |                        |
| Commission and incentives liabilities (ii)                       | 24,415  | (19,044)   | 5,371  | —   | —                                   | 5,371                  |
| Deposits received from gaming patrons and gaming promoters (iii) | 644,418   | (15,990)   | 628,428  | —   | —                                   | 628,428                |
|  | 668,833   | (35,034)   | 633,799  | —   | —                                   | 633,799                |

## 26. FINANCIAL INSTRUMENTS (Continued)

### FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

|  | Gross<br>amounts of<br>recognized<br>financial<br>assets<br>HK\$'000 | Gross<br>amounts of<br>recognized<br>financial<br>liabilities<br>set off<br>HK\$'000 | Net<br>amounts of<br>financial<br>assets<br>presented<br>HK\$'000 | Related amounts not set off in<br>the consolidated statement<br>of financial position<br>Cash<br>Financial<br>instruments<br>HK\$'000 | Cash<br>collateral<br>received<br>HK\$'000 | Net<br>amount<br>HK\$'000 |
|--|--|--|---|---|--|---------------------------|
|--|--|--|---|---|--|---------------------------|

#### As at December 31, 2020

|                        |         |          |         |   |   |         |
|------------------------|---------|----------|---------|---|---|---------|
| Casino receivables (i) | 300,094 | (66,051) | 234,043 | — | — | 234,043 |
|------------------------|---------|----------|---------|---|---|---------|

|  | Gross<br>amounts of<br>recognized<br>financial<br>liabilities<br>HK\$'000 | Gross<br>amounts of<br>recognized<br>financial<br>assets<br>set off<br>HK\$'000 | Net<br>amounts of<br>financial<br>liabilities<br>presented<br>HK\$'000 | Related amounts not set off in<br>the consolidated statement<br>of financial position<br>Cash<br>Financial<br>instruments<br>HK\$'000 | Cash<br>collateral<br>pledged<br>HK\$'000 | Net<br>amount<br>HK\$'000 |
|--|---|---|--|---|---|---------------------------|
|--|---|---|--|---|---|---------------------------|

#### As at December 31, 2020

|   |         |          |         |   |   |         |
|---|---------|----------|---------|---|---|---------|
| Commission and incentives<br>liabilities (ii)                       | 65,814  | (3,465)  | 62,349  | — | — | 62,349  |
| Deposits received from gaming<br>patrons and gaming promoters (iii) | 659,874 | (62,586) | 597,288 | — | — | 597,288 |
|   | 725,688 | (66,051) | 659,637 | — | — | 659,637 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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\$269.7 million (2020: HK\$292.0 million) in the consolidated statement of financial position as at December 31, 2021.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$3,027.0 million (2020: HK\$3,207.3 million) in the consolidated statement of financial position as at December 31, 2021.
- (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\$3,027.0 million (2020: HK\$3,207.3 million) in the consolidated statement of financial position as at December 31, 2021.

### 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.

## 26. FINANCIAL INSTRUMENTS *(Continued)*

### MARKET RISK *(Continued)*

#### 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 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, 2021 and 2020. 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:

#### Assets

|      | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|------|------------------|------------------|
| US\$ | <b>46,213</b>    | 122,974          |

#### Liabilities

|      | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|------|-------------------|------------------|
| US\$ | <b>21,541,417</b> | 15,433,088       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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\$. 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, 2021, 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\$215.0 million (2020: loss would be higher by HK\$153.1 million), mainly as a result of the translation of US\$ denominated Senior Notes (2020: 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 the 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. In regard to the reform of interest rate benchmarks, the Hong Kong Monetary Authority acknowledged that HIBOR is still widely recognized as a credible and reliable benchmark and announced that there was no plan to discontinue HIBOR. Management does not expect significant risk exposure to the Group about reform of interest rate benchmarks.

## 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 (2020: 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2021, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$14.0 million (2020: HK\$29.8 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

### CREDIT RISK

As at December 31, 2021 and 2020, 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 provisions and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 26. FINANCIAL INSTRUMENTS *(Continued)*

### CREDIT RISK *(Continued)*

In order to minimize the credit risk with VIP gaming customers and gaming promoters, 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. For credit-impaired debtors, 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. For non-credit-impaired debtors, the Group uses debtors' aging to assess the impairment for trade receivables based upon provision matrix. The loss rates are reviewed based upon historical observed default rates over the expected life of the receivables 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 had collateral to mitigate the Group's exposure to credit risk for certain trade receivables. As at December 31, 2021, the collateral received led to a reduction in expected credit loss of HK\$10.7 million (December 31, 2020: nil) recognized in profit or loss. The Group does not hold 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.

As at December 31, 2021, except for credit impaired balances with net amount of HK\$15.5 million (2020: nil) that have been assessed individually, the Group uses debtors' aging to assess the impairment for trade receivables. The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed based on provision matrix as at December 31, 2021 and 2020.



## 26. FINANCIAL INSTRUMENTS *(Continued)*

### CREDIT RISK *(Continued)*

| Provision matrix — debtors' aging | Loss rate  | Net receivable amount |                  |
|-----------------------------------|------------|-----------------------|------------------|
|                                   |            | 2021<br>HK\$'000      | 2020<br>HK\$'000 |
| Current (not past due)            | 0% — 0.6%  | 119,405               | 135,175          |
| 1 — 90 days past due              | 7% — 20%   | 15,961                | 14,908           |
| 91 — 360 days past due            | 18% — 40%  | 84,443                | 101,029          |
| More than 360 days past due       | 50% — 100% | 34,444                | 40,928           |
|                                   |            | <b>254,253</b>        | 292,040          |

Movement in the loss allowance during the year is as follows:

|                          | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------|------------------|------------------|
| At January 1             | 144,808          | 122,298          |
| Charge for the year, net | 125,095          | 92,642           |
| Amount written off, net  | (25,797)         | (70,132)         |
| At December 31           | <b>244,106</b>   | 144,808          |

Charge for the year ended December 31, 2021 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$439.0 million (2020: HK\$400.2 million). As at December 31, 2021, the Group has specifically provided HK\$152.6 million (2020: HK\$57.7 million) of loss allowance on 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, 2021 and which are still subject to enforcement activity was HK\$29.4 million (2020: HK\$74.6 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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.

|                                  | Repayable                      |            |                    |            |              | Total undiscounted cash flows | Carrying amount |
|----------------------------------|--------------------------------|------------|--------------------|------------|--------------|-------------------------------|-----------------|
|                                  | on demand or less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years  | Over 5 years |                               |                 |
|                                  | HK\$'000                       | HK\$'000   | HK\$'000           | HK\$'000   | HK\$'000     | HK\$'000                      | HK\$'000        |
| <b>As at December 31, 2021</b>   |                                |            |                    |            |              |                               |                 |
| Trade payables                   | 34,437                         | —          | —                  | —          | —            | 34,437                        | 34,437          |
| Construction payables            | 5,538                          | —          | —                  | —          | —            | 5,538                         | 5,538           |
| Other payables                   | 25,022                         | 24,344     | 283,518            | 10,671     | —            | 343,555                       | 343,555         |
| Other casino liabilities         | 5,371                          | —          | —                  | —          | —            | 5,371                         | 5,371           |
| Outstanding chips liabilities    | 366,993                        | —          | —                  | —          | —            | 366,993                       | 366,993         |
| Customer advances and other      | 646,470                        | —          | —                  | —          | —            | 646,470                       | 646,470         |
| Borrowings                       | 15,774                         | 261,933    | 1,152,655          | 22,001,808 | 5,986,327    | 29,418,497                    | 23,929,106      |
| Construction retention payable   | 16,931                         | —          | 19,540             | 1,000      | —            | 37,471                        | 37,471          |
| Amounts due to related companies | 18,332                         | —          | —                  | —          | —            | 18,332                        | 18,332          |
| Lease liabilities                | 2,912                          | 5,722      | 29,157             | 65,988     | 386,614      | 490,393                       | 216,069         |
| Guarantee contracts (note 28)    | 1,095,237                      | —          | —                  | —          | —            | 1,095,237                     | —               |
|                                  | 2,233,017                      | 291,999    | 1,484,870          | 22,079,467 | 6,372,941    | 32,462,294                    | 25,603,342      |

## 26. FINANCIAL INSTRUMENTS *(Continued)*

### LIQUIDITY RISK *(Continued)*

|                                  | Repayable<br>on demand or<br>less than<br>1 month<br>HK\$'000 | 1-3<br>months<br>HK\$'000 | 3 months<br>to<br>1 year<br>HK\$'000 | 1-5<br>years<br>HK\$'000 | Over<br>5<br>years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>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                       | 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                | 3,254   | 6,014                     | 32,914                               | 65,860                   | 394,753                        | 502,795   | 216,936                        |
| Guarantee contracts (note 28)    | 1,095,237   | —                         | —                                    | —                        | —                              | 1,095,237                                       | —                              |
|                                  | 2,924,647   | 36,084                    | 1,228,458                            | 19,285,876               | 6,380,234                      | 29,855,299                                      | 23,311,273                     |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

|  | Borrowings | Interest payable | Dividend payable | Lease liabilities | Total      |
|--|------------|------------------|------------------|-------------------|------------|
|  | HK\$'000   | HK\$'000         | HK\$'000         | HK\$'000          | HK\$'000   |
| At 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 and January 1, 2021 | 21,155,040 | 105,291          | —                | 216,936           | 21,477,267 |
| Financing cashflows                      | 2,563,060  | (1,050,386)      | —                | (44,840)          | 1,467,834  |
| Interest expenses                        | —          | 1,257,550        | —                | 12,776            | 1,270,326  |
| Amortization of debt finance costs       | 92,204     | —                | —                | —                 | 92,204     |
| New leases/lease modification            | —          | —                | —                | 31,239            | 31,239     |
| Effect of rent concessions and reduction | —          | —                | —                | (346)             | (346)      |
| Foreign exchange difference              | 118,802    | 2,721            | —                | 304               | 121,827    |
| At December 31, 2021                     | 23,929,106 | 315,176          | —                | 216,069           | 24,460,351 |

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

## 28. PROVISIONS AND CONTINGENT LIABILITIES

### a) GUARANTEES

As at December 31, 2021, the Group has given bank guarantees totaling HK\$1,095.2 million (2020: HK\$1,095.2 million) to certain parties, of which HK\$1,087.4 million (2020: HK\$1,087.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming sub-concession is not extended or renewed, subject to authorization of the Macau Government), HK\$4.0 million (2020: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements, HK\$0.6 million (2020: 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 (2020: 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 claimed to have placed cash deposits with gaming promoters who had operations at MGM MACAU and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely on the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos, as contemplated in article 29 of Administrative Regulation no. 6/2002, governing the licensing and activities of gaming promoters.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 28. PROVISIONS AND CONTINGENT LIABILITIES *(Continued)*

### b) LITIGATION *(Continued)*

The Group has defended its position that it was not liable with respect to these claims. However, in February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, confirming the decision that the gaming promoter was liable for the refund of the deposits claimed by the plaintiffs and that the Group was jointly and severally liable for the fulfilment of the gaming promoter's monetary obligation. As there are no further appeals available to the Group and given the Group's assessment of the gaming promoter's inability to honor its financial obligation as ordered by the Court, the Group will need to make the payment directly to the plaintiffs of the principal amount of HK\$80 million plus interest. The interest calculated up to the end of the reporting period of December 31, 2021 is HK\$37 million. Upon payment to the plaintiffs the Group shall be entitled to claim from the gaming promoter the reimbursement, in all or in part, of the amount paid, in a separate lawsuit, to be filed by the Group against the gaming promoter. In light of the recent developments impacting the gaming promoter's activities, it is predicted that the chance to recover the loss suffered through the payments to be made by the Group is remote.

Consequently, considering the similar nature of the three legal proceedings, the Group has estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 (2020: nil) in payables and accrued charges.

## 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:

|                                  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Contracted but not accounted for | <b>102,538</b>   | 273,361          |

## 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, 2021, the Group is obligated under its Sub-Concession Contract and Sub-Concession Extension Contract to make minimum future payments of approximately MOP83.5 million (equivalent to approximately HK\$81.1 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 if no further extension is awarded.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 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\$0.01 million (2020: HK\$0.5 million), and the ultimate holding company of the Company amounting to HK\$18.3 million (2020: HK\$17.8 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:

|                | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | <b>18,332</b>    | 18,244           |

(a)(iii) As at December 31, 2021, the Group had lease liabilities of HK\$4.2 million (2020: HK\$8.4 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, 2021, the Group entered into several new lease agreements for the use of equipment (2020: building and equipment) for approximately 1-2 years (2020: approximately 1-2 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\$2.3 million (2020: HK\$7.3 million).



**31. RELATED PARTY TRANSACTIONS** *(Continued)*

(b) The Group had the following significant transactions with related companies during the year:

| Related parties   | Type of transaction  | 2021     | 2020     |
|---|--|----------|----------|
|   |  | HK\$'000 | HK\$'000 |
| Companies in which one of the Directors of the Company has non-controlling beneficial interests     | Expenses relating to leases on premises                        | 39       | 365      |
|   | Travelling, accommodation and transportation, net of discounts | 19,657   | 30,731   |
|   | Interest expense on lease liabilities                          | 157      | 205      |
| Ultimate holding company  | Marketing referral fees  | 3,363    | 4,165    |
|   | Rental income  | —        | (194)    |
| Company jointly-owned by Shareholders   | License fee <sup>(1)</sup>                                     | 164,689  | 89,180   |
| Companies in which one of the Directors of the Company has jointly controlling beneficial interests | Consultancy fee <sup>(2)</sup>                                 | 32,221   | 5,836    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 31. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

- (1) 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. 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 terms of the Branding Agreement and First Renewed 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. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$88.2 million (equivalent to approximately HK\$685.5 million) for the year ending December 31, 2021 and US\$82.3 million (equivalent to approximately HK\$638.6 million) for the year ended December 31, 2020.
- (2) On January 13, 2021, MGM Grand Paradise entered into the Consultancy Services Agreement with Occasions, a comprehensive integrated communications group, which sets out the principal framework upon which any member of 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. The annual cap under the Consultancy Services Agreement is HK\$116 million for the period from January 13, 2021 to December 31, 2021.

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:

|                          | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Short term benefits      | <b>65,232</b>    | 86,070           |
| Post-employment benefits | <b>1,686</b>     | 3,335            |
| Share-based payments     | <b>20,648</b>    | 40,391           |
|                          | <b>87,566</b>    | 129,796          |

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

| Name of subsidiary                 | Place and date of incorporation/ establishment/ business | Issued share/ quota capital/ registered capital | Attributable equity interest of the Group |                   | Principal activities                                       |
|------------------------------------|--|---|---|-------------------|--|
|                                    |  |   | December 31, 2021                         | December 31, 2020 |  |
| Alpha Landmark Enterprises Limited | British Virgin Islands<br>February 8, 2005               | US\$1   | 100%                                      | 100%              | Inactive   |
| Alpha Vision Investments Limited   | British Virgin Islands<br>February 8, 2005               | US\$1   | 100%                                      | 100%              | Inactive   |
| Apexworth Developments Limited     | British Virgin Islands<br>February 8, 2005               | US\$1   | 100%                                      | 100%              | Inactive   |
| Breve, S.A.                        | Macau<br>August 13, 2004                                 | MOP1,000,000                                    | 100%                                      | 100%              | Inactive   |
| Brief (HK) Limited                 | Hong Kong<br>July 26, 2018                               | HK\$1   | 100%                                      | 100%              | Investment holding   |
| Golden Rice Bowl (HK) Limited      | Hong Kong<br>July 26, 2018                               | HK\$1   | 100%                                      | 100%              | Investment holding   |
| Golden Rice Bowl Limited           | Macau<br>April 24, 2007                                  | MOP25,000                                       | 100%                                      | 100%              | Inactive   |
| Land Sub C (HK) Limited            | Hong Kong<br>July 26, 2018                               | HK\$1   | 100%                                      | 100%              | Investment holding   |
| MGM Grand Paradise Limited (i)     | Macau<br>June 17, 2004                                   | MOP200,000,000                                  | 100%                                      | 100%              | Operation of casino games of chance and other casino games |

**32. SUBSIDIARIES** *(Continued)*

| Name of subsidiary                  | Place and date of incorporation/<br>establishment/<br>business | Issued share/<br>quota capital/<br>registered capital | Attributable equity interest of the Group |                   | Principal activities                                       |
|-------------------------------------|--|---|---|-------------------|--|
|                                     |  |   | December 31, 2021                         | December 31, 2020 |  |
| MGM Grand Paradise (HK) Limited     | Hong Kong<br>October 15, 2004                                  | HK\$2   | 100%                                      | 100%              | Management and administrative services for a group company |
| MGM – Security Services, Ltd.       | Macau<br>January 19, 2015                                      | MOP1,000,000  | 100%                                      | 100%              | Security services for a group company                      |
| MGM Security Services (HK) Limited  | Hong Kong<br>July 26, 2018                                     | HK\$1   | 100%                                      | 100%              | Investment holding   |
| Mingyi Investments Limited          | British Virgin Islands/<br>Macau<br>June 1, 2011               | US\$1   | 100%                                      | 100%              | Administrative services for a group company                |
| Prime Hotel Management (HK) Limited | Hong Kong<br>July 26, 2018                                     | HK\$1   | 100%                                      | 100%              | Investment holding   |
| Prime Hotel Management Limited      | Macau<br>August 13, 2004                                       | MOP1,000,000  | 100%                                      | 100%              | Hotel management services                                  |
| Terra C Sub, S.A.                   | Macau<br>August 13, 2004                                       | MOP1,000,000  | 100%                                      | 100%              | Inactive   |
| Yin Gao Limited                     | British Virgin Islands/<br>Macau<br>June 10, 2011              | US\$1   | 100%                                      | 100%              | Administrative services for a group company                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 32. SUBSIDIARIES (Continued)

| Name of subsidiary      | Place and date of incorporation/ establishment/ business | Issued share/ quota capital/ registered capital | Attributable equity interest of the Group |                   | Principal activities   |
|-------------------------|--|---|---|-------------------|--|
|                         |  |   | December 31, 2021                         | December 31, 2020 |  |
| 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<br>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<br>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, 2021**

|                               | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|-------------------------------|-------------------|------------------|
| <b>ASSETS</b>                 |                   |                  |
| Non-current assets            |                   |                  |
| Investment in subsidiaries    | <b>27,129,282</b> | 26,937,052       |
| Amount due from subsidiaries  | <b>17,939,088</b> | 15,663,303       |
| Total non-current assets      | <b>45,068,370</b> | 42,600,355       |
| Current assets                |                   |                  |
| Prepayments                   | <b>2,357</b>      | 2,156            |
| Amounts due from subsidiaries | <b>4</b>          | —                |
| Cash and cash equivalents     | <b>60,455</b>     | 48,040           |
| Total current assets          | <b>62,816</b>     | 50,196           |
| <b>TOTAL ASSETS</b>           | <b>45,131,186</b> | 42,650,551       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

AT DECEMBER 31, 2021 (Continued)

|                                     | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|-------------------------------------|-------------------|------------------|
| <b>EQUITY</b>                       |                   |                  |
| Capital and reserves                |                   |                  |
| Share capital (note 23)             | <b>3,800,000</b>  | 3,800,000        |
| Share premium and reserves          | <b>17,001,685</b> | 17,560,558       |
| <b>TOTAL EQUITY</b>                 | <b>20,801,685</b> | 21,360,558       |
| <b>LIABILITIES</b>                  |                   |                  |
| Non-current liabilities             |                   |                  |
| Borrowings                          | <b>23,929,106</b> | 21,155,040       |
| Amounts due to subsidiaries         | <b>83,369</b>     | 26,238           |
| Total non-current liabilities       | <b>24,012,475</b> | 21,181,278       |
| Current liabilities                 |                   |                  |
| Payables and accrued charges        | <b>317,026</b>    | 108,488          |
| Amounts due to subsidiaries         | <b>—</b>          | 227              |
| Total current liabilities           | <b>317,026</b>    | 108,715          |
| <b>TOTAL LIABILITIES</b>            | <b>24,329,501</b> | 21,289,993       |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>45,131,186</b> | 42,650,551       |



### 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<br>HK\$'000 | Capital redemption<br>reserve<br>HK\$'000 | Share option<br>reserve<br>HK\$'000 | Other<br>reserves<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Share premium<br>and reserves<br>total<br>HK\$'000 |
|---|-------|---------------------------|---|-------------------------------------|-------------------------------|----------------------------------|--|
| At January 1, 2020                                    |       | 10,404,373                | 14,380                                    | 470,142                             | 132,000                       | 6,382,587                        | 17,403,482   |
| Profit for the year and total<br>comprehensive income |       | —                         | —   | —                                   | —                             | 403,227                          | 403,227  |
| Exercise of share options                             | 23&24 | 4,711                     | —   | (1,184)                             | —                             | —                                | 3,527  |
| Share repurchase and<br>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<br>payments                | 24    | —                         | —   | 68,583                              | —                             | —                                | 68,583   |
| Dividends paid  | 14    | —                         | —   | —                                   | —                             | (315,400)                        | (315,400)  |
| At December 31, 2020<br>and January 1, 2021           |       | 10,406,223                | 14,729                                    | 522,507                             | 132,000                       | 6,485,099                        | 17,560,558   |
| Loss for the year and total<br>comprehensive loss     |       | —                         | —   | —                                   | —                             | (582,528)                        | (582,528)  |
| Exercise of share options                             | 23&24 | 121,830                   | —   | (30,773)                            | —                             | —                                | 91,057   |
| Share repurchase and<br>cancellation                  |       |                           |   |                                     |                               |                                  |  |
| — repurchases of Shares                               | 23    | (119,044)                 | —   | —                                   | —                             | —                                | (119,044)  |
| — transfer  | 23    | —                         | 8,979                                     | —                                   | —                             | (8,979)                          | —  |
| Forfeiture of share options                           | 24    | —                         | —   | (97,694)                            | —                             | 97,694                           | —  |
| Recognition of share-based<br>payments                | 24    | —                         | —   | 51,642                              | —                             | —                                | 51,642   |
| At December 31, 2021                                  |       | 10,409,009                | 23,708                                    | 445,682                             | 132,000                       | 5,991,286                        | 17,001,685   |

# FINANCIAL SUMMARY

|  | For the year ended December 31 |             |            |            |            |
|--|--------------------------------|-------------|------------|------------|------------|
|  | 2021                           | 2020        | 2019       | 2018       | 2017       |
|  | HK\$'000                       | HK\$'000    | HK\$'000   | HK\$'000   | HK\$'000   |
| <b>Results</b>   |                                |             |            |            |            |
| Operating revenue  | <b>9,410,814</b>               | 5,095,983   | 22,765,036 | 19,200,721 | 14,480,532 |
| (Loss)/profit before tax   | <b>(3,828,001)</b>             | (5,191,345) | 1,941,690  | 772,894    | 2,638,479  |
| (Loss)/profit for the year attributable to owners of the Company | <b>(3,846,616)</b>             | (5,201,531) | 1,931,228  | 1,068,499  | 2,320,185  |
| <b>As at December 31</b>   |                                |             |            |            |            |
|  | 2021                           | 2020        | 2019       | 2018       | 2017       |
|  | HK\$'000                       | HK\$'000    | HK\$'000   | HK\$'000   | HK\$'000   |
| <b>Assets and liabilities</b>                                    |                                |             |            |            |            |
| Total assets   | <b>28,439,575</b>              | 29,668,754  | 32,506,222 | 35,132,575 | 36,606,502 |
| Total liabilities  | <b>27,242,659</b>              | 24,651,090  | 22,046,088 | 26,186,796 | 28,094,146 |
| Net assets   | <b>1,196,916</b>               | 5,017,664   | 10,460,134 | 8,945,779  | 8,512,356  |

The consolidated results, assets and liabilities of the Group for the last five financial years are those set out in the audited consolidated financial statements.

# GLOSSARY

## DEFINITIONS AND GLOSSARY USED IN THIS ANNUAL REPORT

|                                 |  |
|---------------------------------|--|
| “2024 Notes”                    | US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024   |
| “2025 Notes”                    | US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025   |
| “2026 Notes”                    | US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026   |
| “2027 Notes”                    | US\$750 million aggregate principal amount of 4.75% senior unsecured notes due February 1, 2027  |
| “Acquisition Note”              | the non-interest bearing note issued by the Company to Grand Paradise Macau Limited as part of the Group Reorganization  |
| “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          |
| “Articles of Association”       | the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time  |
| “Board of Directors” or “Board” | the board of Directors of the Company  |
| “Branding Agreement”            | the Branding Agreement dated May 17, 2011 entered into among our 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, complimentaries 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              |
| “Company” or “MGM China”        | MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability   |
| “Concessionaire(s)”             | the holder(s) of a concession for the operation of casino games in Macau   |

# GLOSSARY

|  |  |
|--|--|
| “Consultancy Services Agreement”                 | the Consultancy Services Agreement dated January 13, 2021, entered into between MGM Grand Paradise and Occasions   |
| “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 of Macau (“Direcção de Inspeção e Coordenação de Jogos” 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 of the Macau Government  |
| “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  |
| “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, complimentary 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, complimentary and other incentives   |
| “Group”, “we”, “us” or “our”    | our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group   |
| “Group Reorganization”          | the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. on April 13, 2011 as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company’s Shares  |
| “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 |
| “HK\$”                          | Hong Kong dollars, the lawful currency of Hong Kong   |

# GLOSSARY

|                                |  |
|--------------------------------|--|
| “Hong Kong”                    | the Hong Kong Special Administrative Region of The People’s Republic of China  |
| “Hong Kong Stock Exchange”     | The Stock Exchange of Hong Kong Limited  |
| “IFRS”                         | International Financial Reporting Standards  |
| “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 |
| “Independent Third Party(ies)” | parties which are not connected persons of the Company within the meaning of the Listing Rules   |
| “IPO Prospectus”               | the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing   |
| “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  |
| “Listing Rules”                | 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   |
| “Macau”                        | the Macau Special Administrative Region of The People’s Republic of China  |
| “Macau Government”             | the local government of Macau  |
| “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 BVI and jointly wholly owned, directly or indirectly, by MGM Resorts International and Ms. Pansy Ho in equal portions  |
| “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 (“sociedade anónima”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries   |
| “MGM Growth Properties”     | MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance) |
| “MGM MACAU”                 | the integrated casino, hotel and entertainment resort in Macau peninsula owned by MGM Grand Paradise  |
| “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   |
| “Model Code”                | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules   |
| “MOP”                       | Macau Pataca, the lawful currency of Macau  |
| “NCE”                       | New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned by Ms. Pansy Ho  |
| “Occasions”                 | Occasions Asia Pacific Limited, is a company incorporated in Hong Kong, indirectly 50% owned by Ms. Pansy Ho  |

# GLOSSARY

|   |  |
|---|--|
| “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  |
| “Purchase Note”                           | a note that represents an amount due from MRIH to the Company that will be paid in cash upon consummation of the Listing   |
| “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 with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020, February 24, 2021 and February 10, 2022  |
| “REVPAR”                                  | Revenue per available room includes commissions, complimentarys and other incentives   |
| “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 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, increased to HK\$3.12 billion on June 29, 2020, and with an increase option pursuant to which the Company may increase the amount of the facility up to HK\$3.9 billion, subject to certain conditions, as amended on October 14, 2020, February 24, 2021 and February 10, 2022 |
| “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   |
| “SJM”   | SJM Resorts, S.A., formerly 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   |
| “Sub-Concession”,<br>“Sub-Concession Contract” or<br>“Sub-Concession Extension<br>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 Sub-Concession Extension Contract, dated as of March 15, 2019 |
| “Sub-Concessionaire(s)”   | the holder(s) of a Sub-Concession 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<br>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<br>Agreement”   | the third renewed Master Service Agreement dated December 27, 2019 entered into between Shun Tak and MGM Grand Paradise  |
| “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)  |

# GLOSSARY

|                                       |  |
|---------------------------------------|--|
| “United States”                       | the United States of America, its territories and possessions and all areas subject to its jurisdiction  |
| “US\$”                                | United States dollars, the lawful currency of United States  |
| “VIP”, “VIP clients” or “VIP players” | 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 |
| “%”                                   | per cent   |

