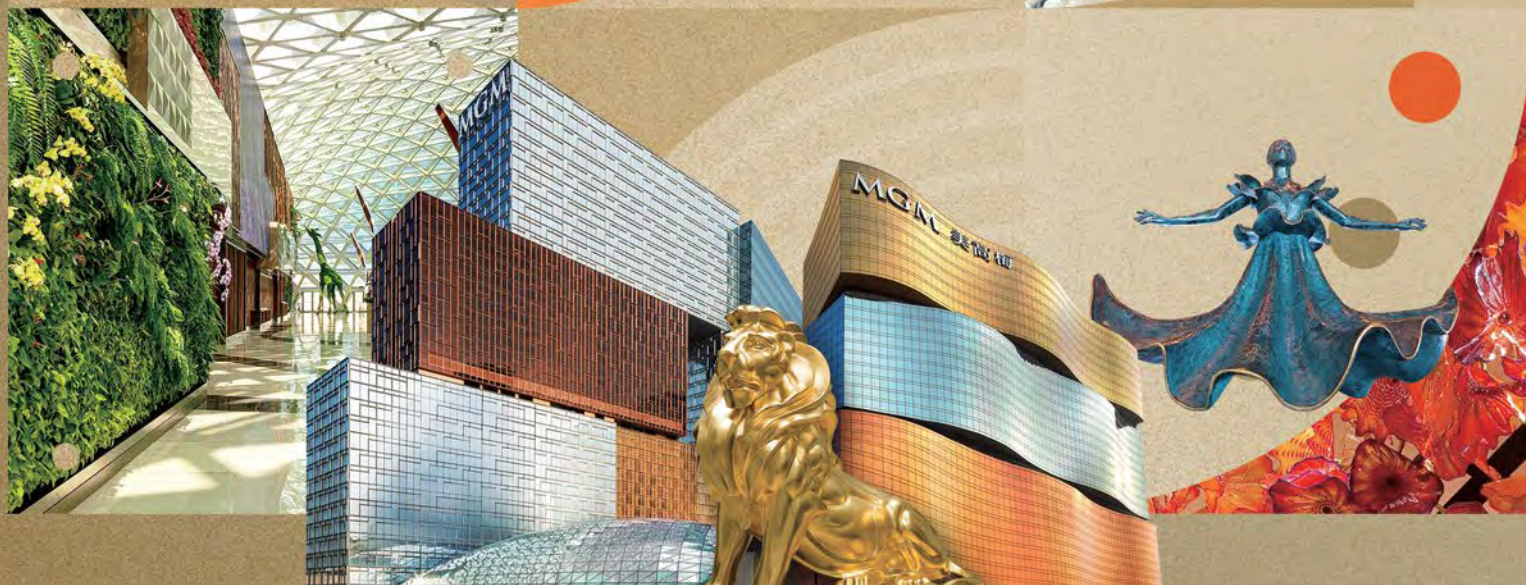


ANNUAL REPORT OF 2022

MGM China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2282



MGM





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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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sze Wan Patricia Lam
Russell Francis Banham
Simon Meng
Chee Ming Liu

AUDIT COMMITTEE

Russell Francis Banham (*Chairperson*)
Simon Meng
Ayesha Khanna Molino
Chee Ming Liu
Jonathan S. Halkyard

REMUNERATION COMMITTEE

Sze Wan Patricia Lam (*Chairperson*)
Pansy Catilina Chiu King Ho
Russell Francis Banham
Simon Meng
Daniel J. Taylor
Chee Ming Liu

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Simon Meng (*Chairperson*)
Chen Yau Wong
Russell Francis Banham
John M. McManus
Sze Wan Patricia Lam
Ayesha Khanna Molino
Chee Ming Liu

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

Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
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

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103
Cayman Islands

COMPANY WEBSITE

<https://en.mgmchinaholdings.com>

STOCK CODE

2282

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2022	2021
	HK\$'000	HK\$'000
Casino revenue	4,438,995	8,223,054
Other revenue	829,574	1,187,760
Operating revenue	5,268,569	9,410,814
Adjusted EBITDA (unaudited)	(1,274,355)	187,176
Operating loss	(3,609,542)	(2,348,629)
Loss for the year attributable to owners of the Company	(5,231,911)	(3,846,616)
Loss per Share		
— Basic	(HK137.7 cents)	(HK101.2 cents)
— Diluted	(HK137.7 cents)	(HK101.2 cents)



CHAIRPERSON'S STATEMENT

We are grateful to the Macau Government for granting us a 10-year gaming concession, and even more pleased that our submission was rated the best among all tender submissions.

Our remarkable performance in the retendering process stands as a strong recognition of our efforts to foster growth in the local tourism industry, as well as our overarching investment plans to further advance the city's diversification in the future.

The contract award has strengthened our focus and commitment to development in line with the national and Macau Special Administrative Region policies to promote the economic diversification of Macau and the development of Tourism+ integration.

CHAIRPERSON'S STATEMENT



WILLIAM JOSEPH HORNBUCKLE
Chairperson



Dear Shareholders,

Last year was one of many challenges and accomplishments. Greater China, including Macau, was impacted by the COVID-19 pandemic through tightened safeguard measures, border controls, and other travel restrictions that weakened visitation to Macau. Visitor arrivals were down 26% year-over-year to 5.7 million, compared to 7.7 million in 2021 and a record 39.4 million in 2019. Visitation from mainland China also declined by 28% year-over-year to 5.1 million, and business operations in Macau were temporarily suspended, including casino closures, at certain times during the year. As a result, market-

wide GGR was down 51% year-over-year to MOP42.2 billion, approximately 14% of 2019 pre-pandemic levels.

MGM China continued to work closely with the Macau Government and healthcare professionals to keep our city and people safe and show support to the community.

MGM China used the periods of operational shutdown caused by Covid to enhance our assets and prepare for business recovery. We renovated our gaming floors at our properties and expanded and enhanced our hotel product mix with the introduction of the Emerald Villa and ramping up of The Mansion

CHAIRPERSON'S STATEMENT



to entice high-end players. We also crafted various marketing campaigns focused on non-gaming offerings to grow visitation and continued enhancing our service levels and operational efficiency. We demonstrated resilience and agility to capture opportunities by reinforcing the Group's strategic focus areas.

These all helped MGM China attain a daily GGR that was 21% of 2019 pre-pandemic levels, outperforming the market average of 14%. We also grew our market share to a record high of 13.7% in 2022, up from 12.5% in 2021 and 9.5% in 2019.

Last year, MGM Grand Paradise also participated in the retendering process of our gaming concession in Macau. We are grateful to the Macau Government

for granting us a 10-year gaming concession, and even more pleased that our submission was rated the best among all tender submissions. Our remarkable performance in the retendering process stands as a strong recognition of our efforts to foster growth in the local tourism industry, as well as our overarching investment plans to further advance the city's diversification in the future. The contract award has strengthened our focus and commitment to development in line with the national and Macau Special Administrative Region policies to promote the economic diversification of Macau and the development of Tourism+ integration.

Under the new gaming concession, MGM Grand Paradise is entitled to operate a total of 750 gaming tables and 1,700 slot machines, compared with 552



gaming tables and 1,701 slot machines previously. The substantial increase in business capacity, together with our effort and commitment in enhancing the customer experience, paves the way for future growth.

We know that enhancing the customer experience starts with our people, who are the bedrock of both Macau's and MGM China's long-term success. We are proud of our people who supported the local community in 2022 through our Golden Lion Volunteer team, which contributed over 32,300 hours of service to assist those in need. At the same time, we focused on offering our team members a safe

and healthy work environment as well as abundant upskilling opportunities to build Macau into a center of tourism talent. In 2022 we increased the total training hours for team members by 20% to 593,000 hours. Promoting local employment has always been one of our top priorities. Last year, we were pleased to have 92% of our management team comprised of Macau locals.

As a responsible corporate citizen, MGM China is also committed to promoting responsible gaming as we believe it is the key to building a healthy and sustainable business model for the industry.

CHAIRPERSON'S STATEMENT

With years of devoted focus, MGM MACAU has successfully completed the “Responsible Gambling Indicators” program initiated by the Macau Government, receiving the designation of a “Responsible Gaming Implementation Model Unit.” In addition to its annual responsible gaming initiatives, MGM China has also joined with local community associations to launch a new initiative called the “MGM Responsible Gaming Community Engagement Scheme.”

With a commitment to supporting local businesses, we sourced over 28% of our procurement spend from local SMEs last year. Meanwhile, we have proactively helped local producers tap into the Greater Bay Area and mainland China market to widen the reach of Made-in-Macau products.

To further develop Macau in a healthy and sustainable way, we continue to invest in the city's people, our local community as well as culture. As a pioneer of cultural tourism, MGM China has harnessed Macau's cultural attributes to further accentuate its unique tourism appeal. We have developed distinguished Tourism+ offerings that are of interest to international visitors. We are pleased to see some of our flagship events become the city's key attractions.

For example, the MGM Lion Dance Championship marked its 9th edition last year. It attracted top lion dance troupes from across China to compete at MGM Theater and drew an online and offline audience of over 3.8 million people.

In addition, we have worked closely with the Macau Government to promote Macau as a premier and safe travel destination. MGM China had previously participated in a series of “Macau Week” promotional roadshows across provinces of mainland China to jointly encourage mainland travelers to visit Macau with the Macau Government Tourism Office. This year, we also gave proactive support to the production of a mega travel reality show organized by Macau Government Tourism Office and China Media Group. The show, featuring Macau's cultural and gastronomic charm, gained traction immediately after its premiere, receiving over 100 million of TV viewership in mainland China to date.

Since late last year, we are pleased to see travel restrictions starting to ease. Several proactive measures have brought guests back to Macau and unleashed the pent-up travel demand in full force. Those measures include things like the reinstatement of electronic travel permits for mainland residents

to travel into Macau, the lifting of quarantines for all arrivals, the cancelation of test requirements for Greater China arrivals, and the resumption of mainland group tours and service of the Hong Kong-Macau ferry.

Total visitor arrivals also significantly increased in January of this year. By once again capitalizing on our strategies to drive traffic and business volume, MGM China captured the growth opportunities of travel upswing and further grew our market share to a record high of 16% in January.

Also in January, we were pleased to receive a total of seven Forbes Travel Guide's Five-Star Awards for 2023. These distinguished accolades cement the Group's position as a leader in the hospitality industry and its commitment to providing the finest service and resort amenities. While pandemic-related challenges have been felt over the past few years, we are ready to welcome back the gradual influx of tourists to our Macau properties by further enhancing our dedication in service excellence and offerings of one-of-a-kind experiences.

As the city embarks upon a new era of development diversification, we are confident that Macau is accelerating toward an even brighter and more prosperous future. MGM China will stay focused on fulfilling our commitments to support the Macau Government in achieving its diversification goals. Building upon our 15 years of success and experience in Macau, we will step up efforts in creating more innovative non-gaming offerings, expanding our market reach, and developing Macau as a top-of-mind destination for global tourists.

William Joseph Hornbuckle

Chairperson

MGM China Holdings Limited

DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF OUR BOARD

Executive Directors

William Joseph Hornbuckle, aged 65, is the Chairperson and executive Director of the Company. 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. 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 the Director of GBANK Financial Holdings Inc. and the Chairman of its Compensation Committee since 2021. 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.

Pansy Catilina Chiu King Ho, SBS, JP, aged 60, 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. She was an independent non-executive director of Sing Tao News Corporation Limited, which is listed on the Main Board of the Stock Exchange. 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 governor of Our Hong Kong Foundation Limited. In China, Ms. Ho has been appointed as a member to the National Committee of the 14th Chinese People's Political Consultative Conference ("CPPCC") and has been elected to join Standing Committee of the 14th CPPCC. Before her appointments to the 14th CPPCC at the national level, Ms. Ho has been serving as a member of the Beijing Municipal CPPCC for 15 years. She is a Vice Chairman of All-China Federation of Industry and Commerce, an executive committee member of the All-China Women's Federation, a vice Chairman of the International Mountain Tourism Alliance, an Executive President of China Chamber of Tourism, a Vice President of China Foundation for Cultural Heritage Conservation, a member of the Committee of Experts for the Construction of World Class Tourist Attractions and Tourist Resorts, Ministry of Culture and Tourism, China 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 a 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. 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.

DIRECTORS AND SENIOR MANAGEMENT

Chen Yau Wong, aged 69, 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 of 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 56, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. McManus serves as the Chief Legal and Administrative Officer and Secretary of MGM Resorts International since September 2022. He also serves as Director of MGM Grand Paradise Limited. Mr. McManus served as MGM Resorts International's Executive Vice President, General Counsel and Secretary from July 2010 to September 2022, 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 served as Director of MGM Growth Properties from March 2016 until April 2022. Mr. McManus holds a Bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree from University of Miami.

Non-executive Directors

Kenneth Xiaofeng Feng, aged 52, 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 66, 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. 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 served as Director of MGM Growth Properties LLC from April 2016 until April 2022. 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.

DIRECTORS AND SENIOR MANAGEMENT

Ayesha Khanna Molino, aged 42, 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 58, 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.

Independent non-executive Directors

Sze Wan Patricia Lam, aged 56, 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. Ms Lam is an Independent Non-executive Director and a member of the Nomination Committee at Hang Seng Bank, a company listed on the Hong Kong Stock Exchange, since July 2022. She is currently a member of the Board of Governors of the Hang Seng University of Hong Kong. Ms Lam retired from Sotheby's in December 2022 where she was the Senior International Chairman. Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Russell Francis Banham, aged 69, 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 the senior independent Director of National Atomic Company Kazatomprom, the Chairperson of its Audit Committee and a member of its Strategic Planning and Investments Committee and Production Safety (HSE) 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 65, 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 72, 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 was 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 was also appointed as an Independent non-executive Director of DBS Bank (Hong Kong) Limited in June 2018, and as a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited in July 2019. He also served on the Corporate Advisory Council of the HKSI institute for four terms from 2016 to 2019, Mr. Liu holds a Bachelor’s degree in Business Administration from the former University of Singapore.

Senior Management

Zhi Qi (Hubert) Wang, aged 55, 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.

Antonio Jose Menano, aged 60, 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.

DIRECTORS AND SENIOR MANAGEMENT

Yuen Ying (Wendy) Yu, aged 55, 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 43, 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 38, 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 57, is our Senior Vice President of Hospitality. He joined us in September 2021 from Ritz-Carlton and Marriott International after 26 years. Iwan Dietschi 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, he earned 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), in 2018. He also authored a book titled “Mastering Hospitality” published in 2021 and is a Guest Professor at the Beijing Hospitality Institute.

Weng Kei (Catarina) Lio, aged 45, 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

Our competitive strengths and operating strategies are aligned with the Macau Government's emphasis on developing international tourist markets and non-gaming offerings. MGM Grand Paradise has committed to make a total investment of MOP16.7 billion (equivalent to approximately HK\$16.2 billion) over the next 10 years.

In the coming decade, we will continue to work together with all sectors of society to promote the economic diversification of Macau, with an aim to consolidate Macau's position as a World Center of Tourism and Leisure.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 23,283 square meters, with 926 slot machines, 294 gaming tables, and multiple VIP and private gaming areas as at December 31, 2022. 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 8 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 24,549 square meters, with 934 slot machines and 258 gaming tables as at December 31, 2022. The hotel comprises two towers with 1,418 hotel rooms, suites and skylofts, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified

entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. 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 of the 5-star accolade in the category of Best Hotel Interior Macau — Asia Pacific 2022 at the world-renowned International Property Awards, is our latest addition to the luxurious accommodation at MGM COTAI.

MANAGEMENT DISCUSSION AND ANALYSIS



RECENT DEVELOPMENTS

Gaming Concession

Gaming in Macau was administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires until December 31, 2022, of which a subsidiary of the Group, MGM Grand Paradise, was one Sub-Concessionaire. From January 1, 2023 up to December 31, 2032, it is administered through concessions awarded to six different Concessionaires, of which MGM Grand Paradise is one.

On June 23, 2022, the Sub-Concession Further Extension Contract was approved by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension and committed to provide within three months from the date of signing of the Sub-Concession Further Extension Contract a bank guarantee at first demand of not less



than MOP880 million (approximately HK\$854.4 million), 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 expired on December 31, 2022. A bank guarantee of MOP880 million (approximately HK\$854.4 million) was issued as a result of the Sub-Concession Further Extension Contract.

With the announcement of the opening of the public tender for the award of six concessions, the Group

submitted a tender to the Macau Government on September 14, 2022 and on December 16, 2022, MGM Grand Paradise received the final award of the Gaming Concession by order of the Chief Executive and the Concession Contract was executed between the Macau Government and MGM Grand Paradise. The terms of the Concession Contract differ from those under the Sub-Concession Contract mainly in terms of changes in Macau gaming laws and different commercial arrangements. The duration of the Gaming Concession is 10 years starting from January 1, 2023 to December 31, 2032.

MANAGEMENT DISCUSSION AND ANALYSIS

MGM Grand Paradise is entitled to operate a total of 750 gaming tables and 1,700 electric or mechanical gaming machines, including slot machines, under the Gaming Concession. During the term of the Concession Contract, MGM Grand Paradise shall pay the Macau Government the following contributions, which are common to all concessionaires:

Special gaming tax 35% of gross gaming revenue

Annual gaming premium Fixed premium of MOP30 million (equivalent to approximately HK\$29 million) per annum;

Variable premium⁽¹⁾⁽²⁾ depending upon the number of gaming tables and electric or mechanical gaming machines, including slot machines in operation:

- MOP300 thousand (equivalent to approximately HK\$291 thousand) per annum per gaming table reserved to certain games and players, including gaming tables in special gaming rooms or special gaming areas;

- MOP150 thousand (equivalent to approximately HK\$146 thousand) per annum per gaming table not reserved to certain games and players; and

- MOP1 thousand (equivalent to approximately HK\$0.97 thousand) per annum per electric or mechanical gaming machines, including slot machines

Additional levies⁽³⁾

Annual payment of an amount corresponding to 2% of gross gaming revenue which will be given to a public foundation whose object is the promotion, development or study of cultural, social, economic, educational, scientific, academic, and charity activities;

Annual payment of an amount corresponding to 3% of gross gaming revenue which will be used for urban development and construction, promotion of tourism and social security.

- (1) The variable premium shall not be less than the amount payable with respect to the operation of 500 gaming tables and 1,000 electric or mechanical gaming machines, including slot machines.
- (2) By order of the Chief Executive no. 162/2022, the minimum annual gross gaming revenue per gaming table is MOP7 million (equivalent to approximately HK\$6.8 million); the minimum annual gross gaming revenue per electric or mechanical gaming machines, including slot machines, is MOP300 thousand (equivalent to approximately HK\$291 thousand). Pursuant to Article 20 of the Gaming Law, if the average gross revenue arising of the operation of gaming tables or electric or mechanical gaming machines, including slot machines, does not reach the minimum limit fixed by order of the Chief Executive, the concessionaire will have to pay a special premium, of an amount corresponding to the difference between the amounts of the special gaming tax payable on the average gross revenue, and the one that would be payable if this minimum limit had been achieved. The average gross revenue is calculated according to the maximum number of gaming tables and electric or mechanical gaming machines, including slot machines, authorized for the concessionaire in the year to which it relates, with the exception of the number of gaming tables and electric or mechanical gaming machines, including slot machines authorized to operate temporarily.
- (3) The additional levies, subject to approval of the Macau Government's Chief Executive, may be reduced or exempted for expansion of overseas customer markets by the concession holders.

Pursuant to the Concession Contract, MGM Grand Paradise has committed to certain investments in gaming and non-gaming projects. The investment committed by MGM Grand Paradise is MOP16.7 billion (equivalent to approximately HK\$16.2 billion), of which MOP15 billion (equivalent to approximately HK\$14.6 billion) is in non-gaming projects. In case the market-wide Macau gross gaming revenue reaches MOP180 billion (equivalent to approximately HK\$175 billion) in any one year ("Triggering event"), MGM Grand Paradise is required to increase, in the following years, the investment in non-gaming projects in an amount corresponding to 20% of the base non-gaming investment. The 20% increase is subject to a deduction of 4% per year if the Triggering event occurs on or after 2028 (the sixth year of the Concession Contract). The maximum potential additional investment is estimated at MOP3 billion (equivalent to approximately HK\$2.91 billion).

In December 2022, as required by the Concession Contract, MGM Grand Paradise has provided to the Macau Government two bank guarantees totaling MOP1 billion (equivalent to approximately HK\$0.97 billion), which are effective from January 1, 2023. These guarantees secure MGM Grand Paradise's legal and contractual obligations under the Concession Contract, including the payment of premiums, fines and indemnities for any failure to perform the Concession Contract and the fulfilment of MGM Grand Paradise's labor liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Restructuring

Under the Macau Gaming Law, among other requirements, the concessionaire is required to have a minimum capital of MOP5 billion (equivalent to approximately HK\$4.85 billion) (previously MOP200 million, equivalent to approximately HK\$194 million) and its managing director is required to be a Macau permanent resident holding at least 15% of the share capital in the concessionaire (previously 10%) throughout the term of the Concession. The net asset value of MGM Grand Paradise shall not be less than MOP5 billion (equivalent to approximately HK\$4.85 billion) throughout the term of the Concession Contract.

On August 21, 2022, the Company, Ms. Pansy Ho and MGM Grand Paradise entered into a contribution and share subscription agreement (the “Contribution and Share Subscription Agreement”), to restructure the share capital of MGM Grand Paradise (the “Capital Restructuring”), in order to comply with the Macau Gaming Law and the tender regulations. The Capital Restructuring was completed in December 2022, whereby (i) the Company injected MOP4.8 billion (equivalent to approximately HK\$4.66 billion) into MGM Grand Paradise; (ii) MGM Grand Paradise issued and allotted 4,070,000 Class A Subscribed Shares to the Company at an aggregate subscription price of MOP4.07 billion (equivalent to approximately HK\$3.95 billion) and 730,000 Class B Subscribed Shares to the Company at an aggregate subscription price of MOP730 million (equivalent to approximately HK\$709 million) (the “Share Subscription”), and the Company transferred 730,000 Class B Subscribed Shares to

Ms. Pansy Ho for MOP1 (equivalent to approximately HK\$0.97) (the “Transfer”). No new shares were issued to MGM Resorts International. Upon completion of the Capital Restructuring, each of the Company, Ms. Pansy Ho and MGM Resorts International hold 84.6%, 15% and 0.4% of the issued share capital and voting rights of MGM Grand Paradise, respectively. A waiver from strict compliance with the Listing Rules was granted by the Stock Exchange in respect of the Contribution and Share Subscription Agreement and the transactions contemplated thereunder.

After the Capital Restructuring, the Company continues to have a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares. The Class B shares held by Ms. Pansy Ho and MGM Resorts International entitle them to voting rights but only de minimis economic rights (each holder of Class B shares will be entitled to receive a portion of dividends up to an amount of MOP1 only on each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares).

Services Agreement

On August 21, 2022, in order to comply with the Macau Gaming Law and the tender regulations, MGM Grand Paradise and Ms. Pansy Ho as the Managing Director entered into the Services Agreement, pursuant to which Ms. Pansy Ho will serve as the Managing Director of MGM Grand Paradise for the term of the Gaming Concession with a remuneration of US\$8 million (equivalent to approximately HK\$62 million) per annum and incentive payments up to an

aggregate total amount of US\$95 million (equivalent to approximately HK\$741 million) for the term set out in the Services Agreement. The Company established an Independent Board Committee comprising Sze Wan Patricia Lam, Russell Francis Banham, Simon Meng and Chee Ming Liu, being all of the independent non-executive Directors, to advise and provide a recommendation to the Shareholders (other than Ms. Pansy Ho and her associates) on the Services Agreement and the transactions contemplated thereunder, and to advise the Shareholders (other than Ms. Pansy Ho and her associates) on how to vote. The resolution of the Services Agreement was approved by the Shareholders at the Extraordinary General Meeting held on September 9, 2022.

Reversion of Casino Areas and Relevant Gaming Equipment

Pursuant to the Macau Gaming Law and the Sub-Concession Contract approved and authorized by the Macau Government and granted by SJM Resorts, S.A. on April 19, 2005, MGM Grand Paradise reverted the casino areas including casino support areas (the “Casino Areas”) in MGM MACAU and MGM COTAI with 59,355 square meters designated by DICJ and the relevant gaming equipment to the Macau Government without compensation and free of encumbrance (the “Property Transfer Agreements”) on December 31, 2022.

The Macau Government has agreed to the transfer of the Casino Areas and the relevant gaming equipment back to MGM Grand Paradise for use in its operation of games of chance or other games in MGM MACAU and MGM COTAI starting on January 1, 2023 and ending upon the expiration of the Concession Contract. MGM Grand Paradise will pay the Macau Government an annual amount calculated based on: (i) MOP750 (equivalent to approximately HK\$728) per square meter of the Casino Areas for the first year payable in March 2023, and adjusted annually in accordance with the average price index in Macau pursuant to the Macau Gaming Law for the second and third year payable in March 2024 and March 2025, respectively; and (ii) MOP2,500 (equivalent to approximately HK\$2,427) per square meter of the Casino Areas for the fourth year, payable in March 2026, and adjusted annually for the remaining years of the concession, payable in March each year in accordance with the average price index in Macau pursuant to the Macau Gaming Law.

Upon termination of the Concession Contract, the casinos, gaming equipment and utensils used for gaming businesses of the Concessionaire, including the gaming equipment and utensils located outside the casinos, shall automatically revert to the Macau Government at no consideration, free of liens or encumbrances.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Impact of the COVID-19 Pandemic

The COVID-19 pandemic continued to have significant impacts on our business, results of operations and financial condition during the reporting period. This is an unprecedented global public health crisis and we continue to place high importance on the health and safety of our employees, guests and all Macau citizens as the fight against this pandemic continues.

During the year, as local COVID-19 cases were reported in mainland China and Macau from time to time, in response to the risk of COVID-19 outbreak, tightened safeguard measures were reinforced on a temporary basis. Following the COVID-19 outbreak in June 2022, the Macau Government ordered that all industrial and commercial operations, including casinos, be suspended effective from July 11, 2022 to July 22, 2022, except for basic public services or services essential to the general public (including hotel and food and beverage operations). Most of the tightened safeguard measures were lifted in early August 2022. Subsequently, on October 30, 2022, with a new COVID-19 case identified to be connected to MGM COTAI, the Group was ordered by the Macau Government to suspend the operation of casino, restaurants, retail shops and gathering activities at MGM COTAI. Admission of new hotel guests was suspended, and hotel guests and employees in MGM COTAI were isolated on site for a period of 3 days up to November 1, 2022. MGM COTAI gradually resumed operation beginning November 3, 2022.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during the year due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau. Commencing December 2022, the Chinese Government announced a significant change in its COVID -19 policy which was also adopted by the Macau Government. These changes resulted in relaxation of travel restrictions to Macau. Following the easing of travel restrictions, total visitor arrivals have significantly increased, and Macau gross gaming revenue increased 232.6% to HK\$11.2 billion in January 2023, as compared to December 2022.

Further to the mitigating measures taken in 2020 and 2021 to address the adverse impact of the COVID-19 pandemic on the Group's financial position, on February 10, 2022, the Group entered into 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 pursuant to which waivers were received on all financial covenants through to maturity of the credit facilities on May 15, 2024.

In addition, the Group continued to undertake actions to minimize expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the year and reducing payroll expenses to address the impact from the COVID-19 pandemic, while trying to preserve local jobs in response to requests of the Macau Government.

OUR COMPETITIVE STRENGTHS AND OPERATING STRATEGIES

We have a number of competitive strengths including:

- Strong leadership from our Managing Director of MGM Grand Paradise, Ms. Pansy Ho;
- Extensive distribution network of MGM Resorts International for sourcing customers;
- Experienced management team with a proven track record;
- Continuous focus on “Tourism +” with diversified resort offerings including innovative entertainment and art attractions;
- One of the most recognizable resort brands in the industry;
- Unique strategic position towards the premium mass market segment;
- Dedicated commitment to Macau community such as small and medium-sized enterprises and local talent development; and
- Comprehensive corporate governance and legal compliance standards.

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 operational efficiencies in all areas of our business including sales and marketing, VIP and mass markets development, and entertainment. We conduct business with a focus on creating economic benefits across both our properties on the Macau Peninsula and Cotai. Notwithstanding the continued muted market environment in Macau during the year caused by significant restrictions on visitation as a result of the COVID-19 pandemic, we continued 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;
- Position 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 investment opportunities on gaming and non-gaming facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Our competitive strengths and operating strategies are aligned with the Macau Government's emphasis on developing international tourist markets and non-gaming offerings. MGM Grand Paradise has committed to make a total investment of MOP16.7 billion (equivalent to approximately HK\$16.2 billion) over the next 10 years, of which MOP15 billion (equivalent to approximately HK\$14.6 billion) (approximately 90%) will be directed towards the development of international tourist markets and non-gaming projects. We will leverage the extensive sales network of MGM Resorts International to expand international tourist markets. We will also increase our non-gaming offerings in terms of entertainment, art, gastronomy, MICE and wellness tourism through redesign and upgrade of facilities in MGM MACAU and MGM COTAI.

In the coming decade, we will continue to work together with all sectors of society to promote the economic diversification of Macau, with an aim to consolidate Macau's position as a World Center of Tourism and Leisure.

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 is one of the largest casino gaming markets 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.

The COVID-19 pandemic had a dramatic impact on the Macau gaming market commencing from early 2020. Continued outbreaks during the year of COVID-19 cases in Macau and neighboring regions including mainland China led to travel restrictions to Macau, with total visitor arrivals decreasing by 26.0% and total visitation from mainland China to Macau decreasing by 27.5% for the year ended December 31, 2022, respectively, over 2021. Macau gross gaming

revenue decreased by 51.4% to HK\$41.0 billion for the year ended December 31, 2022 over 2021. Total visitor arrivals and Macau gross gaming revenue for the year ended December 31, 2022 were 85.5% and 85.6% lower than the pre-pandemic comparable period in 2019, respectively. Following the easing of travel restrictions to Macau which began in late 2022, total visitor arrivals have significantly increased and Macau gross gaming revenue increased 232.6% to HK\$11.2 billion in January 2023, as compared to December 2022.

Aside from the effect of 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; changes in gaming laws and regulations in Macau; 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; depreciation of the renminbi against the US\$; introduction of a border currency declaration system; monetary outflow policies and legislation on cross-border gambling. These factors may continue to affect the number of visitors and amount of capital outflow from mainland China to Macau. Outbreaks of highly infectious diseases and extreme weather conditions such as typhoons also affect the number of visitors to Macau.

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

- The financial investments made or committed for the term of the Gaming Concession by gaming Concessionaires in providing superior and diversified non-gaming offerings 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 the 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;
- Development of Hengqin into a tourism island which, together with Macau, have been designated as a key tourism hub by the Chinese Government;

MANAGEMENT DISCUSSION AND ANALYSIS

- The continuous growth of mainland China outbound tourism, particularly in light of the growing middle class; and
- The strong efforts to promote Macau as a safe and quality tourism destination by the Macau Government.

COMPETITION

There are six gaming operators in Macau and as at December 31, 2022, there were 30 casinos in Macau. 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 13.7% for the year ended December 31, 2022.

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

GAMING PATRONS

Our results of operations are substantially dependent upon casino revenue 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.

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. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. Unlike VIP players, main floor players, including premium and mass market players, do not receive commissions from the Group.

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.

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. In exchange for their services, like in-house VIP players, the gaming promoters receive a commission and an allowance based upon a percentage of the table games turnover they generate. The allowance can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses. On a case-by-case basis, we grant credit to certain gaming promoters, based on their performance and financial background, to facilitate their working capital requirements.

In December 2021, the Group suspended VIP operations with our primary gaming promoters. Since then, the Group did not have any revenue sharing arrangements with any gaming promoters. Historically, a significant portion of the Group's casino revenue was generated by VIP casino play referred by our gaming promoters. The contribution of VIP operations with gaming promoters to our casino revenue was HK\$4,410.2 million, HK\$753.9 million and HK\$657.6 million for the years ended December 31, 2019, 2020 and 2021, representing 22%, 17% and 8% of casino revenue for the respective years.

The Macau Gaming Law introduced in June 2022 contains 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; and (3) gaming promoters are restricted to providing support only to the concessionaires in the promotion of casino gaming activities, through commissions.

We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability. We have established procedures to screen prospective gaming promoters prior to their engagement and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk with In-house VIP Players and Gaming Promoters

In order to minimize the credit risk with in-house VIP players and gaming promoters, 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. 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 and gaming promoters reside. 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.

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 and cessation of VIP operations with our revenue-sharing gaming promoters, our proportion of GGR from the mass and VIP market was 90% and 10%, respectively, for the year ended December 31, 2022 compared to 80% and 20% for the year ended December 31, 2021, respectively.

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 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 major tourist attraction in 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 we have actively promoted originality, creativity and innovation. Despite the restrictions related to COVID-19, we successfully organized the following activities in our properties during 2022:

- "Curling Go!" event to promote winter sport experience under the Spectacle at MGM COTAI;
- Utilized the advanced technology of MGM Theater to present "Macao: Back to Common Roots Narrative Film", which chronicles the transformation of Macau over the past centuries;
- Presented "A Landscape of Metamorphosis: No End to End", the large-scale inter-disciplinary art installation by Jennifer Wen Ma who is an internationally acclaimed visual artist. The installation harmoniously complements the Spectacle in MGM COTAI;

MANAGEMENT DISCUSSION AND ANALYSIS

- Organized “Oktoberfest Macau at MGM 2022” on the most advanced high-tech stage with authentic German beer and foods at MGM Theater; and
- Organized 9th “MGM Lion Dance Championship — Southern Lion Dance Invitational 2022” which features competitive art and traditional Lingnan culture where Chinese lion dance was originated.
- Supported “Crunch and Munch Fair — Fiesta for Five”, with MGM themed booth’s cutting-edged naked eye 3D animation at the L-shaped screen that illustrated the sense of technology and attracted audiences;
- Supported the spectacular “Light Up Macau Drone Gala 2022” organized by the Macau Government Tourism Office; and

In addition, we sponsored and supported the following events organized by the Macau Government relevant to its diversification goals:

- Supported and sponsored the “2022 MGM Macao International Regatta”, which not only to promote maritime sports, present the vitality and charm of Macau’s coastline, but also to bring a new spectating activity to Macau residents and tourists;
- Supported the “2022 Chinese New Year Parade”, with the float that incorporated Awakening Lion elements and traditional Lingnan culture;
- Joined hands with Cultural Affairs Bureau to present “Film Concert Der Rosenkavalier” for the Macau Arts Festival;
- Supported the 69th Macau Grand Prix and sponsored the “MGM Macau Touring Car Cup”;

- Supported the “Light Up Macao 2022”, by a 60,000-LED lighting system on the MGM COTAL’s hotel façade.

In December 2022, with the final award of the Gaming Concession, MGM Grand Paradise has announced its development directions and investment plan for the next 10 years that will further consolidate Macau’s position as a World Center of Tourism and Leisure. With the five themed areas as follows, we will help to build Macau into the city with the highest quality-price and price-performance ratio in Asia and establish the most diversified “Tourism+” ecosystem.

- Building an “Incubator Base for Arts & Culture Business Industries” — a “Culture + Business + Industry” ecosystem;
- Establishing original performing and entertainment zone to open new tourism dimensions;

- Creating a health and wellness landmark “Urban Oasis”;
- Developing high-quality, high-end “distinctive exhibition area” and
- Strengthening community tourism.

During the year, we continued developing our residency show “MGM 2049” created by the world-renowned Chinese director Zhang Yimou and Beijing Dang Hong Qi Tian International Culture and Development Group Co., Ltd. MGM Theater will undergo an upgrade with technical expansion to prepare for the launch of the show which is planned for 2024. We will introduce our multimedia space in MGM COTAI, combining integrating art and entertainment experience with Extended Reality (“XR”) interactive technology. A new multi-functional conference and exhibition area will also be developed.

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, 2022 and 2021:

	For the year ended	
	December 31	
	2022	2021
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company	(5,231,911)	(3,846,616)
Income tax expense	15,741	18,615
Net foreign currency loss	13,072	100,653
Finance costs	1,665,261	1,383,508
Interest income	(71,705)	(4,789)
Operating loss	(3,609,542)	(2,348,629)
Depreciation and amortization	2,033,607	2,157,474
Loss on disposal/write-off of property and equipment and other assets	13,357	19,543
Pre-opening costs (unaudited)	1,130	19,364
Corporate expenses (unaudited)	240,747	287,782
Share-based payments	46,346	51,642
Adjusted EBITDA (unaudited)	(1,274,355)	187,176
MGM MACAU Adjusted EBITDA⁽¹⁾ (unaudited)	(274,238)	360,899
MGM COTAI Adjusted EBITDA (unaudited)	(1,000,117)	(173,723)

⁽¹⁾ MGM MACAU Adjusted EBITDA includes provisions of HK\$202.7 million for the year ended December 31, 2021 related to the expected losses for the Group's joint liability with gaming promoters. During the year ended December 31, 2022, the Group reached a final settlement of certain litigation related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million. Further details are disclosed in Note 29 to the consolidated financial statements.

DISCUSSION OF RESULTS OF OPERATIONS

Financial results for the year ended December 31, 2022 compared to financial results for the year ended December 31, 2021

OPERATING REVENUE

The following table sets forth the operating revenue for the years ended December 31, 2022 and 2021.

	For the year ended December 31	
	2022 HK\$'000	2021 HK\$'000
MGM MACAU	3,066,371	5,180,280
Casino revenue	2,637,716	4,608,499
Other revenue	428,655	571,781
MGM COTAI	2,202,198	4,230,534
Casino revenue	1,801,279	3,614,555
Other revenue	400,919	615,979
Operating revenue	5,268,569	9,410,814

Operating revenue of HK\$5,268.6 million for the year ended December 31, 2022 was 44.0% lower than the prior year. The decrease was primarily due to the continued adverse impacts of COVID-19 which led to travel restrictions to Macau as well as the cessation of VIP operations with our revenue-sharing gaming promoters. Our operating revenue for the year ended December 31, 2022 was 76.9% lower than in 2019 before the COVID-19 pandemic.

MGM COTAI (in thousands, except for number of gaming units, percentage, and REVPAR)	For the year ended December 31	
	2022	2021
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Main floor table games drop	7,249,594	14,747,578
Main floor gross table games win ⁽¹⁾	1,750,254	3,381,925
Main floor table games win percentage	24.1%	22.9%
Average daily gross win per main floor gaming table	23.9	43.5
VIP table games turnover	13,802,412	24,981,565
VIP gross table games win ⁽¹⁾	390,066	913,578
VIP table games win percentage (calculated before commissions, complimentarys and other incentives)	2.8%	3.7%
Average daily gross win per VIP gaming table	38.8	50.9
Slot machine handle	5,758,673	12,015,749
Slot machine gross win ⁽¹⁾	173,238	406,803
Slot hold percentage	3.0%	3.4%
Average daily win per slot	0.6	1.4
Commissions, complimentarys and other incentives ⁽¹⁾	(512,279)	(1,087,751)
Room occupancy rate	25.2%	47.2%
REVPAR	355	569

	As at December 31	
	2022	2021
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	258	263
Slot machines	934	839

⁽¹⁾ 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.

⁽²⁾ Permanent table count as at December 31, 2022 and 2021. MGM Grand Paradise is entitled to operate a total of 750 gaming tables starting from January 1, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CASINO REVENUE

	For the year ended	
	December 31	
	2022	2021
	HK\$'000	HK\$'000
Main floor gross table games win	4,472,426	7,506,977
VIP gross table games win	580,773	2,112,353
Slot machine gross win	525,152	911,598
Gross casino revenue	5,578,351	10,530,928
Commissions, complimentaries and other incentives	(1,139,356)	(2,307,874)
Casino revenue	4,438,995	8,223,054

Casino revenue decreased by 46.0% to HK\$4,439.0 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The decrease is explained above in operating revenue. The components of our gaming operations were:

Main Floor Table Gaming Operations

Main floor gross table games win decreased by 40.4% to HK\$4,472.4 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. Similarly, main floor table games drop in MGM MACAU and MGM COTAI decreased by 39.0% to HK\$12,391.7 million and 50.8% to HK\$7,249.6 million during the current year, respectively.

VIP Gaming Operations

VIP gross table games win decreased by 72.5% to HK\$580.8 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI decreased by 77.3% to HK\$9,312.4 million and 44.7% to HK\$13,802.4 million during the current year, respectively.

Slot Machine Gaming Operations

Slot machine gross win decreased by 42.4% to HK\$525.2 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. Similarly, slot machine handle in MGM MACAU and MGM COTAI decreased by 40.6% to HK\$7,884.8 million and 52.1% to HK\$5,758.7 million during the current year, respectively.

OTHER REVENUE

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased by 30.2% to HK\$829.6 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The decrease was primarily due to COVID-19 related travel restrictions as discussed above.

OPERATING COSTS AND EXPENSES

The major operating costs and expenses for the years ended December 31, 2022 and 2021 were:

	For the year ended December 31	
	2022 HK\$'000	2021 HK\$'000
Gaming taxes	2,303,302	4,242,245
Inventories consumed	332,234	443,773
Staff costs	3,053,018	3,147,909
Loss allowance on trade receivable, net	50,614	125,095
Other expenses and losses	1,105,336	1,642,947
Depreciation and amortization	2,033,607	2,157,474
Finance costs	1,665,261	1,383,508
Income tax expense	15,741	18,615

MANAGEMENT DISCUSSION AND ANALYSIS

Gaming taxes

Gaming taxes decreased by 45.7% to HK\$2,303.3 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. This decrease was attributable to the lower gross gaming revenue generated during the current year.

Inventories consumed

Inventories consumed decreased by 25.1% to HK\$332.2 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The decrease resulted from decreased business activities in light of decreased number of visitors due to COVID-19 related travel restriction as discussed above.

Staff costs

Staff costs slightly decreased by 3.0% to HK\$3,053.0 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. To mitigate the impact of the COVID-19 pandemic, we have undertaken a number of measures to reduce payroll expenses, including limiting staff on-site, implementing a hiring freeze and streamlining the organizational structure, and introducing voluntary unpaid leave, while preserving local jobs in response to requests of the Macau Government.

Loss allowance on trade receivables, net

Loss allowance on trade receivables, net, decreased by 59.5% to HK\$50.6 million in 2022. The decrease was due to the increase in recoveries of casino receivables compared to 2021 and the loss allowance recognized during the year ended December 31, 2021 for receivables from a gaming promoter.

Other expenses and losses

Other expenses and losses decreased by 32.7% to HK\$1,105.3 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 43.6% from HK\$391.0 million for the year ended December 31, 2021 to HK\$220.5 million for the year ended December 31, 2022. The decrease resulted from decreased marketing activities being organized during the current year in light of decreased number of visitors due to COVID-19 related travel restrictions as discussed above.

Provision for litigation. Provisions of HK\$202.7 million were made during the year ended December 31, 2021 related to the expected losses for the Group's joint liability with gaming promoters. During the year ended December 31, 2022, the Group reached a final settlement of certain litigation related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 44.4% from HK\$168.1 million for the year ended December 31, 2021 to HK\$93.4 million for the year ended December 31, 2022. This decrease primarily resulted from lower revenue generated during the current year.

Depreciation and amortization

Depreciation and amortization decreased by 5.7% to HK\$2,033.6 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The decrease was attributable to the impact of full depreciation of certain assets in the current year.

Finance costs

Total finance costs increased from HK\$1,383.5 million for the year ended December 31, 2021 to HK\$1,665.3 million for the year ended December 31, 2022. The increase was primarily due to a HK\$184.2 million increase in interest expense attributable to unsecured credit facilities following the drawdown for the capital restructuring of MGM Grand Paradise and the increase in weighted average interest rate from 2.9% to 4.6% as a result of the increase in HIBOR. There is also a HK\$77.5 million increase in interest expense attributable to unsecured senior notes for the year ended December 31, 2022 as compared to the year ended December 31, 2021 due to full year interest expense incurred in the current year for the 2027 Notes issued on March 31, 2021.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company increased from HK\$3,846.6 million for the year ended December 31, 2021 to HK\$5,231.9 million for the year ended December 31, 2022. This increase was attributable to the continuing adverse impacts of the global COVID-19 pandemic including outbreaks of COVID-19 cases as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL RESOURCES

As at December 31, 2022, our cash and cash equivalents, available undrawn unsecured credit facilities and MGM Resorts International Revolving Credit Facility were HK\$6.71 billion, HK\$1.37 billion and HK\$5.85 billion respectively. These balances are available for operations and implementation of our investment plan.

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 and pledged bank deposits. 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, 2022 and 2021.

	As at	
	December 31 2022 HK\$'000	December 31 2021 HK\$'000
Borrowings, net of debt finance costs	32,725,136	23,929,106
Less: cash and cash equivalents pledged bank deposits	(6,706,591) (971,262)	(3,112,020) —
Net debt	25,047,283	20,817,086
Total (deficit)/equity	(3,996,421)	1,196,916
Total capital ⁽¹⁾	21,050,862	22,014,002
Gearing ratio	119.0%	94.6%

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

GROUP CASH FLOWS

The following table presents a summary of the Group's cash flows for the years ended December 31, 2022 and 2021.

	For the year ended December 31	
	2022	2021
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,113,878)	(449,607)
Net cash used in investing activities	(1,320,931)	(518,489)
Net cash generated from financing activities	7,037,130	1,442,561
Net increase in cash and cash equivalents	3,602,321	474,465
Cash and cash equivalents at the beginning of the year	3,112,020	2,635,511
Effect of foreign exchange rate changes, net	(7,750)	2,044
Cash and cash equivalents at the end of the year	6,706,591	3,112,020

Net cash used in operating activities

The increase in net cash used in operating activities for the year ended December 31, 2022 compared to year ended December 31, 2021 was caused primarily by a decrease in cash generated from operating activities due to COVID-19 related travel restriction as discussed above.

Net cash used in investing activities

Net cash used in investing activities was HK\$1,320.9 million for the year ended December 31, 2022 compared to HK\$518.5 million for the year ended December 31, 2021. The major components of the cash flow used in investing activities related to the placement of pledged bank deposits of HK\$971.3 million related to the issuing of bank guarantees for the Concession Contract during the current year and payments for development and renovation works at our properties as well as purchase of property and equipment, and other assets in total amounting to

MANAGEMENT DISCUSSION AND ANALYSIS

HK\$304.1 million and HK\$527.7 million for the years ended December 31, 2022 and 2021, respectively. A payment was also made during the current year of HK\$45.6 million related to the Sub-concession Further Extension for the period up to December 31, 2022.

Net cash generated from financing activities

Net cash generated from financing activities was HK\$7,037.1 million for the year ended December 31, 2022 compared to HK\$1,442.6 million for the year ended December 31, 2021.

Net cash generated from financing activities for the year ended December 31, 2022 was primarily due to the net impact of:

- HK\$8,690.0 million of net drawdowns on the Revolving Credit Facility, which included drawdowns for the capital restructuring of MGM Grand Paradise; and
- HK\$1,618.9 million of interest payments.

Net cash generated from financing activities for the year ended December 31, 2021 was primarily due to the net impact of:

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

CAPITAL COMMITMENTS

As at December 31, 2022, 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 2022 HK\$'000	December 31 2021 HK\$'000
Contracted but not accounted for	373,120	102,538

GUARANTEES

As at December 31, 2022, the Group had given bank guarantees totaling HK\$1,153.5 million (2021: HK\$1,095.2 million), in relation to the sub-concession, land concession and other operating purposes, of which HK\$1,145.7 million (2021: 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 and the Sub-Concession Further Extension Contract (such bank guarantees will be cancelled in case the gaming Sub-Concession is not renewed, subject to authorization of the Macau Government). The Group has provided two bank guarantees to the Macau Government totaling MOP1 billion (equivalent to approximately HK\$0.97 billion), which are effective from January 1, 2023, as required by the Concession Contract. The bank guarantees of HK\$1,145.7 million (2021: HK\$1,087.4 million) issued in favor of the Macau Government as required in the Sub-Concession Contract, the Sub-Concession Extension Contract and the Sub-Concession Further Extension Contract were cancelled in January 2023.

LEGAL PROCEEDINGS

Legal proceedings related to cash deposits with gaming promoters

The Group was named as a defendant in 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 defended its position that it was not liable with respect to these claims. 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 were 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 was required 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 amounted to HK\$37 million. Upon payment to the plaintiffs, the Group would 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 developments impacting the gaming promoter's activities, it was assessed that the ability to recover the loss suffered through the payments to be made by the Group is remote. Consequently, considering the similar nature of the legal proceedings, the Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended December 31, 2022, the Group reached a final settlement of certain litigation related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million.

For the outstanding litigation related to the Group's joint liability with gaming promoters, management has made estimates for potential litigation costs and recognized liabilities based upon consultation with legal counsel. While actual outcomes might differ from these estimates, the management considered that such litigation and claims will not have a significant impact on the results of operations, financial position and cash flows of the Group.

Legal proceedings related to criminal activities by a gaming promotor

During the year ended December 31, 2022, a criminal charge was made in the Macau court against an independent Macau gaming promoter and individuals associated with the independent Macau gaming promoter for conducting side-betting in VIP gaming rooms in the casinos of the six gaming concessions/sub-concessions. In January 2023, the verdict of the Court of the First Instance was released and the Macau Government and five of the six gaming concessionaires/sub-concessionaires are entitled to compensation for damages for losses caused by the criminal activities, with MGM Grand Paradise being entitled to compensation of HK\$349 million. Both the prosecutor and defendants have appealed against the verdict. No contingent asset was recognized as the Group assessed that the possibility to recover these losses is remote.

INDEBTEDNESS

	As at	
	December 31 2022 HK\$'000	December 31 2021 HK\$'000
Unsecured Senior Notes	21,454,400	21,440,650
Unsecured Credit Facilities	11,500,000	2,810,000
Less: debt finance costs	(229,264)	(321,544)
Total borrowings	32,725,136	23,929,106

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. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Senior Secured Credit Facility and for general corporate purposes. 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 unsecured 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 any 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Unsecured Senior Notes provide for certain events of default, including certain insolvency related proceedings relating to the Group. If the Company experiences a change of control and a ratings event, each holder of the Unsecured Senior Notes will have the right to require the Company to repurchase all or any part of that holder's Unsecured Senior Notes at 101% of their principal amount plus accrued and unpaid interest, if any, and any additional amount, if any, to, but not including the date of such repurchase in accordance with the terms of the Indentures. The circumstances that will constitute a change of control include the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d)(3) of the United States Securities Exchange Act of 1934, as amended), other than to MGM Resorts International or a related party thereof as described in the Indentures; (2) the adoption of a plan relating to the liquidation or dissolution of the Company or any successor thereto; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the United States Securities Exchange Act of 1934, as amended), other than MGM Resorts International and any of its related parties (as described in the Indentures) becomes the beneficial owner, directly or indirectly, of more than 50% of the

outstanding voting stock of the Company, measured by voting power rather than number of equity interests; or (4) the first day on which the Company ceases to own, directly or indirectly, at least 60% of the outstanding equity interests of (and at least a 60% economic interest in) MGM Grand Paradise.

Under the Indentures, 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 Indentures), 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.

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

Unsecured Credit Facilities

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 are 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, 2022, the Group had total available undrawn unsecured credit facilities of HK\$1.37 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, 2022, HK\$9.75 billion of the Revolving Credit Facility and HK\$1.75 billion of the Second Revolving Credit Facility were drawn. HK\$1.37 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, 2022, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Covenants

The leverage ratio under the Revolving Credit Facility was required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group was 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 was to 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 was to 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.

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 ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
December 31, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
March 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
June 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
September 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
December 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
Each quarter ended on and after		
March 31, 2023 through maturity	Not Applicable ⁽⁶⁾	Not Applicable ⁽⁶⁾

- ⁽¹⁾ Amendment on February 21, 2020 under the Revolving Credit Facility.
- ⁽²⁾ Amendment on April 9, 2020 under the Revolving Credit Facility.
- ⁽³⁾ Amendment on October 14, 2020 under the Second Revolving Credit Facility.
- ⁽⁴⁾ Amendment on October 15, 2020 under the Revolving Credit Facility.
- ⁽⁵⁾ Amendment on February 24, 2021 under the Revolving Credit Facility and the Second Revolving Credit Facility.
- ⁽⁶⁾ 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, 2022 and 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MGM Resorts International Revolving Credit Facility

On November 10, 2022, the Company entered into an agreement with MGM Resorts International pursuant to which that entity agreed to make available to the Company an unsecured revolving credit facility of US\$750 million (equivalent to approximately HK\$5.85 billion) with a final maturity date on November 10, 2024.

The interest rate on funded amounts will be the greater of 4.0% per annum and the prevailing market rate. The Company is also required to pay a commitment fee based upon the undrawn amount of the facility. The commitment fee rate on undrawn amounts will be based on the lower of the commitment fee rate from the Unsecured Credit Facilities and any future revolving credit facilities.

As at December 31, 2022, the MGM Resorts International Revolving Credit Facility of HK\$5.85 billion was undrawn and available for utilization and a commitment fee rate of 1% has been applied.

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

In the ordinary course of business, in response to market demands, we continue to incur capital expenditures on enhancements and refinements to our resorts.

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

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2022, the Group employed 9,788 (2021: 10,117) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, MGM COTAI and shared services team members.

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

- Competitive — in the local labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.
- Comprehensive — to be viewed through the lens of total rewards, including, among others, base pay, health benefits, incentive pay, bonus, equity and retirement plans.
- Objective — to be consistent with local market rates.
- Developmental — to encourage career and professional development within the workforce and retain quality talents.

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

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

MATERIAL RISK FACTORS

We are exposed 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 be not material now, which 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 materially impacted our business, financial results and liquidity.

The COVID-19 pandemic continued to have significant impacts on our business, results of operations and financial condition during the reporting period. While our properties are fully open as at the date of this report and most of the travel restrictions have been eased, the pace of recovery from the COVID-19 pandemic is uncertain and we cannot predict with confidence when operating results at our properties will return to pre-pandemic levels. The extent and the duration of the effects of the outbreak on our business and the casino resort industry more generally is highly uncertain and will ultimately depend upon future developments, including the duration and severity of the COVID-19 pandemic; the negative impact it has on global and regional economies and economic activity, its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions of governments, businesses and individuals take in response to the resurgence of variants of COVID-19 or any other infectious diseases, including limiting or banning travel and/or limiting or banning leisure, casino and entertainment activities.

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 MGM Grand Paradise, we currently compete with five other 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 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 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 operating properties in multiple markets. 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, in response to outbreaks of contagious diseases among other;
- 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;
- 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; 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. 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.

Any slowdown in economic growth or changes to China's current restrictions on travel and currency conversion or movements 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 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 mainland China, Macau, Hong Kong and Taiwan, 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 has a term ending on December 31, 2025 and is 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 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 that 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 occurrences 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 any agreements to which we are a party 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 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 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 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.

The tax exemption to pay corporate income taxes on our casino gaming operations and the tax arrangement that we previously had with the Macau Government providing a fixed annual payment as a substitution for a 12% tax otherwise due from MGM Grand Paradise's shareholders on dividends distributed from our gaming operations expired on December 31, 2022.

We had the benefit of a corporate tax exemption in Macau, which exempted us from paying the Macau complementary tax, which was 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. 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, both exemptions were expired on December 31, 2022, there is no certainty that such arrangements will be extended on the same terms, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks associated with our operations in Macau

The Macau Government can exercise its redemption right with respect to the Concession Contract 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 Concession Contract is due to expire on December 31, 2032. Unless the Concession Contract 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.

The Macau Government may redeem the Concession Contract by providing us at least 1 year prior notice starting from 2030. 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 Concession Contract.

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

MATERIAL RISK FACTORS

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

The Concession Contract contains various general covenants, obligations and other provisions as to which determination of compliance is subjective. In many of these instances, the Concession Contract does not provide a specific cure period within which a breach of any provision of the 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 Concession Contract. Pursuant to the Concession Contract, the Macau Government has the right to unilaterally terminate the 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 Concession Contract. MGM Grand Paradise has the opportunity to remedy any such noncompliance with its fundamental obligations under the 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 Concession Contract in a way that satisfies the requirements of the Macau Government.

Furthermore, under the 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 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 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 upon the occurrence of any of the circumstances mentioned above. The loss of the 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 termination of the MGM Grand Paradise concession or otherwise negatively affect our operations in Macau.

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.

MATERIAL RISK FACTORS

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 2022 or 2021. 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;
- 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;
- weather interferences or delays;
- fires, typhoons and other natural disasters;
- geological, construction, excavation, regulatory and equipment problems; and
- other unanticipated circumstances or cost increases.

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

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

MATERIAL RISK FACTORS

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

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

Our ability to make payments on, and to refinance, our indebtedness and to fund planned or committed capital expenditures and investments depends on our ability to generate cash flow in the future, receive distributions from our subsidiaries, borrow under the existing revolving credit facilities 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 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 existing revolving credit facilities 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.

MATERIAL RISK FACTORS

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 and the existing revolving credit facilities, 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 our unsecured senior notes and variable rate borrowings under our existing revolving credit facilities, 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, 2022 and 2021.

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.

MGM CHINA'S CULTURE

MGM China is built on a truly customer-centric culture that supports innovation in the gaming space and respects its deep connection to the Macau community as it continues to shape the city into a world-class tourism and leisure destination. The Board plays an active role in fostering a culture of inclusion and respect for colleagues, ensuring the business supports sustainable development and delivering long-term value for our business, the community and Macau.

Our Purpose	Our Values	Our Strategy
<ul style="list-style-type: none"> To offer guests world class gaming and hospitality experiences inspired by art and infused with luxury, creativity and style 	<ul style="list-style-type: none"> Commitment to outstanding service Create a better tomorrow Support the local community Invest in the well-being and development of our people 	<ul style="list-style-type: none"> Reinvent the entertainment experience Promote responsible gaming Inspire team members to achieve their aspirations and unleash their greatness Champion local art and heritage

During the year ended December 31, 2022, 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.

CORPORATE GOVERNANCE REPORT

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 12 to 18 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 in place a corporate governance policy that sets several mechanisms to ensure independent views and inputs are available to the Board, including in assessing the independence of the Directors, a requirement that the Board states its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships (i.e. where two or more directors sit on each other's board) or has significant links with other directors through involvement in other companies or bodies, and, in the case an Independent Non-Executive Director serves more than nine years, his/her further appointment is subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he/she is still independent and should be re-elected. The Board also approved formal and transparent procedures for the selection and appointment of new directors, to enhance understanding and confidence in the process.

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. To ensure independent views and inputs are available to the Board, the Committee shall determine whether or not an Independent non-executive Director fulfils the tests of independence annually, by referring to the guidelines described in Rule 3.13 of the Listing Rules and other salient factors. To aid the determination by the Committee, every independent non-executive Director shall, on appointment, and subsequently on an annual basis, submit to the Committee a return in the form as provided as by the Committee on his/her independence. The Committee shall review the return and decide whether such Director shall continue to be considered independent. The Board and Board committees are provided with sufficient resources to obtain independent professional advisers under agreed procedures to properly discharge the above duties.

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, 2022, 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.

CORPORATE GOVERNANCE REPORT

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.

The training provided to the Directors for the year ended December 31, 2022 is summarized below:

Directors	Connected and			
	Corporate Governance	Notifiable Transactions	Legal and Regulatory	Business
Executive Directors				
Mr. William Joseph Hornbuckle	✓	✓	✓	✓
Ms. Pansy Catilina Chiu King Ho	✓	✓	✓	✓
Mr. Chen Yau Wong	✓	✓	✓	✓
Mr. John M. McManus	✓	✓	✓	✓
Non-executive Directors				
Mr. Kenneth Xiaofeng Feng	✓	✓	✓	✓
Mr. Daniel J. Taylor	✓	✓	✓	✓
Ms. Ayesha Khanna Molino	✓	✓	✓	✓
Mr. Jonathan S. Halkyard	✓	✓	✓	✓
Independent Non-executive Directors				
Ms. Sze Wan Patricia Lam	✓	✓	✓	✓
Mr. Russell Francis Banham	✓	✓	✓	✓
Mr. Simon Meng	✓	✓	✓	✓
Mr. Chee Ming Liu	✓	✓	✓	✓

BOARD MEETINGS

The Board held eight meetings during the year ended December 31, 2022. 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, 2022 is summarized in the following table:

Name of Directors	Number of meetings attended/held [#]					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development ^{##}
EXECUTIVE DIRECTORS						
Mr. William Joseph Hornbuckle	8/8	N/A	N/A	N/A	2/2	√
Ms. Pansy Catilina Chiu King Ho	8/8	N/A	2/2	N/A	1/2	√
Mr. Chen Yau Wong	8/8	N/A	N/A	1/1	2/2	√
Mr. John M. McManus	8/8	N/A	N/A	1/1	2/2	√
NON-EXECUTIVE DIRECTORS						
Mr. Kenneth Xiaofeng Feng	8/8	N/A	N/A	N/A	2/2	√
Mr. Daniel J. Taylor	7/8	N/A	2/2	N/A	1/2	√
Ms. Ayesha Khanna Molino	8/8	4/4	N/A	1/1	2/2	√
Mr. Jonathan S. Halkyard	8/8	4/4	N/A	N/A	2/2	√
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Ms. Sze Wan Patricia Lam	8/8	N/A	2/2	1/1	2/2	√
Mr. Russell Francis Banham	7/8	4/4	2/2	1/1	2/2	√
Mr. Simon Meng	8/8	4/4	2/2	1/1	2/2	√
Mr. Chee Ming Liu	8/8	4/4	2/2	1/1	2/2	√

[#] the number of meetings held during the year ended December 31, 2022 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

CORPORATE GOVERNANCE REPORT

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. The Audit Committee held four meetings during the year ended December 31, 2022.

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, 2022 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2021 and interim results for the six months ended June 30, 2022;
- 2021 annual and 2022 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2021, the review of the financial statements for the six months ended June 30, 2022;
- 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 2022, draft internal audit plan for 2023 and the Internal Audit Department Charter;
- independence and objectivity of independent auditor and re-appointment of independent auditor;
- external audit plan and audit timetable for the financial year ended December 31, 2022 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;
- annual audit status update from independent auditor;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2022 internal Audit plan;
- 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 denominated borrowings and possible currency hedging strategies;

CORPORATE GOVERNANCE REPORT

- review of internal controls and risk management systems;
- gaming laws approval and concession extension retendering update; 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. The Remuneration Committee held two meetings during the year ended December 31, 2022 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, 2022 by the Remuneration Committee included the following:

- granting of share options to certain existing and new senior executives;
- bonus payout for senior management and general staff; and
- medical insurance renewal.

Details of the remuneration of the Directors for the year ended December 31, 2022 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, 2022 is set out below:

	Number of members of senior management
Below HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	1
HK\$5,000,001 to HK\$5,500,000	1
HK\$6,000,001 to HK\$6,500,000	1
HK\$8,000,001 to HK\$8,500,000	1
HK\$9,000,001 to HK\$9,500,000	1
HK\$12,000,001 to HK\$12,500,000	1
	7

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. The Nomination and Corporate Governance Committee held one meeting during the year ended December 31, 2022 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.

CORPORATE GOVERNANCE REPORT

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 achieving 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.

Our Co-Chairperson is a woman and our Board currently has three female Directors out of twelve Directors and is committed to improving gender diversity as and when suitable candidates are identified. As at December 31, 2022, we maintained a women to men ratio of 48%:52% in the workplace.

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.

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 believes 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;

CORPORATE GOVERNANCE REPORT

- 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, 2022 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2021 annual report;
- review of the Environmental, Social and Governance ("ESG") Report in the draft 2021 annual report;
- review of the 2021 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; and
- retirement of Directors by rotation at the 2022 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.

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.

CORPORATE GOVERNANCE 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 153 to 158 of this annual report.

During the year ended December 31, 2022, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	8,753
Non-audit services	
Taxation and advisory services	909

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. The Company has reviewed the implementation and effectiveness of the shareholder communication policy during the year and concludes that it is effective based on the interactions and the feedback received from shareholders by the Company's investor's relation team. 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.

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.

CORPORATE GOVERNANCE REPORT

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.

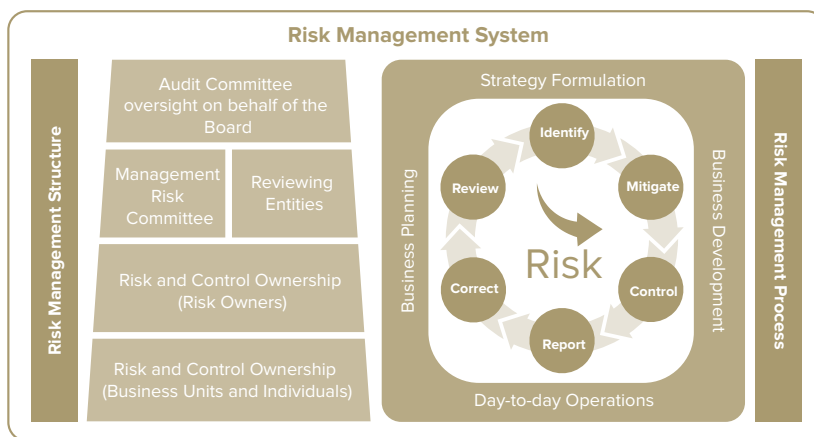
By doing this, the Management Risk Committee gives management a clear view of the significant risks facing the Company, which is used to support the decision making process including strategy formulation, business development and planning, internal control and day-to-day operations.

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.



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

CORPORATE GOVERNANCE REPORT

Initiative in 2022

The major risk management initiatives in 2022 were the following:

- The exercise commenced in the previous year with the objective of attributing a financial value to our material risks and thus adding further robustness to our Risk Management System, was concluded in 2022. The necessary changes were made to our risk register both in terms of reordering some of the risks and adjusting their positioning in the likelihood/impact matrix;
- The Supplier Risk Management Plan was formally implemented, providing an assessment of suppliers' risk profile and potential to adversely affect MGM Grand Paradise as well as implementing 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 vice president of IA reports directly to the Audit Committee on audit matters and to the President, Strategic & Chief Financial Officer on administrative matters. During 2022, 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, 2022, the Board reviewed the scope and quality of management's ongoing monitoring of risks (including ESG 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, including the financial, operational and compliance controls, 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 on 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 requisitioner(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 requisitioner(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, Edificio 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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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 lodgement 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.

CORPORATE GOVERNANCE REPORT

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.

ANTI-CORRUPTION GUIDELINES

MGM China has zero tolerance towards any forms of bribery and corruption. Anti-Corruption Guidelines have been formulated to educate all employees about the associated risks and ensure compliance with all anti-corruption measures.

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, 2022.

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 33 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 61 and pages 4 to 11 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis on pages 22 to 61, and as described on pages 110 to 112 of this annual report.

OUR COMMITMENT TO SUSTAINABILITY

MGM China is committed to operate as a sustainable and responsible company. Our overall sustainability approach, achievements and commitments of the Company in addressing the sustainability issues that are material to our key stakeholders, will be reflected in a separate Sustainability Report for the year ended December 31, 2022 that the Company will publish. Discussions on the Group's environmental policies and performance are included in the Sustainability 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.

REPORT OF THE DIRECTORS

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.

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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 159 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 280 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.

REPORT OF THE DIRECTORS

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, 2022.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

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, 2022.

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

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, 2022.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2022, the Company's reserves available for distribution to Shareholders were as follows:

	2022 HK\$'000	2021 HK\$'000
Share premium	10,409,009	10,409,009
Retained earnings	5,335,577	5,991,286
	15,744,586	16,400,295

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, 2022, the Group made charitable contributions totaling HK\$17.6 million.

REPORT OF THE DIRECTORS

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.

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, 2022, 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 2022.

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, 2022, 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 37.4% of the Group's total purchases. Our five largest suppliers were AIA International Limited, Companhia de Electricidade de Macau — CEM, MGM Branding, Marsh Insurance Brokers (Macao), Limited and Angel Macau Limited, which accounted for approximately 13.9%, 12.1%, 5.1%, 3.7% and 2.6% of our total purchases, respectively.

REPORT OF THE DIRECTORS

With the exception of MGM Resorts International and Pansy Ho, which have an interest in MGM Branding, 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 suppliers in 2022.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng

Chee Ming Liu

In accordance with article 105 of the Articles of Association, 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 12 to 21 of this annual report.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of the Directors since disclosure made in the Company's 2022 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 has been appointed as a member to the National Committee of the 14th Chinese People's Political Consultative Conference ("CPPCC") and has been elected to join Standing Committee of the 14th CPPCC. She serves as the Governor of Our Hong Kong Foundation Limited. She is the Vice Chairman of All-China Federation of Industry and Commerce, an Executive Committee Member of the All-China Women's Federation, the Vice Chairman of International Mountain Tourism Alliance, a Vice President of China Foundation for Cultural Heritage Conservation. Ms. Ho is the Member of the Committee of Experts for the Construction of World Class Tourist Attractions and Tourists Resorts, Ministry of Culture and Tourism in China.
2. Mr. John M. McManus serves as the Chief Legal and Administrative Officer and Secretary of MGM Resorts International since September 2022.
3. Ms. Sze Wan Patricia Lam retired from Sotheby's in December 2022.
4. Mr. Chee Ming Liu ceased to be a Council Member of the Corporate Advisory Council of Hong Kong Securities and Investment Institute.

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 32 to the consolidated financial statements on pages 270 to 273 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, 2022 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 Deed of Non-Compete Undertakings was renewed and replaced by the parties, effective from April 1, 2020. On November 26, 2022, MGM Grand Paradise was provisionally awarded the Gaming Concession, commencing on January 1, 2023 and expiring on December 31, 2032. On December 16, 2022, MGM Grand Paradise received the final award of the Gaming Concession by order of the Chief Executive and the Concession Contract was executed between the Macau Government and MGM Grand Paradise. As such, on December 8, 2022, the parties entered into the Third Renewed Deed of Non-Compete Undertakings effective from January 1, 2023. The renewal of the Deed of Non-Compete Undertakings pursuant to the Third Renewed Deed of Non-Compete Undertakings aligns the term of such undertakings with the term of the Gaming Concession. The terms of the Third 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 Third 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, 2022 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, 2022.

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, 2022.

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, 2022.

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, 2022, 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 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Kenneth Xiaofeng Feng	5,018,400 ⁽³⁾	—	—	5,018,400	0.13%

(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 ⁽⁴⁾ (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	750,000 ⁽⁵⁾	—	—	750,000	15.00%

(D) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS — MGM RESORTS INTERNATIONAL⁽⁶⁾

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	34,951 ⁽⁷⁾	—	—	—	34,951	0.0092%
	283,471 ⁽⁸⁾	—	—	—	283,471	0.0748%
	108 ⁽⁹⁾	—	—	—	108	0.00003%
	755,158 ⁽¹⁰⁾	—	—	—	755,158	0.1992%
	294 ⁽¹¹⁾	—	—	—	294	0.0001%
	—	—	—	132,603 ⁽¹²⁾	132,603	0.0350%
	320,678 ⁽¹³⁾	—	—	—	320,678	0.0846%
Pansy Ho	—	—	3,266,157 ⁽¹⁴⁾	—	3,266,157	0.8616%
John M. McManus	475 ⁽¹⁵⁾	—	—	—	475	0.0001%
	70,956 ⁽¹⁶⁾	—	—	—	70,956	0.0187%
	25 ⁽¹⁷⁾	—	—	—	25	0.00001%
	167,008 ⁽¹⁸⁾	—	—	—	167,008	0.0441%
	64 ⁽¹⁹⁾	—	—	—	64	0.00002%
	88,175 ⁽²⁰⁾	—	—	—	88,175	0.0233%
Kenneth Xiaofeng Feng	15,482 ⁽²¹⁾	—	—	—	15,482	0.0041%
	18,698 ⁽²²⁾	—	—	—	18,698	0.0049%
	875 ⁽²³⁾	—	—	—	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	79,484 ⁽²⁴⁾	—	—	—	79,484	0.0210%
	57,337 ⁽²⁵⁾	—	—	—	57,337	0.0151%
	4,453 ⁽²⁶⁾	—	—	—	4,453	0.0012%
	3,443 ⁽²⁷⁾	—	—	—	3,443	0.0009%
Ayesha Khanna Molino	20,000 ⁽²⁸⁾	—	—	—	20,000	0.0053%
	17,963 ⁽²⁹⁾	—	—	—	17,963	0.0047%
	41 ⁽³⁰⁾	—	—	—	41	0.00001%
	28,075 ⁽³¹⁾	—	—	—	28,075	0.0074%
	9 ⁽³²⁾	—	—	—	9	0.000002%
	10,415 ⁽³³⁾	—	—	—	10,415	0.0027%
	—	200 ⁽³⁴⁾	—	—	200	0.00005%
Jonathan S. Halkyard	11,635 ⁽³⁵⁾	—	—	—	11,635	0.0031%
	58,997 ⁽³⁶⁾	—	—	—	58,997	0.0156%
	17 ⁽³⁷⁾	—	—	—	17	0.000004%
	109,446 ⁽³⁸⁾	—	—	—	109,446	0.0289%
	15 ⁽³⁹⁾	—	—	—	15	0.000004%
	5,773 ⁽⁴⁰⁾	—	—	—	5,773	0.0015%

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 5,018,400 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.

- (5) These represent 97.4% of total issued class B shares of MGM Grand Paradise which carry 15% 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 34,951 vested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (8) This represents 283,471 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (9) This represents 108 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (10) This represents 471,974 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 184 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.

REPORT OF THE DIRECTORS

- (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 475 vested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (16) This represents 70,956 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (17) This represents 25 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (18) This represents 104,380 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 40 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 15,482 vested SARs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (22) These represent the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (23) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (24) This represents 79,484 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (25) This represents 57,337 vested RSUs in the common stock of MGM Resorts International held by Daniel J. Taylor.

- (26) This represents 4,453 unvested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (27) This represents 3,443 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.
- (28) This represents 20,000 vested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (29) This represents 17,963 unvested RSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino.
- (30) This represents 41 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino.
- (31) This represents 17,547 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.
- (32) This represents 6 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.
- (33) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (34) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino's spouse.
- (35) This represents 11,635 vested RSUs in the common stock of MGM Resorts International held by Jonathan S. Halkyard.
- (36) This represents 58,997 unvested RSUs in the common stock of MGM Resorts International granted to Jonathan S. Halkyard.
- (37) This represents 17 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Jonathan S. Halkyard.

REPORT OF THE DIRECTORS

- (38) This represents 68,404 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.
- (39) This represents 9 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.
- (40) These represent the common stock of MGM Resorts International held by Jonathan S. Halkyard.

Except as disclosed above, as at December 31, 2022, 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, 2022 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 ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	55.95%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	55.95%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	55.95%
Pansy Ho ⁽²⁾	Direct interest	380,000,000	10.00%
	Interest in a controlled corporation	474,561,200	12.49%
Grand Paradise Macau Limited ⁽²⁾	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, 2022, 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 adopted a share option scheme on May 11, 2011, which was 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 (the “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. The Share Option Scheme expired on May 10, 2021. At the annual general meeting of the Company held on May 28, 2020, the shareholders of the Company approved the adoption of the share option scheme under the exact terms and conditions of the Share Option Scheme for a period of 10 years (the “Renewed Share Option Scheme”). All the outstanding options granted under the Share Option Scheme shall remain valid and exercisable in accordance with the terms of issue and in all other respects the provisions of the Share Option Scheme shall remain in force and effect.

A summary of the Renewed Share Option Scheme is set out below:

PURPOSE

The purpose 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.

PARTICIPANTS

- (i) any Employee of the Group;
- (ii) any Director of the Group;
- (iii) any other person (including a consultant or adviser) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which, in the sole discretion of the Board, are in the interests of the long-term growth of the Group and who has contributed or will contribute to the Group.

OPTION PERIOD

The Renewed Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date, after which 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 the Renewed Share Option Scheme shall remain in full force and effect.

As at December 31, 2022, 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 119,706,288, representing approximately 3.2% of the Shares of the Company in issue at that date.

TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE

The total number of Shares available for issue under the Renewed Share Option Scheme is 379,962,200, 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 Share Option Scheme as at the date of this report is 64,275,988.

The total number of Shares which may be issued in respect of all options to be granted under 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 Renewed Share Option Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Renewed Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

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.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The maximum number of Shares issued and to be issued in respect of all options granted (excluding any options lapsed in accordance with the terms of the scheme) in the twelve month period up to and including the date of such grant 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.

REPORT OF THE DIRECTORS

VESTING PERIOD

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, which were 100% vested on December 31, 2021.

OPTION PERIOD

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 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.

PAYMENT ON ACCEPTANCE OF THE OPTION

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer.

BASIS OF DETERMINING THE SUBSCRIPTION PRICE

The exercise price shall be a price determined by the Board and notified to the grantee 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.

THE REMAINING LIFE OF THE SCHEME

The life of the Renewed Share Option Scheme is 10 years from the date of approval of the scheme and will expire on May 27, 2030.

A summary of the movements of the outstanding options under the Share Option Scheme and the Renewed Share Option Scheme during the year ended December 31, 2022 is as follows:

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			Outstanding at December 31, 2022
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R.Bowie*	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	—	—	—	3,992,400
Kenneth Feng	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	900,000	—	—	—	900,000
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	282,400	—	—	—	282,400
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	859,600	—	—	—	859,600
	June 10, 2022	June 10, 2023 - June 9, 2032	4.330	—	1,976,400 ^(B)	—	—	1,976,400
Sub-total (Directors)				16,837,600	1,976,400	—	—	18,814,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	9,050,000	—	—	(1,795,000)	7,255,000
	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	100,000	—	—	—	100,000
	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	162,500	—	—	(62,500)	100,000
	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	120,000	—	—	—	120,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	4,265,288	—	—	(625,600)	3,639,688
	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	135,000	—	—	—	135,000
	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	715,000	—	—	—	715,000
	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	137,500	—	—	—	137,500
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	4,164,900	—	—	(484,800)	3,680,100
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	5,595,600	—	—	(856,700)	4,738,900
	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	300,000	—	—	(50,000)	250,000
	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	825,000	—	—	—	825,000
	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	370,000	—	—	(110,000)	260,000

REPORT OF THE DIRECTORS

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			Outstanding at December 31, 2022
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17132	5,738,100	—	—	(875,200)	4,862,900
	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	250,000	—	—	—	250,000
	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	300,000	—	—	—	300,000
	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	830,000	—	—	—	830,000
	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	200,000	—	—	(200,000)	—
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	4,478,500	—	—	(363,300)	4,115,200
	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	100,000	—	—	—	100,000
	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	—	—	—	50,000
	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	50,000	—	—	—	50,000
	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	340,000	—	—	—	340,000
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	8,740,000	—	—	(777,000)	7,963,000
	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	267,500	—	—	—	267,500
	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	150,000	—	—	—	150,000
	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	130,000	—	—	—	130,000
	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	160,000	—	—	—	160,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	13,369,200	—	—	(934,300)	12,434,900
	August 17, 2020	August 17, 2021 - August 16, 2030	10.380	120,000	—	—	—	120,000
	November 16, 2020	November 16, 2020 - November 15, 2030	15.620	2,249,400	—	—	(395,400)	1,854,000
	November 16, 2020	November 16, 2020 - November 15, 2030	15.120	625,000	—	—	—	625,000
	March 15, 2021	March 15, 2022 - March 14, 2031	13.860	200,000	—	—	(200,000)	—
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	1,393,600	—	—	(54,000)	1,339,600
	May 17, 2021	May 17, 2022 - May 16, 2031	11.312	290,000	—	—	—	290,000
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	11,398,000	—	—	(669,600)	10,728,400
	August 16, 2021	August 16, 2022 - August 15, 2031	8.256	250,000	—	—	—	250,000
	March 11, 2022	March 11, 2023 - March 10, 2032	4.626	—	660,000 ⁽¹⁾	—	(60,000)	600,000
	May 16, 2022	May 16, 2023 - May 15, 2032	4.146	—	480,000 ⁽²⁾	—	—	480,000
	June 10, 2022	June 10, 2023 - June 9, 2032	4.330	—	26,638,000 ⁽³⁾	—	(238,400)	26,399,600
Sub-total (Employees)				79,330,088	27,778,000	—	(8,751,800)	98,356,288

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			Outstanding at December 31, 2022
					Granted during the year	Exercised during the year	Forfeited during the year	
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	—	—	—	275,200
	November 16, 2020	November 16, 2021 - November 15, 2030	11.240	200,000	—	—	—	200,000
Sub-total (Consultant)				2,536,000	—	—	—	2,536,000
Total				98,703,688	29,754,400	—	(8,751,800)	119,706,288
Weighted average exercise price per Share				HK\$15.32	HK\$4.33	—	HK\$16.14	HK\$12.53
Exercisable at end of the reporting period								71,738,488

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

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$4.66 and the estimated weighted average fair value of share options granted on that date was HK\$1.45 per share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$4.10 and the estimated weighted average fair value of share options granted on that date was HK\$1.33 per share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$4.33 and the estimated weighted average fair value of share options granted on that date was HK\$1.77 per share.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year ended December 31, 2022, 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 and Fourth 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 55.95% 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.

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 NCE 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 mainland 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.

REPORT OF THE DIRECTORS

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, 2022.

As the term of the Third Renewed Development Agreement expired on December 31, 2022, the parties entered into the Fourth Renewed Development Agreement on December 8, 2022 to replace and renew the Third Renewed Development Agreement. The Fourth Renewed Development Agreement is effective from January 1, 2023 and will expire on December 31, 2025. The details of the terms of the Fourth Renewed Development Agreement were set out in the Company's announcement dated December 8, 2022.

The terms of the Fourth 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 Fourth 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 Fourth 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 Fourth 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 or continuing in mainland China, Macau, Hong Kong and Taiwan during the term of the Fourth Renewed Development Agreement (whether or not completed during the term).

The development fees payable under the Fourth 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 Fourth Renewed Development Agreement, including the payment of the development fee.

The annual caps for each project contemplated under the Fourth Renewed Development Agreement are US\$15,000,000 for each of the years ending December 31, 2023, December 31, 2024 and December 31, 2025.

The annual caps under the Fourth Renewed Development Agreement were determined based on the Group's expected future developments under the Fourth Renewed Development Agreement.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Third Renewed Development Agreement and Fourth 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.

REPORT OF THE DIRECTORS

2. Third and Fourth 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.

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 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.

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 on payments to Shun Tak Group (HK\$)	Annual cap on payments from Shun Tak Group (HK\$)
December 31, 2020	250,000,000	2,500,000
December 31, 2021	250,000,000	2,500,000
December 31, 2022	250,000,000	2,500,000

The annual caps on amounts payable by the Group to the Shun Tak Group under the Third Renewed Master Service Agreement were 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, 2022, the aggregate total consideration payable by the Group to the Shun Tak Group was HK\$22.0 million, which fell within the revised annual cap of HK\$250,000,000 for the year ended December 31, 2022; 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, 2022.

As the Third Renewed Master Service Agreement expired on December 31, 2022, the parties entered into the Fourth Renewed Master Service Agreement on December 8, 2022 to replace and renew the Third Renewed Master Service Agreement. The Fourth Renewed Master Service Agreement is effective from January 1, 2023, will expire on December 31, 2025. The details of the terms of the Fourth Renewed Master Service Agreement were set out in the Company's announcement dated December 8, 2022.

The terms of the Fourth 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 Fourth 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 products and services provided or to be provided by the Shun Tak Group, including but not limited to, the provision of dry cleaning and laundry services, the provision of property cleaning services and the rental of hotel rooms.

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, the Second Renewed Master Service Agreement and the Third Renewed Master Service Agreement shall, unless stated otherwise, remain in full force and effect and subject to the terms of the Fourth Renewed Master Service Agreement. Further details of the terms of the existing transactions under the Fourth Renewed Master Service Agreement were set out in the Company's announcement dated December 8, 2022. Agreements or service contracts entered into under the Fourth Renewed Master Service Agreement are in writing for a fixed term of not more than three years.

REPORT OF THE DIRECTORS

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 and may continue to enter into agreements or service contracts with details of the service scope and fees determined/to be determined at arm's length negotiations between the relevant member(s) of the Group and the relevant member(s) of the Shun Tak Group by reference to prevailing market prices and on normal commercial terms.

The annual caps on net amounts payable under the Fourth 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 Fourth Renewed Master Service Agreement for the three years ending December 31, 2023, 2024 and 2025 are as follows:

Period (for the year ended)	Annual cap on payments to Shun Tak Group (HK\$)	Annual cap on payments from Shun Tak Group (HK\$)
December 31, 2023	180,000,000	2,500,000
December 31, 2024	180,000,000	2,500,000
December 31, 2025	180,000,000	2,500,000

The annual caps on amounts payable by the Group to the Shun Tak Group under the Fourth Renewed Master Service Agreement were determined by reference to (i) historical amounts paid for services contemplated by the Third Renewed Master Service Agreement for the two years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022 (unaudited); (ii) the estimated quantity of laundry services, property cleaning services, and provision of rental of hotel rooms at agreed rates which may be required by the Group during each of the years ending December 31, 2023, 2024 and 2025; 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.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Fourth Renewed Master Service Agreement were determined by reference to (i) historical amounts of revenues received for services contemplated by the Third Renewed Master Service Agreement for the two years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022 (unaudited); (ii) the anticipated demand for the relevant products and services; (iii) the 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 years ending December 31, 2023, 2024 and 2025.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Third Renewed Master Service Agreement and the Fourth Renewed Master Service 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.

3. First, Second and Third Renewed Branding Agreements

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 MGM trademarks owned by MGM Resorts International and its subsidiaries (the "Subject Marks") for a term co-extensive with that of the Sub-Concession, ending on March 31, 2020, the expiry date of the Sub-Concession under the Sub-Concession Contract.

On March 15, 2019, the Sub-Concession of MGM Grand Paradise was extended from March 31, 2020 to June 26, 2022 pursuant to the Sub-Concession Extension Contract. On September 30, 2019, in order to align the expiry date 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 to replace and renew the Branding Agreement, effective from March 31, 2020 to June 26, 2022. On June 23, 2022 the Sub-Concession was further extended from June 26, 2022 to December 31, 2022 pursuant to the Sub-Concession Further Extension Contract, and the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE entered into the Second Renewed Branding Agreement to extend the Branding Agreement concomitantly to December 31, 2022. The details of the terms of the First Renewed Branding Agreement and the Second Renewed Branding Agreement were set out in the Company's announcement dated September 30, 2019 and June 26, 2022 respectively.

REPORT OF THE DIRECTORS

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 55.95% 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 subsequent renewed Branding 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 Branding Agreement and the subsequent renewed Branding Agreements enables MGM MACAU, MGM COTAI and any future resort and casino projects or sites which we may develop in mainland China, Macau, Hong Kong and Taiwan 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 and Second 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 and Second Renewed Branding Agreement are 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 and Second 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 and Second 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 cap for the continuing connected transactions contemplated under the First Renewed Branding Agreement and Second Renewed Branding Agreement for the year ended December 31, 2022 is as follows:

	For the period from January 1, 2022 to June 26, 2022 (US\$'000)	For the period from June 26, 2022 to December 31, 2022 (US\$'000)
Annual cap of license fees payable for:		
MGM MACAU and MGM COTAI	45,600	45,600
Additional properties the Group may develop	28,800	10,000
Total	74,400	55,600

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 after the term of the First Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

The monetary cap under the Second 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, 2020 and 2021, and the three months ended March 31, 2022 under the First Renewed Branding Agreement; (ii) the anticipated revenues of the Company; (iii) an increase of US\$10 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 after the term of the Second Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

REPORT OF THE DIRECTORS

In connection with the First Renewed Branding Agreement and the Second Renewed Branding Agreement, the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the First Renewed Branding Agreement Side Letter and the Second Renewed Branding Agreement Side Letter on September 30, 2019 and June 26, 2022 respectively.

Pursuant to the First Renewed Branding Agreement Side Letter and the Second Renewed 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).

Pursuant to the First Renewed Branding Agreement and Second Renewed Branding Agreement, the license fees for MGM MACAU and MGM COTAI paid by the Group for the year ended December 31, 2022 amounted to HK\$92.2 million (equivalent to approximately US\$11.8 million) which was within the aggregate caps of US\$45,600,000 for the period from January 1, 2022 to June 26, 2022 under the First Renewed Branding Agreement and of US\$45,600,000 for the period from June 26, 2022 to December 31, 2022 under the Second Renewed Branding Agreement.

On December 8, 2022, MGM Resorts International licensed the Subject Marks to MRIH under the second renewed trademark license agreement (the “Second Renewed License”), which in turn, sub-licensed the Subject Marks to MGM Branding under the second renewed sublicense agreement (the “Second Renewed Sublicense”). On December 8, 2022, the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE have entered into the Third Renewed Branding Agreement, pursuant to which MGM Branding sublicensed the Subject Marks to the Company for a term of three years, commencing on January 1, 2023 and ending on December 31, 2025.

The Company has a right to enter into a direct license in respect of the Subject Marks with MGM Resorts International, and MGM Resorts International is obliged to enter into such direct license with our Company, in the event that the Second Renewed License or the Second Renewed Sublicense are terminated for any reason other than in circumstances involving a default by the Company under the Third Renewed Branding Agreement.

The terms of the Third 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 Third 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 Third Renewed Branding Agreement, 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 Third 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 Second Renewed Branding Agreement.

The annual caps of the aggregate license fees payable for MGM Macau and MGM Cotai and additional properties the Group may develop under the Third Renewed Branding Agreement for the years ending December 31, 2023, 2024 and 2025 are US\$55,600,000, US\$57,600,000 and US\$60,000,000 respectively.

REPORT OF THE DIRECTORS

The annual caps under the Third Renewed Branding Agreement were determined by reference to, amongst others, (i) the historical license fees paid by the Group to MGM Branding; (ii) the anticipated revenues of the Company; (iii) an increase of US\$10 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 Third Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the First Renewed Branding Agreement, the Second Renewed Branding Agreement and the Third 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.

4. Sixth Renewed MGM Marketing Agreement

As disclosed in the IPO Prospectus, on May 17, 2011, the Company, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and MGM Grand Paradise entered into the MGM Marketing Agreement pursuant to which MGM Resorts International and its designated affiliates will be paid certain marketing fees in consideration of referrals of gaming customers made to resort, hotel and casino properties owned or operated by the Group. The term of the MGM Marketing Agreement commenced on July 1, 2010 and continued for three years following the Listing Date. The MGM Marketing Agreement was replaced and renewed by the First Renewed MGM Marketing Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014.

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 55.95% of the issued share capital of the Company and is the controlling shareholder of the Company. MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are both wholly owned subsidiaries of MGM Resorts International and are therefore also connected persons of the Company. As MGM Resorts International, MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are connected persons, the transactions contemplated under the MGM Marketing Agreement and the subsequent renewed MGM Marketing 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 MGM Marketing Agreement and the subsequent renewed MGM Marketing Agreements as set out below, is to continue to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to the Company's existing and future properties, and to enable MGM Resorts International to maintain a marketing presence at MGM MACAU, MGM COTAI and the Company's future gaming developments.

Upon expiry of the term of the First Renewed MGM Marketing Agreement on December 31, 2016, the Second Renewed MGM Marketing Agreement on the December 31, 2019, the Third Renewed MGM Marketing Agreement on December 31, 2020, the Fourth Renewed MGM Marketing Agreement on June 26, 2022, the parties entered into the Second Renewed MGM Marketing Agreement on December 12, 2016, the Third Renewed MGM Marketing Agreement on December 27, 2019, the Fourth Renewed MGM Marketing Agreement on January 7, 2021, and the Fifth Renewed MGM Marketing Agreement on June 26, 2022 respectively to replace and renew the First Renewed MGM Marketing Agreement, the Second Renewed MGM Marketing Agreement, the Third Renewed MGM Marketing Agreement and the Fourth Renewed MGM Marketing Agreement respectively.

For the year ended December 31, 2022, the aggregate consideration paid to the MGM Group by our Group was HK\$1.2 million pursuant to the Fourth Renewed MGM Marketing Agreement and Fifth Renewed MGM Marketing Agreement.

As the term of the Fifth Renewed MGM Marketing Agreement expired on December 31, 2022, the parties entered into the Sixth Renewed MGM Marketing Agreement on December 8, 2022 to replace and renew the Fifth Renewed MGM Marketing Agreement for a term of three years, commencing January 1, 2023. The details of the terms of the Sixth Renewed MGM Marketing Agreement were set out in the Company's announcement dated December 8, 2022.

REPORT OF THE DIRECTORS

The terms of the Sixth Renewed MGM Marketing 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 Sixth Renewed MGM Marketing 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 Sixth Renewed MGM Marketing Agreement, the Company has agreed to cause each Macau Group member to pay marketing fees to MGM Resorts International and its designated affiliates in consideration of the referrals of gaming customers made to resort, hotel and casino properties owned or operated by the members of the Macau Group.

The marketing fees payable are equal to 3% of the theoretical win associated with gaming play by customers referred (excluding any play with gaming promoters).

The annual caps for the continuing connected transactions contemplated under the Sixth Renewed MGM Marketing Agreement is HK\$65,000,000, HK\$75,000,000 and HK\$85,000,000 for each of the three years ending December 31, 2023, 2024 and 2025, respectively.

The marketing fees payable under the Sixth Renewed MGM Marketing Agreement were determined based on, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangement under the Fifth Renewed MGM Marketing Agreement.

The annual caps under the Sixth Renewed MGM Marketing Agreement were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals and in particular the trend of the gaming revenue growth in the operation of MGM Cotai; (iii) the conclusion of the infrastructure developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming customers; and (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business. Moreover, the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022 (unaudited) under the Fifth Renewed MGM Marketing Agreement have been greatly affected by the recent pandemic and that the proposed caps reflect the post-pandemic market forecast in line with the annual caps in 2019, as well as the undertakings of international market expansion made by the MGM Grand Paradise to the Macau Government as part of the tender process for the award of the Gaming Concession.

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

REPORT OF THE DIRECTORS

5. 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 (as defined under the Consultancy Services Agreement) 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 a connected person of the Company as she is a substantial shareholder of the Company. She is also the Co-Chairperson and an executive Director of the Company. As Ms. Pansy Ho indirectly holds 50% of the entire issued share capital of Occasions, Occasions is an associate of Ms. Pansy Ho and a connected person of the Company. The transactions contemplated under the Consultancy Services Agreement constitutes 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.

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 retender.

For the year ended December 31, 2022, the aggregate total consideration payable by the Group to the Occasions Group was HK\$39.4 million, which fell within the annual cap of HK\$126,000,000 for the year ended December 31, 2022.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Consultancy Services Agreement 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.

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 32 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, 2022:

- (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 130 to 149 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 32 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, 2022 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.

REPORT OF THE DIRECTORS

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.

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 29, 2023

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Members of MGM China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 159 to 279, which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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>Loss allowance of trade receivables</p> <p>We have identified the loss allowance of trade receivables, of approximately HK\$201.9 million as at December 31, 2022 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. 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\$50.6 million for the year ended December 31, 2022.</p>	<p>Our procedures in relation to the loss allowance of trade receivables included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and internal controls over the granting of credit to customers, collection processes and 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; • 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 of the individual debtors; • 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 • Testing the accuracy of the aging analysis used by the management to develop the provision matrix, by testing the age of the trade receivables as at December 31, 2022, on a sample basis, against the relevant marker issuance date.

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 29, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
OPERATING REVENUE			
Casino revenue	6	4,438,995	8,223,054
Other revenue	6	829,574	1,187,760
		5,268,569	9,410,814
OPERATING COSTS AND EXPENSES			
Gaming taxes	7	(2,303,302)	(4,242,245)
Inventories consumed		(332,234)	(443,773)
Staff costs	8	(3,053,018)	(3,147,909)
Loss allowance on trade receivable, net		(50,614)	(125,095)
Other expenses and losses	9	(1,105,336)	(1,642,947)
Depreciation and amortization	10	(2,033,607)	(2,157,474)
		(8,878,111)	(11,759,443)
Operating loss		(3,609,542)	(2,348,629)
Interest income		71,705	4,789
Finance costs	11	(1,665,261)	(1,383,508)
Net foreign currency loss		(13,072)	(100,653)
Loss before tax		(5,216,170)	(3,828,001)
Income tax expense	12	(15,741)	(18,615)
Loss for the year attributable to owners of the Company		(5,231,911)	(3,846,616)
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(7,772)	2,213
Total comprehensive loss for the year attributable to owners of the Company		(5,239,683)	(3,844,403)
Loss per Share — Basic	15	(HK137.7 cents)	(HK101.2 cents)
Loss per Share — Diluted	15	(HK137.7 cents)	(HK101.2 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	16	21,690,904	23,397,105
Right-of-use assets	17	1,223,065	1,287,946
Sub-concession premium	18	—	46,274
Other assets		61,092	7,681
Prepayments, deposits and other receivables		29,330	31,679
Pledged bank deposits	20	971,262	—
Total non-current assets		23,975,653	24,770,685
Current assets			
Inventories		160,021	164,413
Trade receivables	19	239,522	269,712
Prepayments, deposits and other receivables		127,553	122,527
Amounts due from related companies	32	156	218
Cash and cash equivalents	20	6,706,591	3,112,020
Total current assets		7,233,843	3,668,890
TOTAL ASSETS		31,209,496	28,439,575

	NOTES	2022 HK\$'000	2021 HK\$'000
EQUITY			
Capital and reserves			
Share capital	23	3,800,000	3,800,000
Reserves and accumulated losses	23	(7,796,421)	(2,603,084)
TOTAL (DEFICIT)/EQUITY		(3,996,421)	1,196,916
LIABILITIES			
Non-current liabilities			
Borrowings	21	32,725,136	23,929,106
Lease liabilities	17	170,759	188,174
Payables and accrued charges	22	6,520	11,671
Total non-current liabilities		32,902,415	24,128,951
Current liabilities			
Lease liabilities	17	21,078	27,895
Payables and accrued charges	22	2,252,202	3,052,821
Amounts due to related companies	32	22,474	18,332
Income tax payable		7,748	14,660
Total current liabilities		2,303,502	3,113,708
TOTAL LIABILITIES		35,205,917	27,242,659
TOTAL EQUITY AND LIABILITIES		31,209,496	28,439,575

The consolidated financial statements on pages 159 to 279 were approved and authorized for issue by the Board of Directors on March 29, 2023 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, 2022

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserves	Retained earnings/ (accumulated losses)	Reserves and retained earnings/ (accumulated losses) total	Shareholders' funds total
NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 Note 23	HK\$'000 Note 23	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 and January 1, 2022	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
Loss for the year	–	–	–	–	–	–	–	(5,231,911)	(5,231,911)	(5,231,911)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(7,772)	–	(7,772)	(7,772)
Total comprehensive loss	–	–	–	–	–	–	(7,772)	(5,231,911)	(5,239,683)	(5,239,683)
Transfer to legal reserve	–	–	–	–	–	508	–	(508)	–	–
Forfeiture of share options	24	–	–	–	(41,691)	–	–	41,691	–	–
Recognition of share-based payments	24	–	–	–	46,346	–	–	–	46,346	46,346
At December 31, 2022	3,800,000	10,409,009	23,708	450,337	293,725	(13,130,819)	(2,994)	(5,839,387)	(7,796,421)	(3,996,421)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES			
Loss before tax		(5,216,170)	(3,828,001)
Adjustments for:			
Depreciation and amortization		2,033,607	2,157,474
Interest expense and standby charges		1,643,448	1,362,530
Loss on disposal or write-off of property and equipment and other assets		13,357	19,543
Interest income		(71,705)	(4,789)
Loss allowance on trade receivables, net		50,614	125,095
Share-based payments		46,346	51,642
Net foreign currency loss		14,213	121,523
Operating cash flows before movements in working capital		(1,486,290)	5,017
Decrease/(increase) in inventories		4,392	(4,566)
Increase in trade receivables		(20,424)	(102,767)
Decrease/(increase) in prepayments, deposits and other receivables		18,641	(31,070)
Decrease in amounts due from related companies		62	112
Decrease in payables and accrued charges		(660,063)	(346,056)
(Decrease)/increase in amounts due to related companies		(4,194)	88
Decrease in restricted cash		—	36,439
Cash used in operations		(2,147,876)	(442,803)
Income tax paid		(22,639)	(12,516)
Income tax refunded		269	906
Interest received		56,368	4,806
NET CASH USED IN OPERATING ACTIVITIES		(2,113,878)	(449,607)
INVESTING ACTIVITIES			
Purchase of property and equipment		(245,869)	(527,715)
Payment of Sub-concession premium		(45,631)	—
Purchase of other assets		(58,181)	—
Proceeds from disposal of property and equipment and other assets		12	84
Proceeds from insurance claims		—	9,142
Placement of pledged bank deposits	20	(971,262)	—
NET CASH USED IN INVESTING ACTIVITIES		(1,320,931)	(518,489)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	21	8,890,000	2,850,000
Proceeds from issuance of unsecured senior notes	21	—	5,813,006
Repayments of credit facilities	21	(200,000)	(6,010,000)
Payments of debt finance costs		(10,500)	(89,946)
Payments of lease liabilities	17	(23,492)	(32,064)
Interest paid		(1,618,878)	(1,063,162)
Proceeds from exercise of share options		—	102,750
Payments on repurchase of Shares	23	—	(128,023)
NET CASH GENERATED FROM FINANCING ACTIVITIES		7,037,130	1,442,561
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,602,321	474,465
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,112,020	2,635,511
Effect of foreign exchange rate changes, net		(7,750)	2,044
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents		6,706,591	3,112,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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, 2022

1. GENERAL *(Continued)*

GAMING CONCESSION

Gaming in Macau was administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires until December 31, 2022, of which a subsidiary of the Group, MGM Grand Paradise, was one Sub-Concessionaire. From January 1, 2023 up to December 31, 2032, it is administered through concessions awarded to six different Concessionaires, of which MGM Grand Paradise is one.

On June 23, 2022, the Sub-Concession Further Extension Contract was approved by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension and committed to provide within three months from the date of signing of the Sub-Concession Further Extension Contract a bank guarantee at first demand of not less than MOP880 million (approximately HK\$854.4 million), 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 expired on December 31, 2022. A bank guarantee of MOP880 million (approximately HK\$854.4 million) was issued as a result of the Sub-Concession Further Extension Contract.

With the announcement of the opening of the public tender for the award of six concessions, the Group submitted a tender to the Macau Government on September 14, 2022 and on December 16, 2022, MGM Grand Paradise received the final award of the Gaming Concession by order of the Chief Executive and the Concession Contract was executed between the Macau Government and MGM Grand Paradise. The terms of the Concession Contract differ from those under the Sub-Concession Contract mainly in terms of changes in Macau gaming laws and different commercial arrangements. The duration of the Gaming Concession is 10 years starting from January 1, 2023 to December 31, 2032.

1. GENERAL *(Continued)*

GAMING CONCESSION *(Continued)*

MGM Grand Paradise is entitled to operate a total of 750 gaming tables and 1,700 electric or mechanical gaming machines, including slot machines, under the Gaming Concession. During the term of the Concession Contract starting from January 1, 2023 to December 31, 2032, MGM Grand Paradise shall pay the Macau Government contributions in relation to special gaming tax, annual gaming premium and additional levies. In addition, MGM Grand Paradise has committed to certain investment projects totaling MOP16.7 billion (equivalent to approximately HK\$16.2 billion — refer to Note 31).

In December 2022, as required by the Concession Contract, MGM Grand Paradise has provided to the Macau Government two bank guarantees totaling MOP1 billion (equivalent to approximately HK\$0.97 billion), which are effective from January 1, 2023. These guarantees secure MGM Grand Paradise's legal and contractual obligations under the Concession Contract, including the payment of premiums, fines and indemnities for any failure to perform the Concession Contract and the fulfilment of MGM Grand Paradise's labor liabilities.

CAPITAL RESTRUCTURING

Under the Macau Gaming Law, among other requirements, the concessionaire is required to have a minimum capital of MOP5 billion (equivalent to approximately HK\$4.85 billion) (previously MOP200 million, equivalent to approximately HK\$194 million) and its managing director is required to be a Macau permanent resident holding at least 15% of the share capital in the concessionaire (previously 10%) throughout the term of the Concession. The net asset value of MGM Grand Paradise shall not be less than MOP5 billion (equivalent to approximately HK\$4.85 billion) throughout the term of the Concession Contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL *(Continued)*

CAPITAL RESTRUCTURING *(Continued)*

On August 21, 2022, the Company, Ms. Pansy Ho and MGM Grand Paradise entered into a contribution and share subscription agreement (the “Contribution and Share Subscription Agreement”), to restructure the share capital of MGM Grand Paradise (the “Capital Restructuring”), in order to comply with the Macau Gaming Law and the tender regulations. The Capital Restructuring was completed in December 2022, whereby (i) the Company injected MOP4.8 billion (equivalent to approximately HK\$4.66 billion) into MGM Grand Paradise; (ii) MGM Grand Paradise issued and allotted 4,070,000 Class A Subscribed Shares to the Company at an aggregate subscription price of MOP4.07 billion (equivalent to approximately HK\$3.95 billion) and 730,000 Class B Subscribed Shares to the Company at an aggregate subscription price of MOP730 million (equivalent to approximately HK\$709 million) (the “Share Subscription”), and the Company transferred 730,000 Class B Subscribed Shares to Ms. Pansy Ho for MOP1 (equivalent to approximately HK\$0.97) (the “Transfer”). No new shares were issued to MGM Resorts International. Upon completion of the Capital Restructuring, each of the Company, Ms. Pansy Ho and MGM Resorts International hold 84.6%, 15% and 0.4% of the issued share capital and voting rights of MGM Grand Paradise, respectively. A waiver from strict compliance with the Listing Rules was granted by the Stock Exchange in respect of the Contribution and Share Subscription Agreement and the transactions contemplated thereunder.

After the Capital Restructuring, the Company continues to have a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares. The Class B shares held by Ms. Pansy Ho and MGM Resorts International entitle them to voting rights but only de minimis economic rights (each holder of Class B shares will be entitled to receive a portion of dividends up to an amount of MOP1 only on each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares).

1. GENERAL *(Continued)*

SERVICES AGREEMENT

On August 21, 2022, in order to comply with the Macau Gaming Law and the tender regulations, MGM Grand Paradise and Ms. Pansy Ho as the Managing Director entered into the Services Agreement, pursuant to which Ms. Pansy Ho will serve as the Managing Director of MGM Grand Paradise for the term of the Gaming Concession with a remuneration of US\$8 million (equivalent to approximately HK\$62 million) per annum and incentive payments up to an aggregate total amount of US\$95 million (equivalent to approximately HK\$741 million) for the term set out in the Services Agreement. The resolution of the Services Agreement was approved by the Shareholders at the Extraordinary General Meeting held on September 9, 2022.

REVERSION OF CASINO AREAS AND RELEVANT GAMING EQUIPMENT

Pursuant to the Macau Gaming Law and the Sub-Concession Contract approved and authorized by the Macau Government and granted by SJM Resorts, S.A. on April 19, 2005, MGM Grand Paradise reverted the casino areas including casino support areas (the “Casino Areas”) in MGM MACAU and MGM COTAI with 59,355 square meters designated by DICJ and the relevant gaming equipment to the Macau Government without compensation and free of encumbrance (the “Property Transfer Agreements”) on December 31, 2022.

The Macau Government has agreed to the transfer of the Casino Areas and the relevant gaming equipment back to MGM Grand Paradise for use in its operation of games of chance or other games in MGM MACAU and MGM COTAI starting on January 1, 2023 and ending upon the expiration of the Concession Contract. MGM Grand Paradise will pay the Macau Government an annual amount calculated based on: (i) MOP750 (equivalent to approximately HK\$728) per square meter of the Casino Areas for the first year payable in March 2023, and adjusted annually in accordance with the average price index in Macau pursuant to the Macau Gaming Law for the second and third year payable in March 2024 and March 2025, respectively; and (ii) MOP2,500 (equivalent to approximately HK\$2,427) per square meter of the Casino Areas for the fourth year, payable in March 2026, and adjusted annually for the remaining years of the concession, payable in March each year in accordance with the average price index in Macau pursuant to the Macau Gaming Law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL *(Continued)*

REVERSION OF CASINO AREAS AND RELEVANT GAMING EQUIPMENT *(Continued)*

Upon termination of the Concession Contract, the casinos, gaming equipment and utensils used for gaming businesses of the Concessionaire, including the gaming equipment and utensils located outside the casinos, shall automatically revert to the Macau Government at no consideration, free of liens or encumbrances.

FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic continued to have significant impacts on our business, results of operations and financial condition during the reporting period. This is an unprecedented global public health crisis and we continue to place high importance on the health and safety of our employees, guests and all Macau citizens as the fight against this pandemic continues.

During the year, as local COVID-19 cases were reported in mainland China and Macau from time to time, in response to the risk of COVID-19 outbreak, tightened safeguard measures were reinforced on a temporary basis. Following the COVID-19 outbreak in June 2022, the Macau Government ordered that all industrial and commercial operations, including casinos, be suspended effective from July 11, 2022 to July 22, 2022, except for basic public services or services essential to the general public (including hotel and food and beverage operations). Most of the tightened safeguard measures were lifted in early August 2022. Subsequently, on October 30, 2022, with a new COVID-19 case identified to be connected to MGM COTAI, the Group was ordered by the Macau Government to suspend the operation of casino, restaurants, retail shops and gathering activities at MGM COTAI. Admission of new hotel guests was suspended, and hotel guests and employees in MGM COTAI were isolated on site for a period of 3 days up to November 1, 2022. MGM COTAI gradually resumed operation beginning November 3, 2022.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during the year due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau. Commencing December 2022, the Chinese Government announced a significant change in its COVID -19 policy which was also adopted by the Macau Government. These changes resulted in relaxation of travel restrictions to Macau. Following the easing of travel restrictions, total visitor arrivals have significantly increased, and Macau gross gaming revenue increased 232.6% to HK\$11.2 billion in January 2023, as compared to December 2022.

1. GENERAL *(Continued)*

FINANCIAL IMPACT OF THE COVID-19 PANDEMIC *(Continued)*

Further to the mitigating measures taken in 2020 and 2021 to address the adverse impact of the COVID-19 pandemic on the Group's financial position, on February 10, 2022, the Group entered into 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 pursuant to which waivers were received on all financial covenants through to maturity of the credit facilities on May 15, 2024.

In addition, the Group continued to undertake actions to minimize expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the year and reducing payroll expenses to address the impact from the COVID-19 pandemic, while trying to preserve local jobs in response to requests of the Macau Government.

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:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the above amendments to IFRS in the current year have had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
IFRS 17	Insurance Contracts and the related Amendments ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2023

³ Effective for annual periods beginning on or after January 1, 2024

The Group has commenced the assessment of the impact of the new or amendments to IFRS on 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.

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.

Certain comparative figures have been reclassified in the financial statements, which have no effect on previous reported profit or equity, to conform to the current year's presentation.

As at December 31, 2022, the Group had a deficiency in shareholders' equity of HK\$3,996.4 million caused primarily by the operating losses incurred in the periods since the COVID-19 pandemic arose (December 31, 2021: total shareholders' equity of HK\$1,196.9 million). As at December 31, 2022, the Group had total cash and cash equivalents of HK\$6.71 billion (December 31, 2021: HK\$3.11 billion), and had access to approximately HK\$1.37 billion and HK\$5.85 billion of available undrawn credit facilities under its Unsecured Credit Facilities and MGM Resorts International Revolving Credit Facility respectively. Given the Group's liquidity position as at December 31, 2022, the Group believes it is able 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

3. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

The Group continues to recognize the assets subject to the Property Transfer Agreements as property and equipment and continues to depreciate them over their estimated useful lives.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment *(Continued)*

In determining the estimated useful lives of property and equipment beyond the expiration of the Concession Contract, the Group considers the probability of the successful award of a new concession at the end of the Concession Contract.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based upon taxable profit for the year. Taxable profit differs from profit/loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 is 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 to the same taxable entity 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.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other assets

Operating equipment

Operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss are amortized using the straight-line method over their estimated useful lives of two years.

Show production costs

Show production costs, includes costs of creation, design and initial production of the show, which are carried at cost less accumulated amortization and impairment loss are amortized over the shorter of the contractual run of the show (including any guaranteed renewals), or the estimated useful life of the show.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

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, pledged bank deposits and cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

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, pledged bank deposits and bank balances). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Significant increase in credit risk (Continued)

The Group assumes that the credit risk on financial instruments has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 recognized 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.

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.

On derecognition of financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

Financial liabilities (including trade payables, other payables, construction payables, customer advances and other, outstanding chips liabilities, other casino liabilities, construction retention payable, amounts due to related companies and borrowings) are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Non-substantial modifications of financial liabilities

When borrowings are subsequently renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of those borrowings, the Group recalculates the gross carrying amount of the borrowings as the present value of the renegotiated or modified contractual cash flows that are discounted at the borrowings' original effective interest rates and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified borrowings and are amortized over the remaining term of the modified borrowings.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial liabilities

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

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.

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, 2022

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.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified 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 leases of low-value assets

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, 2022

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, 2022

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. Where an award is cancelled by the entity or by the counterparty, any unrecognized element of the fair value of the award is expensed immediately through profit or loss.

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 recognized 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.

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, 2022

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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:

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

CRITICAL JUDGMENT IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Property and equipment under the Gaming Concession

The Group has assessed whether the Property Transfer Agreements (refer Note 1) resulted in a transfer of control of the property and equipment in connection to the Casino Areas and the relevant gaming equipment to the Macau Government.

As disclosed in Note 16, the Group has continued to recognize the assets subject to the Property Transfer Agreements with a carrying amount of HK\$2.0 billion as at December 31, 2022 as property and equipment and continued to depreciate them over their estimated useful lives. The Group believes that the Property Transfer Agreements do not result in a transfer of control of the relevant assets and the Group continues to have the ability to direct the use of, obtain substantially all of the benefits from and bear all of the risks arising from the use of the reverted property and equipment for their estimated useful lives.

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, 2022

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

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.

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 an evaluation of whether the recoverable amounts of the assets are less than their carrying amounts.

The calculation of recoverable amount of the non-financial assets involves identification of the cash-generating unit(s) and preparation of value-in-use assessments, which require significant judgment and estimations. Determination of value-in-use requires the estimates of future cash flows based upon projected income and expenses of the business and working capital needs that take into consideration future economic conditions (including the expected pace of business recovery following the easing of COVID-19 restrictions), competition in Macau, and the regulatory environment. Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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.

In determining the estimated useful lives of property and equipment beyond the expiration of the Concession Contract, the Group has considered it probable that it will be successful in obtaining the award of a new concession contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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:

	2022 HK\$'000	2021 HK\$'000
Adjusted EBITDA (unaudited)	(1,274,355)	187,176
Share-based payments	(46,346)	(51,642)
Corporate expenses (unaudited)	(240,747)	(287,782)
Pre-opening costs (unaudited)	(1,130)	(19,364)
Loss on disposal/write-off of property and equipment and other assets	(13,357)	(19,543)
Depreciation and amortization	(2,033,607)	(2,157,474)
Operating loss	(3,609,542)	(2,348,629)
Interest income	71,705	4,789
Finance costs	(1,665,261)	(1,383,508)
Net foreign currency loss	(13,072)	(100,653)
Loss before tax	(5,216,170)	(3,828,001)
Income tax expense	(15,741)	(18,615)
Loss for the year attributable to owners of the Company	(5,231,911)	(3,846,616)

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, 2022

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:

	2022 HK\$'000	2021 HK\$'000
Main floor gross table games win	4,472,426	7,506,977
VIP gross table games win	580,773	2,112,353
Slot machine gross win	525,152	911,598
Gross casino revenue	5,578,351	10,530,928
Commissions, complimentaries and other incentives	(1,139,356)	(2,307,874)
	4,438,995	8,223,054

Other revenue comprises:

	2022 HK\$'000	2021 HK\$'000
Food and beverage	385,873	532,356
Hotel rooms	338,087	516,946
Retail and other	105,614	138,458
	829,574	1,187,760

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 Liabilities ⁽ⁱ⁾		Loyalty Programs Liabilities		Customer Advances and Other	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	366,993	1,031,086	160,192	151,278	725,440	689,567
Balance at December 31	226,656	366,993	129,535	160,192	679,004	725,440
(Decrease)/increase	(140,337)	(664,093)	(30,657)	8,914	(46,436)	35,873

⁽ⁱ⁾ The change of HK\$140.3 million and HK\$664.1 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, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

7. GAMING TAXES

According to the Sub-Concession Contract, the Group was 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 was also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also made certain payments to the Macau Government based upon the number of slot machines and table games operated.

8. STAFF COSTS

	2022 HK\$'000	2021 HK\$'000
Salaries and discretionary and performance related incentive payments	2,451,471	2,555,831
Retirement benefits scheme contributions	100,978	98,156
Share-based payments	45,961	50,850
Other benefits	454,608	443,072
	3,053,018	3,147,909

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\$6.9 million (2021: HK\$8.3 million).

The total expense recognized in the profit or loss for the year ended December 31, 2022 of HK\$101.0 million (2021: HK\$98.2 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan. As at December 31, 2022, contributions of approximately HK\$17.9 million (2021: HK\$18.0 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, 2022

9. OTHER EXPENSES AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Repairs and maintenance	232,785	258,350
Utilities and fuel	229,348	240,540
Advertising and promotion	220,501	390,970
Other support services	183,744	180,780
License fees (Note 32)	92,200	164,689
Loss on disposal/write-off of property and equipment and other assets	13,357	19,543
Auditor's remuneration	8,753	8,332
Other ⁽¹⁾	124,648	379,743
	1,105,336	1,642,947

⁽¹⁾ Other expenses for the year ended December 31, 2021 includes provisions of HK\$202.7 million related to the expected losses for the Group's joint liability with gaming promoters. During the year ended December 31, 2022, the Group reached a final settlement of certain litigation related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million. Further details are disclosed in Note 29.

10. DEPRECIATION AND AMORTIZATION

	2022 HK\$'000	2021 HK\$'000
Depreciation in respect of:		
— Property and equipment	1,871,175	1,986,146
— Right-of-use assets	65,442	70,462
Amortization in respect of:		
— Sub-concession premium	91,905	95,424
— Other assets	5,085	5,442
	2,033,607	2,157,474

11. FINANCE COSTS

	2022	2021
	HK\$'000	HK\$'000
Interest on unsecured senior notes	1,145,333	1,067,883
Interest on unsecured credit facilities	373,822	189,667
Amortization of debt finance costs	103,123	92,204
Bank fees and charges	21,813	20,978
Interest on lease liabilities	12,795	12,776
Standby charges on MGM Resorts International Revolving Credit Facility (Note 21)	8,375	—
	1,665,261	1,383,508

12. INCOME TAX EXPENSE

	2022	2021
	HK\$'000	HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	14,796	14,660
Mainland China Income Tax	945	1,070
Under provision in prior year	—	2,885
Income tax expense	15,741	18,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 December 31, 2022, the date upon which the Sub-Concession Further Extension Contract expired (see Note 1). 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 and MOP7,390,000 (equivalent to approximately HK\$7,175,000) for the period from January 1, 2022 to June 26, 2022 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. In October 2022, MGM Grand Paradise applied for an extension of this agreement through December 31, 2022, the date the Sub-Concession Further Extension Contract expired. In January 2023, the Macau Government confirmed to MGM Grand Paradise the terms of the extended tax concession arrangement. MGM Grand Paradise was required to pay a dividend withholding tax of MOP7,850,000 (equivalent to approximately HK\$7,621,000) for the period from June 27, 2022 to December 31, 2022 as payment 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 tax payments were required regardless of whether dividends were actually distributed or whether MGM Grand Paradise had 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:

	2022 HK\$'000	2021 HK\$'000
Loss before tax	(5,216,170)	(3,828,001)
Income tax credit calculated at rates applicable to profits/losses in the respective jurisdictions	(656,664)	(484,787)
Effect of tax exemption granted to MGM Grand Paradise	—	(120,677)
Effect of tax losses not recognized	543,484	487,801
Effect of expenses not deductible for tax purposes	270,166	244,707
Effect of income not taxable for tax purposes	(165,707)	(143,325)
Effect of utilization of tax losses previously not recognized	(107)	(200)
Effect of temporary differences not recognized	9,773	17,560
Lump sum dividend tax	14,796	14,660
Under provision in prior year	—	2,885
Other	—	(9)
Income tax expense	15,741	18,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

12. INCOME TAX EXPENSE *(Continued)*

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

	2022 HK\$'000	2021 HK\$'000
Macau Complementary Tax losses which will expire in one to three years	12,262,380	11,871,114
Hong Kong Profits Tax losses which may be carried forward indefinitely	176,421	147,935
Mainland China Income Tax losses which will expire in one to five years	494	678
Unused tax losses	12,439,295	12,019,727

As at December 31, 2022, the Group has a deductible temporary difference of approximately HK\$2,043.2 million (2021: approximately HK\$1,892.1 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 AND EMPLOYEE EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽¹⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2022						
<i>Executive Directors:</i>						
William Joseph Hornbuckle	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
John M. McManus	—	—	—	—	—	—
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽¹⁾	—	5,027	134	3,506	3,498	12,165
Daniel J. Taylor	—	—	—	—	—	—
Ayesha Khanna Molino	—	—	—	—	—	—
Jonathan S. Halkyard ⁽²⁾	—	—	—	—	—	—
<i>Independent Non-executive Directors⁽³⁾:</i>						
Sze Wan Patricia Lam	861	—	—	—	—	861
Russell Francis Banham	1,174	—	—	—	—	1,174
Simon Meng	861	—	—	—	—	861
Chee Ming Liu ⁽⁴⁾	705	—	—	—	—	705
Total emoluments	3,601	5,027	134	3,506	3,498	15,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

13. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS (Continued)

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

13. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS *(Continued)*

Notes:

- (1) 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.
- (2) Jonathan S. Halkyard was appointed as a non-executive Director with effect from June 29, 2021.
- (3) The independent non-executive Directors' emoluments were for services as Directors of the Company.
- (4) Chee Ming Liu was appointed as an independent non-executive Director with effect from May 27, 2021.
- (5) James Freeman resigned as a non-executive Director with effect from June 29, 2021.
- (6) Zhe Sun retired as an independent non-executive Director with effect from May 27, 2021.

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

13. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS *(Continued)*

Of the five individuals with the highest emoluments in the Group, one (2021: one) was a director of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2021: four) individuals were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	17,634	16,866
Contributions to retirement benefits scheme	806	789
Share-based payments	8,369	9,755
Discretionary and performance related incentive payments ⁽ⁱ⁾	9,069	8,919
	35,878	36,329

13. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$6,000,001 to HK\$6,500,000	1	—
HK\$8,000,001 to HK\$8,500,000	1	1
HK\$9,000,001 to HK\$9,500,000	1	1
HK\$12,000,001 to HK\$12,500,000	1	—
HK\$13,000,001 to HK\$13,500,000	—	1

No emoluments were paid to any of the individuals with the highest emoluments 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, 2022 and 2021.

Note:

- ⁽ⁱ⁾ Discretionary and performance related incentive payments for the years ended December 31, 2022 and 2021 are provided based upon the Group's performance and the individuals' contribution to the Group for the respective years.

14. DIVIDENDS

The Board did not recommend an interim dividend payment for the six months ended June 30, 2022 and 2021, nor a final dividend payment for the year ended December 31, 2021.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

15. LOSS PER SHARE

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

	2022	2021
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000)	(5,231,911)	(3,846,616)
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss per Share ('000)	3,800,000	3,800,531
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	—	—
Weighted average number of Shares for the purpose of diluted loss per Share ('000)	3,800,000	3,800,531
Loss per Share — Basic	(HK137.7 cents)	(HK101.2 cents)
Loss per Share — Diluted	(HK137.7 cents)	(HK101.2 cents)

⁽¹⁾ The computation of the diluted loss per share for the years ended December 31, 2022 and 2021 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 and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST							
At January 1, 2021	29,348,611	2,153,570	4,574,577	253,019	51,363	402,820	36,783,960
Additions	2,945	—	84,909	12,871	5,800	352,272	458,797
Transfers from construction in progress	567,803	36	101,358	—	—	(669,197)	—
Disposal/write-off	(66,011)	(22,990)	(72,554)	—	—	(2,532)	(164,087)
Exchange difference	—	990	468	—	—	—	1,458
At December 31, 2021 and January 1, 2022	29,853,348	2,131,606	4,688,758	265,890	57,163	83,363	37,080,128
Additions	3,009	—	50,314	11,891	316	120,944	186,474
Adjustment upon finalization of costs	(8,118)	—	—	—	—	—	(8,118)
Transfers from construction in progress	74,123	—	24,228	—	—	(98,351)	—
Disposal/write-off	(12,098)	(63,020)	(128,225)	—	—	(3,431)	(206,774)
Exchange difference	—	(2,010)	(1,096)	—	—	—	(3,106)
At December 31, 2022	29,910,264	2,066,576	4,633,979	277,781	57,479	102,525	37,048,604
DEPRECIATION							
At January 1, 2021	(6,552,581)	(2,080,959)	(3,168,666)	—	(31,971)	—	(11,834,177)
Eliminated on disposal/write-off	46,324	22,590	69,649	—	—	—	138,563
Charge for the year	(1,333,213)	(16,288)	(627,730)	—	(8,915)	—	(1,986,146)
Exchange difference	—	(864)	(399)	—	—	—	(1,263)
At December 31, 2021 and January 1, 2022	(7,839,470)	(2,075,521)	(3,727,146)	—	(40,886)	—	(13,683,023)
Eliminated on disposal/write-off	3,832	63,020	126,619	—	—	—	193,471
Charge for the year	(1,342,594)	(10,241)	(509,168)	—	(9,172)	—	(1,871,175)
Exchange difference	—	1,993	1,034	—	—	—	3,027
At December 31, 2022	(9,178,232)	(2,020,749)	(4,108,661)	—	(50,058)	—	(15,357,700)
CARRYING AMOUNT							
At December 31, 2022	20,732,032	45,827	525,318	277,781	7,421	102,525	21,690,904
At December 31, 2021	22,013,878	56,085	961,612	265,890	16,277	83,363	23,397,105

As at December 31, 2022, property and equipment includes the Casino Areas and the relevant gaming equipment reverted to the Macau Government with a carrying amount of HK\$2.0 billion — details refer to Note 1 and Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 upon which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which were granted on April 6, 2006 (for MGM MACAU) and January 9, 2013 (for MGM COTAI), with an initial term of 25 years and 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 and other equipment have lease terms between 2 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			Total HK\$'000
	Leasehold land HK\$'000	Buildings HK\$'000	Equipment and others HK\$'000	
At January 1, 2021	1,266,418	27,123	33,352	1,326,893
Additions	—	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 and January 1, 2022	1,229,459	32,285	26,202	1,287,946
Additions	—	927	—	927
Depreciation charge	(36,960)	(19,790)	(8,692)	(65,442)
Foreign exchange difference	—	(366)	—	(366)
At December 31, 2022	1,192,499	13,056	17,510	1,223,065

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

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

	2022 HK\$'000	2021 HK\$'000
Within one year	30,511	37,791
Over one year but not exceeding two years	16,821	29,464
Over two years but not exceeding five years	28,422	36,524
Over five years	378,476	386,614
	454,230	490,393
Less: Effect of discounting at incremental borrowing rate	(262,393)	(274,324)
	191,837	216,069
Current	21,078	27,895
Non-current	170,759	188,174
	191,837	216,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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:

	2022 HK\$'000	2021 HK\$'000
Variable lease payments not included in the measurement of lease liabilities	853	1,126
COVID-19-related rent concessions	(1,364)	(346)
Expenses relating to short-term leases	16,003	29,585
Expenses relating to leases of low value assets	681	400

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

	2022 HK\$'000	2021 HK\$'000
Total cash outflow for leases	55,058	77,965

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\$0.6 million (2021: HK\$38.0 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, 2022 and 2021, there was no such triggering event.

As at December 31, 2022 and 2021, 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:

	2022	2021
	HK\$'000	HK\$'000
Payments that are fixed or depend on an index or a rate	34,694	40,582
Variable payments that do not depend on an index or a rate	43,526	60,171
	78,220	100,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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:

	2022 HK\$'000	2021 HK\$'000
Within one year	36,255	43,094
More than one year and not longer than five years	36,911	28,883
	73,166	71,977

18. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At January 1, 2021, December 31, 2021 and January 1, 2022	1,773,592
Addition	45,631
At December 31, 2022	1,819,223
AMORTIZATION	
At January 1, 2021	(1,631,894)
Charge for the year	(95,424)
At December 31, 2021 and January 1, 2022	(1,727,318)
Charge for the year	(91,905)
At December 31, 2022	(1,819,223)
CARRYING AMOUNT	
At December 31, 2022	—
At December 31, 2021	46,274

On June 23, 2022, the Sub-Concession Further Extension Contract was approved and authorized by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

19. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	441,412	513,818
Less: Loss allowance	(201,890)	(244,106)
	239,522	269,712

Trade receivables mainly consist of casino receivables. The Group issues markers and credit to approved gaming customers ("VIP gaming customers") and gaming promoters following background checks and assessments of creditworthiness. 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, 2021, trade receivables from contracts with customers amounted to HK\$292.0 million.

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	133,230	107,210
31 — 90 days	29,289	27,959
91 — 180 days	744	52,634
Over 180 days	76,259	81,909
	239,522	269,712

19. TRADE RECEIVABLES *(Continued)*

As at December 31, 2022, included in the Group's trade receivables are debtors with an aggregate carrying amount of HK\$99.1 million (2021: HK\$150.3 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$76.5 million (2021: HK\$118.9 million) are 90 days or more past due and are not considered as in default based upon repayment history and creditworthiness of these customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2022 and 2021 are set out in Note 26.

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2022 HK\$'000	2021 HK\$'000
Cash at bank and on hand	1,201,539	2,545,380
Short-term bank deposits	5,505,052	566,640
Cash and cash equivalents, current	6,706,591	3,112,020
Pledged bank deposits, non-current	971,262	—
Cash and cash equivalents and pledged bank deposits	7,677,853	3,112,020

Cash deposited at banks 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.

Cash and cash equivalents include bank deposits of MOP5 billion (equivalent to approximately HK\$4.85 billion) in relation to the increase in share capital of MGM Grand Paradise (see Note 1) which was not available for use until the commencement of term of the Concession Contract, being January 1, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS *(Continued)*

The carrying amount of cash equivalents are at their fair values as at December 31, 2022 and 2021.

Pledged bank deposits of MOP1 billion (equivalent to HK\$0.97 billion) were provided in relation to the bank guarantees provided to the Macau Government for the Concession Contract (see Note 1).

The Group has been applying to its banks to amend the terms of the bank guarantees into unsecured guarantees which will release the pledged bank deposits. In March 2023, the pledge for the bank deposit of MOP300 million (equivalent to HK\$291 million) has been released. The application for the remaining pledged bank deposit of MOP700 million (equivalent to HK\$680 million) is subject to approval and the pledge has not been released at the date of approval of these consolidated financial statements.

21. BORROWINGS

During the year ended December 31, 2022, the Company entered into the following significant refinancing transactions:

- 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; and
- a loan agreement with MGM Resorts International on November 10, 2022, pursuant to which MGM Resorts International agreed to make available a subordinated revolving loan facility of up to US\$750 million due November 10, 2024.

21. BORROWINGS *(Continued)*

At December 31, 2022, the Group's unsecured borrowings included senior notes and credit facilities.

	2022	2021
	HK\$'000	HK\$'000
Unsecured senior notes repayable:		
Over one year but not exceeding two years	5,851,200	—
Over two years but not exceeding three years	3,900,800	5,847,450
Over three years but not exceeding four years	5,851,200	3,898,300
Over four years but not exceeding five years	5,851,200	5,847,450
Over five years	—	5,847,450
	21,454,400	21,440,650
Less: Debt finance costs	(160,725)	(214,079)
	21,293,675	21,226,571
Unsecured credit facilities repayable:		
Over one year but not exceeding two years	11,500,000	—
Over two years but not exceeding three years	—	2,810,000
	11,500,000	2,810,000
Less: Debt finance costs	(68,539)	(107,465)
	11,431,461	2,702,535
Current	—	—
Non-current	32,725,136	23,929,106
	32,725,136	23,929,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. BORROWINGS *(Continued)*

Borrowings are measured at amortized cost and the estimated fair value of the Group's senior notes as at December 31, 2022 was approximately HK\$20.0 billion (December 31, 2021: HK\$21.2 billion). The estimated fair value of the Group's senior notes is based on recent trades, if available, and indicative pricing from market information (level 2 inputs).

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. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Senior Secured Credit Facility and for general corporate purposes. 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.

21. BORROWINGS *(Continued)*

UNSECURED SENIOR NOTES *(Continued)*

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 unsecured 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 any 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. If the Company experiences a change of control and a ratings event, each holder of the Unsecured Senior Notes will have the right to require the Company to repurchase all or any part of that holder's Unsecured Senior Notes at 101% of their principal amount plus accrued and unpaid interest, if any, and any additional amount, if any, to, but not including the date of such repurchase in accordance with the terms of the Indentures. The circumstances that will constitute a change of control include the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d)(3) of the United States Securities Exchange Act of 1934, as amended), other than to MGM Resorts International or a related party thereof as described in the Indentures; (2) the adoption of a plan relating to the liquidation or dissolution of the Company or any successor thereto; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the United States Securities Exchange Act of 1934, as amended), other than MGM Resorts International and any of its related parties (as described in the Indentures) becomes the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting stock of the Company, measured by voting power rather than number of equity interests; or (4) the first day on which the Company ceases to own, directly or indirectly, at least 60% of the outstanding equity interests of (and at least a 60% economic interest in) MGM Grand Paradise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. BORROWINGS *(Continued)*

UNSECURED SENIOR NOTES *(Continued)*

Under the Indentures, 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 Indentures), 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.

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

UNSECURED CREDIT FACILITIES

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.

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Overview *(Continued)*

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 are 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, 2022, the Group had total available undrawn unsecured credit facilities of HK\$1.37 billion (2021: 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, 2022, HK\$9.75 billion of the Revolving Credit Facility and HK\$1.75 billion of the Second Revolving Credit Facility were drawn. HK\$1.37 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, 2022, the Group paid interest at HIBOR plus 2.75% per annum (2021: HIBOR plus 2.75% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

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 was required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group was 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 was to 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 was to 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.

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Financial Covenants *(Continued)*

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 ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
December 31, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
March 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
June 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
September 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
December 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
Each quarter ended on and after March 31, 2023 through maturity	Not Applicable ⁽⁶⁾	Not Applicable ⁽⁶⁾

⁽¹⁾ Amendment on February 21, 2020 under the Revolving Credit Facility.

⁽²⁾ Amendment on April 9, 2020 under the Revolving Credit Facility.

⁽³⁾ Amendment on October 14, 2020 under the Second Revolving Credit Facility

⁽⁴⁾ Amendment on October 15, 2020 under the Revolving Credit Facility.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(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, 2022 and 2021.

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.

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Security and Guarantees

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

MGM RESORTS INTERNATIONAL REVOLVING CREDIT FACILITY

On November 10, 2022, the Company entered into an agreement with MGM Resorts International pursuant to which that entity agreed to make available to the Company an unsecured revolving credit facility of US\$750 million (equivalent to approximately HK\$5.85 billion) with a final maturity date on November 10, 2024.

The interest rate on funded amounts will be the greater of 4.0% per annum and the prevailing market rate. The Company is also required to pay a commitment fee based upon the undrawn amount of the facility. The commitment fee rate on undrawn amounts will be based on the lower of the commitment fee rate from the Unsecured Credit Facilities and any future revolving credit facilities.

As at December 31, 2022, the MGM Resorts International Revolving Credit Facility of HK\$5.85 billion was undrawn and available for utilization and a commitment fee rate of 1% has been applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

22. PAYABLES AND ACCRUED CHARGES

	NOTE	2022 HK\$'000	2021 HK\$'000
Customer advances and other	6	679,004	725,440
Accrued staff costs		496,210	480,692
Other payables and accrued charges		401,596	718,756
Outstanding chips liabilities	6	226,656	366,993
Gaming taxes payables		226,163	442,198
Loyalty programs liabilities	6	129,535	160,192
Construction payables and accruals		50,039	91,967
Construction retention payable		31,119	37,471
Trade payables		14,381	34,437
Other casino liabilities		4,019	6,346
		2,258,722	3,064,492
Current		2,252,202	3,052,821
Non-current		6,520	11,671
		2,258,722	3,064,492

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	12,857	33,276
31 – 60 days	1,197	536
61 – 90 days	245	92
91 – 120 days	1	436
Over 120 days	81	97
	14,381	34,437

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

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES

(A) SHARE CAPITAL

	NOTE	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2021, December 31, 2021, January 1, 2022 and December 31, 2022		10,000,000,000	10,000,000,000
Issued and fully paid			
At 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, January 1, 2022 and December 31, 2022		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2021, 8,979,100 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$128.0 million (2022: no repurchase).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES *(Continued)*

(B) RESERVES AND ACCUMULATED LOSSES

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) During the year ended December 31, 2022, no shares were repurchased through the Hong Kong Stock Exchange and cancelled.

During the year ended December 31, 2021, 8,979,100 Shares were repurchased through the Hong Kong Stock Exchange and cancelled. The premium of HK\$119.0 million paid on the repurchase of the 8,979,100 Shares was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$9.0 million was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the year ended December 31, 2021 are summarized as follows:

December 31, 2021

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 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

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES *(Continued)*

(B) RESERVES AND ACCUMULATED LOSSES *(Continued)*

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the “Loan Notes”) with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

The interest-free shareholders’ Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based upon certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders’ Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million was reduced to approximately HK\$294 million with the early repayment of the loans in 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES *(Continued)*

(B) RESERVES AND ACCUMULATED LOSSES *(Continued)*

(iii) Other reserves

Other reserves of HK\$13,130.8 million as at December 31, 2022 (2021: HK\$13,131.3 million) comprise of the following:

- a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and maintained the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves" in 2021. During the year ended December 31, 2022, MGM Grand Paradise has increased its share capital to MOP5 billion (equivalent to approximately HK\$4.85 billion) in order to comply with the Macau Gaming Law. MGM Grand Paradise will continue to transfer profit to the legal reserve until that reserve equals 25% of its capital. 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.

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES *(Continued)*

(B) RESERVES AND ACCUMULATED LOSSES *(Continued)*

(iii) Other reserves *(Continued)*

- 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, 2022, HK\$0.5 million (2021: HK\$0.6 million) was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

24. SHARE-BASED PAYMENTS

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administrative matters and further amended by the Shareholders on May 24, 2017 ("Share Option Scheme"). On May 28, 2020, the Share Option Scheme was renewed by the Company in its exact terms and conditions and for an additional period of 10 years (the "Renewed Share Option Scheme").

The purpose of the Share Option Scheme and of the Renewed Share Option Scheme is to provide incentives and/or rewards to eligible persons for their contributions to, and continuing efforts to promote the interests of the Group. Under the Share Option Scheme and the Renewed Share Option Scheme, options to subscribe for ordinary shares in the Company are granted to any Director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group (Eligible Persons).

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the Renewed Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

24. SHARE-BASED PAYMENTS *(Continued)*

As at December 31, 2022, 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 119,706,288 (2021: 98,703,688), representing approximately 3.2% (2021: 2.6%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Renewed Share Option Scheme must not in aggregate exceed 10% of the total number of Shares of the Company in issue at the date of approval of the Share Option Scheme and of the Renewed Share Option Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme and of the Renewed Share Option Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon the exercise of all options granted and to be granted (including exercised, cancelled and outstanding options) pursuant to the Share Option Scheme and the Renewed Share Option Scheme to each Eligible Person within any twelve month period is limited to 1% of the total number of Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options, 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.

24. SHARE-BASED PAYMENTS *(Continued)*

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

December 31, 2022

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			Outstanding at December 31, 2022
					Granted during the period	Exercised during the period	Forfeited during the period	
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	—	—	—	3,992,400
	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	900,000	—	—	—	900,000
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	282,400	—	—	—	282,400
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	859,600	—	—	—	859,600
	June 10, 2022	June 10, 2023 - June 9, 2032	4.330	—	1,976,400	—	—	1,976,400
Sub-total (Directors)				16,837,600	1,976,400	—	—	18,814,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	9,050,000	—	—	(1,795,000)	7,255,000
	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	100,000	—	—	—	100,000
	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	162,500	—	—	(62,500)	100,000
	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	120,000	—	—	—	120,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	4,265,288	—	—	(625,600)	3,639,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2022 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			Outstanding at December 31, 2022
					Granted during the period	Exercised during the period	Forfeited during the period	
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	135,000	—	—	—	135,000
	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	715,000	—	—	—	715,000
	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	137,500	—	—	—	137,500
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	4,164,900	—	—	(484,800)	3,680,100
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	5,595,600	—	—	(856,700)	4,738,900
	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	300,000	—	—	(50,000)	250,000
	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	825,000	—	—	—	825,000
	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	370,000	—	—	(110,000)	260,000
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	5,738,100	—	—	(875,200)	4,862,900
	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	250,000	—	—	—	250,000
	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	300,000	—	—	—	300,000
	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	830,000	—	—	—	830,000
	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	200,000	—	—	(200,000)	—
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	4,478,500	—	—	(363,300)	4,115,200
	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	100,000	—	—	—	100,000
	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	—	—	—	50,000
	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	50,000	—	—	—	50,000
	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	340,000	—	—	—	340,000
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	8,740,000	—	—	(777,000)	7,963,000
	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	267,500	—	—	—	267,500
	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	150,000	—	—	—	150,000
	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	130,000	—	—	—	130,000
	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	160,000	—	—	—	160,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	13,369,200	—	—	(934,300)	12,434,900

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2022 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options				Outstanding at December 31, 2022
				Outstanding at January 1, 2022	Granted during the period	Exercised during the period	Forfeited during the period	
Employees	August 17, 2020	August 17, 2021 - August 16, 2030	10.380	120,000	—	—	—	120,000
	November 16, 2020	November 16, 2020 - November 15, 2030	15.620	2,249,400	—	—	(395,400)	1,854,000
	November 16, 2020	November 16, 2020 - November 15, 2030	15.120	625,000	—	—	—	625,000
	March 15, 2021	March 15, 2022 - March 14, 2031	13.860	200,000	—	—	(200,000)	—
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	1,393,600	—	—	(54,000)	1,339,600
	May 17, 2021	May 17, 2022 - May 16, 2031	11.312	290,000	—	—	—	290,000
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	11,398,000	—	—	(669,600)	10,728,400
	August 16, 2021	August 16, 2022 - August 15, 2031	8.256	250,000	—	—	—	250,000
	March 11, 2022	March 11, 2023 - March 10, 2032	4.626	—	660,000	—	(60,000)	600,000
	May 16, 2022	May 16, 2023 - May 15, 2032	4.146	—	480,000	—	—	480,000
	June 10, 2022	June 10, 2023 - June 9, 2032	4.330	—	26,638,000	—	(238,400)	26,399,600
Sub-total (Employees)				79,330,088	27,778,000	—	(8,751,800)	98,356,288
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	—	—	—	275,200
	November 16, 2020	November 16, 2021 - November 15, 2030	11.240	200,000	—	—	—	200,000
Sub-total (Consultant)				2,536,000	—	—	—	2,536,000
Total				98,703,688	29,754,400	—	(8,751,800)	119,706,288
Weighted average exercise price per Share				HK\$15.32	HK\$4.33	—	HK\$16.14	HK\$12.53
Exercisable at end of the reporting period								71,738,488

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For the year ended December 31, 2022

24. SHARE-BASED PAYMENTS (Continued)

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	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	-	-	-	(3,500,000)	-
	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	-	-	-	-	3,200,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	-	-	-	-	2,753,600
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	-	(3,535,200)	-	-	-
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	-	(2,106,400)	-	-	-
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	-	-	-	-	2,220,000
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	-	-	-	-	1,629,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	-	-	-	-	3,992,400
	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	-	-	-	-	1,000,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	900,000	-	-	-	-	900,000
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	-	282,400	-	-	-	282,400
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	-	859,600	-	-	-	859,600
Sub-total (Directors)				24,837,200	1,142,000	(5,641,600)	-	(3,500,000)	16,837,600
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	1,730,000	-	-	-	(1,730,000)	-
	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	-	-	(750,000)	-	-
	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	-	-	-	-	50,000
	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	-	-	-	-	25,000
	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	-	-	-	-	700,000
	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	10,780,000	-	-	(1,730,000)	-	9,050,000
	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	-	-	(80,000)	-	100,000
	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	-	-	-	-	800,000
	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	207,500	-	-	(45,000)	-	162,500
	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	120,000	-	-	-	-	120,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,030,988	-	-	(765,700)	-	4,265,288
	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	135,000	-	-	-	-	135,000

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	
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	715,000	-	-	-	-	715,000
	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	-	-	-	-	135,000
	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	137,500	-	-	-	-	137,500
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	7,473,000	-	(2,736,000)	(572,100)	-	4,164,900
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	6,782,400	-	(339,100)	(847,700)	-	5,595,600
	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	300,000	-	-	-	-	300,000
	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	937,500	-	-	(112,500)	-	825,000
	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	370,000	-	-	-	-	370,000
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	6,524,700	-	-	(786,600)	-	5,738,100
	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	250,000	-	-	-	-	250,000
	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	300,000	-	-	-	-	300,000
	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	830,000	-	-	-	-	830,000
	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	200,000	-	-	-	-	200,000
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	5,032,000	-	-	(553,500)	-	4,478,500
	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	-	-	(100,000)	-	100,000
	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	-	-	-	-	50,000
	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	50,000	-	-	-	-	50,000
	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	420,000	-	-	(80,000)	-	340,000
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	9,688,100	-	(210,000)	(738,100)	-	8,740,000
	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	330,000	-	(12,500)	(50,000)	-	267,500
	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	150,000	-	-	-	-	150,000
	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	180,000	-	(12,500)	(37,500)	-	130,000
	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	160,000	-	-	-	-	160,000
	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	14,570,800	-	(27,400)	(1,174,200)	-	13,369,200
	August 17, 2020	August 17, 2021 - August 16, 2030	10.380	120,000	-	-	-	-	120,000

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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	
Employees	November 16, 2020	November 16, 2020 - November 15, 2030	15.620	2,249,400	-	-	-	-	2,249,400
	November 16, 2020	November 16, 2020 - November 15, 2030	15.120	625,000	-	-	-	-	625,000
	March 15, 2021	March 15, 2022 - March 14, 2031	13.860	-	200,000	-	-	-	200,000
	May 3, 2021	December 31, 2021 - May 2, 2031	12.672	-	1,422,800	-	(29,200)	-	1,393,600
	May 17, 2021	May 17, 2022 - May 16, 2031	11.312	-	290,000	-	-	-	290,000
	June 3, 2021	June 3, 2022 - June 2, 2031	12.480	-	11,439,600	-	(41,600)	-	11,398,000
	August 16, 2021	August 16, 2022 - August 15, 2031	8.256	-	250,000	-	-	-	250,000
Sub-total (Employees)				79,288,888	13,602,400	(3,337,500)	(8,493,700)	(1,730,000)	79,330,088
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	-	-	-	(775,000)	-
	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	-	-	-	-	400,000
	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	-	-	-	-	478,800
	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	-	-	-	-	550,000
	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	-	-	-	-	263,600
	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	-	214,800
	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	-	-	-	-	153,600
	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	-	-	-	-	275,200
	November 16, 2020	November 16, 2021 - November 15, 2030	11.240	200,000	-	-	-	-	200,000
Sub-total (Consultant)				3,311,000	-	-	-	(775,000)	2,536,000
Total				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

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

24. SHARE-BASED PAYMENTS *(Continued)*

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2022	2021
Expected volatility	45.02%	42.96%
Expected life (years)	5.31	5.08
Risk-free annual interest rate	2.500%	0.541%
Expected dividends	0.80%	1.67%
Weighted average share price at the date of grant (HK\$)	4.33	12.39
Weighted average exercise price (HK\$)	4.33	12.43
Weighted average fair value of each share option granted by the Company (HK\$)	1.75	4.00

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 (2022: no exercise).

The Group recognized a total expense of HK\$46.3 million (2021: HK\$51.6 million) for the year ended December 31, 2022 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 pledged bank deposits) and (deficit)/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 (deficit)/equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in Note 21, less cash and cash equivalents and pledged bank deposits. (Deficit)/equity comprised all capital and reserves of the Group. As at December 31, 2022, the gearing ratio of the Group was 119.0% (2021: 94.6%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022	2021
	HK\$'000	HK\$'000
Financial assets		
Amortized cost:		
Cash and cash equivalents	6,706,591	3,112,020
Pledged bank deposits	971,262	—
Trade receivables	239,522	269,712
Other receivables	44,884	26,558
Deposits	13,456	16,026
Amounts due from related companies	156	218
	7,975,871	3,424,534
Financial liabilities		
Amortized cost:		
Borrowings	32,725,136	23,929,106
Customer advances and other	607,047	646,470
Interest payable	229,092	315,176
Outstanding chips liabilities	226,656	366,993
Construction retention payable	31,119	37,471
Amounts due to related companies	22,474	18,332
Other payables	18,202	28,379
Trade payables	14,381	34,437
Other casino liabilities	3,050	5,371
Construction payables	218	5,538
	33,877,375	25,387,273
Lease liabilities	191,837	216,069
	34,069,212	25,603,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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, 2022 and 2021:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2022						
Casino receivables (i)	219,260	(67,387)	151,873	–	–	151,873

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 HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
As at December 31, 2022						
Commission and incentives liabilities (ii)	26,948	(23,898)	3,050	—	—	3,050
Deposits received from gaming patrons and gaming promoters(iii)	639,214	(43,489)	595,725	—	—	595,725
	666,162	(67,387)	598,775	—	—	598,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

26. FINANCIAL INSTRUMENTS (Continued)

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

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

As at December 31, 2021

Casino receivables (i)	244,784	(35,034)	209,750	—	—	209,750
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	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented	Related amounts not set off in the consolidated statement of financial position	Cash collateral pledged	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	HK\$'000	HK\$'000

As at December 31, 2021

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)*

- (i) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$239.5 million (2021: HK\$269.7 million) in the consolidated statement of financial position as at December 31, 2022.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$2,258.7 million (2021: HK\$3,064.5 million) in the consolidated statement of financial position as at December 31, 2022.
- (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\$2,258.7 million (2021: HK\$3,064.5 million) in the consolidated statement of financial position as at December 31, 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency risk management

The Group holds bank balances, cash, deposits, pledged bank 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 the Group's foreign currency exposure comprises assets and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained 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, 2022 and 2021. 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

	2022 HK\$'000	2021 HK\$'000
US\$ denominated	28,356	46,213

Liabilities

	2022 HK\$'000	2021 HK\$'000
US\$ denominated	21,519,680	21,541,417

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, 2022, 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 (2021: loss would be higher by HK\$215.0 million), mainly as a result of the translation of US\$ denominated Senior Notes (2021: 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, Second Revolving Credit Facility and MGM Resorts International 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 (2021: 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 (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2022, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$57.5 million (2021: HK\$14.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

CREDIT RISK

As at December 31, 2022 and 2021, 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 arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The credit risk on the Group's cash and cash equivalents, and pledged bank deposits are limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

In order to minimize the credit risk with 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 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. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. As at December 31, 2021, the collateral received led to a reduction in expected credit loss of HK\$10.7 million (December 31, 2022: 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, 2022, except for credit impaired balances with net amount of HK\$4.8 million (2021: HK\$15.5 million) 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, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

Provision matrix — debtors' aging	Loss rate	Net receivable amount	
		2022 HK\$'000	2021 HK\$'000
Current (not past due)	0% — 0.7%	140,402	119,405
1 — 90 days past due	9% — 20%	22,643	15,961
91 — 360 days past due	24% — 46%	50,916	84,443
More than 360 days past due	50% — 100%	20,757	34,444
		234,718	254,253

Movement in the loss allowance during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
At January 1	244,106	144,808
Charge for the year, net	50,614	125,095
Amount written off, net	(92,830)	(25,797)
At December 31	201,890	244,106

Charge for the year ended December 31, 2022 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$408.9 million (2021: HK\$439.0 million). As at December 31, 2022, the Group has specifically provided HK\$117.7 million (2021: HK\$152.6 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, 2022 and are still subject to enforcement activity was HK\$91.6 million (2021: HK\$29.4 million).

26. FINANCIAL INSTRUMENTS *(Continued)*

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and borrowings deemed adequate by the management to finance the Group's operations and capital expenditure and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based upon the agreed repayment terms. The table has been drawn up based upon the undiscounted cash flows of financial liabilities and guarantee contracts based upon the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2022							
Trade payables	14,381	—	—	—	—	14,381	14,381
Construction payables	218	—	—	—	—	218	218
Other payables	3,223	3,033	6,174	5,772	—	18,202	18,202
Interest payable	22,594	117,389	89,109	—	—	229,092	229,092
Other casino liabilities	3,050	—	—	—	—	3,050	3,050
Outstanding chips liabilities	226,656	—	—	—	—	226,656	226,656
Customer advances and other	607,047	—	—	—	—	607,047	607,047
Borrowings	24,573	134,480	1,653,022	35,716,053	—	37,528,128	32,725,136
Construction retention payable	11,619	1,149	17,603	748	—	31,119	31,119
Amounts due to related companies	22,474	—	—	—	—	22,474	22,474
Lease liabilities	3,294	3,298	23,919	45,243	378,476	454,230	191,837
Guarantee contracts (Note 28)	1,153,489	—	—	—	—	1,153,489	—
	2,092,618	259,349	1,789,827	35,767,816	378,476	40,288,086	34,069,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2021							
Trade payables	34,437	—	—	—	—	34,437	34,437
Construction payables	5,538	—	—	—	—	5,538	5,538
Other payables	9,812	1,198	6,698	10,671	—	28,379	28,379
Interest payable	15,210	23,146	276,820	—	—	315,176	315,176
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

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, with the exception of the Group's senior notes, in which the estimated fair value were disclosed in Note 21.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Interest payable ⁽ⁱ⁾	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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				
and January 1, 2022	23,929,106	315,176	216,069	24,460,351
Financing cashflows	8,679,500	(1,606,083)	(36,287)	7,037,130
Interest expenses	—	1,527,530	12,795	1,540,325
Amortization of debt finance costs	103,123	—	—	103,123
New leases/lease modification	—	—	927	927
Effect of rent concessions and reduction	—	—	(1,364)	(1,364)
Foreign exchange difference	13,407	806	(303)	13,910
At December 31, 2022	32,725,136	237,429	191,837	33,154,402

⁽ⁱ⁾ The amount includes payables on interest on unsecured senior notes and unsecured credit facilities as well as standby charges on MGM Resorts International Revolving Credit Facility.

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

28. GUARANTEES

As at December 31, 2022, the Group has given bank guarantees totaling HK\$1,153.5 million (2021: HK\$1,095.2 million) to certain parties, of which HK\$1,145.7 million (2021: HK\$1,087.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract, the Sub-Concession Extension Contract and the Sub-Concession Further Extension Contract, HK\$4.0 million (2021: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAL as well as other regulatory requirements, HK\$0.6 million (2021: 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 (2021: HK\$3.2 million) was issued in favor of certain vendors.

As described in Note 1, the Group has provided two bank guarantees to the Macau Government totaling MOP1 billion (equivalent to approximately HK\$0.97 billion), which are effective from January 1, 2023, as required by the Concession Contract. The bank guarantees of HK\$1,145.7 million (2021: HK\$1,087.4 million) issued in favor of the Macau Government as required in the Sub-Concession Contract, the Sub-Concession Extension Contract and the Sub-Concession Further Extension Contract were cancelled in January 2023.

29. LEGAL PROCEEDINGS

a) LEGAL PROCEEDINGS RELATED TO CASH DEPOSITS WITH GAMING PROMOTORS

The Group was named as a defendant in 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.

29. LEGAL PROCEEDINGS *(Continued)*

a) LEGAL PROCEEDINGS RELATED TO CASH DEPOSITS WITH GAMING PROMOTORS *(Continued)*

The Group defended its position that it was not liable with respect to these claims. 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 were 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 was required 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 amounted to HK\$37 million. Upon payment to the plaintiffs, the Group would 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 developments impacting the gaming promoter's activities, it was assessed that the ability to recover the loss suffered through the payments to be made by the Group is remote. Consequently, considering the similar nature of the legal proceedings, the Group 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.

During the year ended December 31, 2022, the Group reached a final settlement of certain litigation related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million.

For the outstanding litigation related to the Group's joint liability with gaming promoters, management has made estimates for potential litigation costs and recognized liabilities based upon consultation with legal counsel. While actual outcomes might differ from these estimates, the management considered that such litigation and claims will not have a significant impact on the results of operations, financial position and cash flows of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

29. LEGAL PROCEEDINGS *(Continued)*

b) LEGAL PROCEEDINGS RELATED TO CRIMINAL ACTIVITIES BY A GAMING PROMOTOR

During the year ended December 31, 2022, a criminal charge was made in the Macau court against an independent Macau gaming promoter and individuals associated with the independent Macau gaming promoter for conducting side-betting in VIP gaming rooms in the casinos of the six gaming concessions/sub-concessions. In January 2023, the verdict of the Court of the First Instance was released and the Macau Government and five of the six gaming concessionaires/sub-concessionaires are entitled to compensation for damages for losses caused by the criminal activities, with MGM Grand Paradise being entitled to compensation of HK\$349 million. Both the prosecutor and defendants have appealed against the verdict. No contingent asset was recognized as the Group assessed that the possibility to recover these losses is remote.

30. CAPITAL COMMITMENTS

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	2022 HK\$'000	2021 HK\$'000
Contracted but not accounted for	373,120	102,538

31. OTHER COMMITMENTS

CONCESSION CONTRACT

Pursuant to the Concession Contract signed with the Macau Government for the 10 year period ending on December 31, 2032, MGM Grand Paradise shall pay the Macau Government the following contributions:

- i) a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) a variable premium depending upon the number of gaming tables and electric or mechanical gaming machines, including slot machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per gaming table reserved to certain games and players, including gaming tables in special gaming rooms or special gaming areas;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per gaming table not reserved to certain games and players; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electric or mechanical gaming machines, including slot machines.

The variable premium shall not be less than the amount payable with respect to the operation of 500 gaming tables and 1,000 electric or mechanical gaming machines, including slot machines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

31. OTHER COMMITMENTS *(Continued)*

CONCESSION CONTRACT *(Continued)*

- iii) a sum of 2% of the gross gaming revenue as additional levies given to a public foundation whose object is the promotion, development or study of cultural, social, economic, educational, scientific, academic, and charity activities and a sum of 3% of the gross gaming revenue as additional levies to be used for urban development and construction, promotion of tourism and social security.

The additional levies, subject to approval of the Macau Government's Chief Executive, may be reduced or exempted for expansion of overseas customer markets by the concession holders.

- iv) special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.
- v) By order of the Chief Executive no. 162/2022, the minimum annual gross gaming revenue per gaming table is MOP7 million (equivalent to approximately HK\$6.8 million); the minimum annual gross gaming revenue per electric or mechanical gaming machines, including slot machines, is MOP300 thousand (equivalent to approximately HK\$291 thousand). Pursuant to Article 20 of the Gaming Law, if the average gross revenue arising of the operation of gaming tables or electric or mechanical gaming machines, including slot machines, does not reach the minimum limit fixed by order of the Chief Executive, the concessionaire will have to pay a special premium, of an amount corresponding to the difference between the amounts of the special gaming tax payable on the average gross revenue, and the one that would be payable if this minimum limit had been achieved. The average gross revenue is calculated according to the maximum number of gaming tables and electric or mechanical gaming machines, including slot machines, authorized for the concessionaire in the year to which it relates, with the exception of the number of gaming tables and electric or mechanical gaming machines, including slot machines authorized to operate temporarily.

31. OTHER COMMITMENTS *(Continued)*

CONCESSION CONTRACT *(Continued)*

- vi) an annual amount of approximately MOP44.5 million (equivalent to approximately HK\$43.2 million) for the first three years and an annual amount of MOP148.4 million (equivalent to approximately HK\$144.1 million) for the remaining years calculated based on: (i) MOP750 (equivalent to approximately HK\$728) per square meter of the Casino Areas for the first year payable in March 2023, as adjusted annually in accordance with the average price index in Macau pursuant to the Macau Gaming Law for the second and third year payable in March 2024 and March 2025, respectively; and (ii) MOP2,500 (equivalent to approximately HK\$2,427) per square meter of the Casino Areas for the fourth year in March 2026, as adjusted annually for the remaining years payable in March each year in accordance with the average price index in Macau pursuant to the Macau Gaming Law.

Based upon the approved number and types of gaming tables and gaming machines in operation and the size of Casino Areas as at January 1, 2023, the Group is obligated under its Concession Contract to make minimum undiscounted future payments of approximately MOP22.8 billion (equivalent to approximately HK\$22.1 billion).

MGM Grand Paradise has committed to certain investments in gaming and non-gaming projects. The investment committed by MGM Grand Paradise is MOP16.7 billion (equivalent to approximately HK\$16.2 billion), of which MOP15 billion (equivalent to approximately HK\$14.6 billion) is in non-gaming projects. In case the market-wide Macau gross gaming revenue reaches MOP180 billion (equivalent to approximately HK\$175 billion) in any one year (“Triggering event”), MGM Grand Paradise is required to increase, in the following years, the investment in non-gaming projects in an amount corresponding to 20% of the base non-gaming investment. The 20% increase is subject to a deduction of 4% per year if the Triggering event occurs on or after 2028 (the sixth year of the Concession Contract). The maximum potential additional investment is estimated at MOP3 billion (equivalent to approximately HK\$2.91 billion).

MGM Grand Paradise is also required to maintain its net asset value at not less than MOP5 billion (equivalent to approximately HK\$4.85 billion) throughout the term of the Concession Contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

32. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in Note 28, details of transactions between the Group and other related parties are disclosed below.

(a)(i) Amounts due from related companies represent balances with companies owned by 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 jointly controlling beneficial interests amounting to HK\$2.9 million (2021: nil), company jointly-owned by Shareholders amounting to HK\$9.2 million (2021: 17.9 million) and the ultimate holding company of the Company amounting to HK\$10.4 million (2021: HK\$0.4 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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	22,474	18,332

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following significant transactions with related companies during the year:

Related parties	Type of transaction	2022	2021
		HK\$'000	HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Laundry services	16,717	19,474
Ultimate holding company	Marketing referral fees	1,189	3,363
	Finance cost ⁽¹⁾	8,375	—
Company jointly-owned by Shareholders	License fee ⁽²⁾	92,200	164,689
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	Consultancy fee ⁽³⁾	39,443	32,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

- (1) The amount represents the standby charges on MGM Resorts International Revolving Credit Facility — refer to Note 21.
- (2) Pursuant to the First Renewed Branding Agreement and Second 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 annual caps for MGM MACAU and MGM COTAI of US\$45.6 million (equivalent to approximately HK\$356.7 million) for the period ended June 26, 2022, US\$45.6 million (equivalent to approximately HK\$356.7 million) for the period from June 26, 2022 to December 31, 2022 and US\$88.2 million (equivalent to approximately HK\$685.5 million) for the year ended December 31, 2021.
- (3) 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\$126 million for the year ended December 31, 2022.

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.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	2022 HK\$'000	2021 HK\$'000
Short term benefits	67,718	65,232
Post-employment benefits	1,720	1,686
Share-based payments	18,195	20,648
	87,633	87,566

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, 2022

33. 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, 2022	December 31, 2021	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP5,000,000,000	100%	100%	Operation of casino games of chance and other casino games

33. 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, 2022	December 31, 2021	
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

33. 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, 2022	December 31, 2021	
珠海市橫琴新區倍福信息服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

Notes:

- (i) In December 2022, a Capital Restructuring was completed in order to comply with the Macau Gaming Law. For details on the Capital Restructuring, refer to Note 1.
- (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.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2022

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	32,035,746	27,129,282
Amount due from subsidiaries	21,087,753	17,939,088
Total non-current assets	53,123,499	45,068,370
Current assets		
Prepayments	2,384	2,357
Amounts due from subsidiaries	—	4
Cash and cash equivalents	108,909	60,455
Total current assets	111,293	62,816
TOTAL ASSETS	53,234,792	45,131,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

AT DECEMBER 31, 2022 (Continued)

	2022	2021
	HK\$'000	HK\$'000
EQUITY		
Capital and reserves		
Share capital (Note 23)	3,800,000	3,800,000
Reserves and retained earnings	16,350,631	17,001,685
TOTAL EQUITY	20,150,631	20,801,685
LIABILITIES		
Non-current liabilities		
Borrowings	32,725,136	23,929,106
Amounts due to subsidiaries	—	83,369
Total non-current liabilities	32,725,136	24,012,475
Current liabilities		
Payables and accrued charges	233,906	317,026
Amounts due to related companies	8,336	—
Amounts due to subsidiaries	116,783	—
Total current liabilities	359,025	317,026
TOTAL LIABILITIES	33,084,161	24,329,501
TOTAL EQUITY AND LIABILITIES	53,234,792	45,131,186

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement in share premium and reserves of the Company is as follows:

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Reserves and retained earnings total HK\$'000
At January 1, 2021		10,406,223	14,729	522,507	132,000	6,485,099	17,560,558
Loss for the year and total comprehensive loss		—	—	—	—	(582,528)	(582,528)
Exercise of share options	23&24	121,830	—	(30,773)	—	—	91,057
Share repurchase and 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 payments	24	—	—	51,642	—	—	51,642
At December 31, 2021 and January 1, 2022		10,409,009	23,708	445,682	132,000	5,991,286	17,001,685
Loss for the year and total comprehensive loss		—	—	—	—	(697,400)	(697,400)
Forfeiture of share options	24	—	—	(41,691)	—	41,691	—
Recognition of share-based payments	24	—	—	46,346	—	—	46,346
At December 31, 2022		10,409,009	23,708	450,337	132,000	5,335,577	16,350,631

FINANCIAL SUMMARY

	For the year ended December 31				
	2022	2021	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Operating revenue	5,268,569	9,410,814	5,095,983	22,765,036	19,200,721
(Loss)/profit before tax	(5,216,170)	(3,828,001)	(5,191,345)	1,941,690	772,894
(Loss)/profit for the year attributable to owners of the Company	(5,231,911)	(3,846,616)	(5,201,531)	1,931,228	1,068,499
As at December 31					
	2022	2021	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	31,209,496	28,439,575	29,668,754	32,506,222	35,132,575
Total liabilities	35,205,917	27,242,659	24,651,090	22,046,088	26,186,796
Net (liabilities)/assets	(3,996,421)	1,196,916	5,017,664	10,460,134	8,945,779

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

GLOSSARY

“Chief Executive”	the chief executive of the Macau Special Administrative Region of the People’s Republic of China
“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 games of fortune and chance or other games in casino in Macau
“Concession” or “Concession Contract”	the gaming concession contract awarded by order of the Chief Executive and executed between the Macau Government and MGM Grand Paradise on December 16, 2022, for the operation of games of fortune and chance or other games in casino in Macau, for a term of 10 years, commencing on January 1, 2023 and expiring on December 31, 2032
“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 Branding Agreement Side Letter”	the side letter to 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 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
“Fourth Renewed Development Agreement”	the fourth renewed Development Agreement dated December 8, 2022 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Fourth Renewed Master Service Agreement”	the fourth renewed Master Service Agreement dated December 8, 2022 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

GLOSSARY

“Gaming Concession”	the concession for the operation of games of fortune or chance or other games in casino in Macau, for a term of 10 years, commencing on January 1, 2023, and expiring on December 31, 2032, as the same may be extended from time to time in accordance with law, following the expiry of the current gaming sub-concession on December 31, 2022
“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 transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Ms. Pansy Ho
“GGR” or “gross gaming revenue”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“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
“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

GLOSSARY

“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 Gaming Law”	Macau Law No. 16/2001 (Legal Framework for the Operations of Games of Fortune and Chance in a Casino) as amended by Macau Law No. 7/2022
“Macau Government”	the local government of Macau
“Macau Group”	collectively, the Company, MGM Grand Paradise and their respective controlled affiliates which carry on the casino gaming business
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise

“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly owned, directly or indirectly, by MGM Resorts International and Ms. Pansy Ho in equal portions
“MGM COTAI”	the hotel and casino of that name in Cotai and all contiguous additions
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, a non-wholly owned subsidiary of the Company and one of six concessionaires authorized to operate casino games of chance and other casino games in Macau
“MGM Group”	MGM Resorts International and its affiliates, excluding MGM Branding, the Group and the Macau Group
“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 hotel and casino of that name in the Macau peninsula and all contiguous additions
“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MGM Resorts International Revolving Credit Facility”	the revolving loan facility dated November 10, 2022 entered into between the Company and MGM Resorts International

GLOSSARY

“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
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho” or “Managing Director”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company and the managing director of MGM Grand Paradise
“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, complimentary 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 individual VIP players and gaming promoters
“Second Renewed Branding Agreement”	the second renewed Branding Agreement, dated June 26, 2022, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Branding Agreement Side Letter”	the side letter to the Second Renewed Branding Agreement dated June 26, 2022 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Agreement”	the second renewed Development Agreement dated December 12, 2016 Development 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
“Senior Secured Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemrego Limitada, MGM — Security Services, Ltd. and Bank of America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019, which was cancelled on August 14, 2019

GLOSSARY

“Services Agreement”	the services agreement entered into between the Managing Director and MGM Grand Paradise dated August 21, 2022 in relation to the appointment of Ms. Pansy Ho as the Managing Director
“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 under the laws of Hong Kong with limited liability, and the shares of which are listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“Sixth Renewed MGM Marketing Agreement”	the marketing agreement dated December 8, 2022 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“SJM”	SJM Resorts, S.A., formerly Sociedade de Jogos de Macau, S.A.
“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

<p>“Sub-Concession”, “Sub-Concession Contract”, “Sub-Concession Extension Contract” or “Sub-Concession Further Extension Contract”</p>	<p>the sub-concession contract for the operation of games of fortune and chance or other games in casino in Macau, authorized by the Macau Government and 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, and further extended to December 31, 2022, by the Sub-Concession Further Extension Contract, dated June 23, 2022. The Sub-Concession Contract expired on December 31, 2022</p>
<p>“Sub-Concessionaire(s)”</p>	<p>the holder(s) of a Sub-Concession for the operation of games of fortune and chance or other games in casino in Macau</p>
<p>“table games”</p>	<p>typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette</p>
<p>“Theoretical Win”</p>	<p>in respect of any customer (i) in the case of cash chip play, the total amount wagered multiplied by the game house advantage; and (ii) in the case of rolling chip, the turnover amount multiplied by the theoretical rolling chip win percentage of 2.7%, in each case ignoring the actual win or loss experienced as a result of that customer’s play, provided in each case that “theoretical win” shall not exceed, as to any customer, 12.5% of the available credit line for that customer on the related visit</p>
<p>“Third Renewed Branding Agreement”</p>	<p>the third renewed Branding Agreement, dated December 8, 2022, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE</p>
<p>“Third Renewed Deed of Non-Compete Undertakings”</p>	<p>the renewed Deed of Non-compete Undertakings dated December 8, 2022, entered into among MGM Resorts International, Ms. Pansy Ho and the Company</p>
<p>“Third Renewed Development Agreement”</p>	<p>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</p>

GLOSSARY

“Third Renewed Master Service 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)
“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

