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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：2282及債務股份代號：6028, 40258, 40634)

(「發行人」或「本公司」)

刊發發售備忘錄

5億美元7.125%於2031年到期的優先票據
(票據證券代號：5036)
(「該等票據」)

聯席全球協調人

美銀證券

德意志銀行

中國銀行澳門分行

聯席賬簿管理人

工銀澳門

交通銀行澳門

大西洋銀行

SMBC Nikko

瑞銀

聯席牽頭經辦人

澳門商業銀行

巴克萊

法國巴黎銀行

摩根大通

Scotiabank

聯席經辦人

CBRE

中國建設銀行股份有限公司
澳門分行

葡萄牙商業銀行
股份有限公司

茲提述本公司日期為2024年6月17日、2024年6月19日及2024年6月26日有關發售及發行該等票據之公告(「**該等公告**」)。除非文義另有所指，否則本公告所用詞彙與該等公告所界定者具有相同涵義。

本公告乃根據上市規則第37.39A條而刊發。請參閱本文所附日期為2024年6月18日有關發售備忘錄(「**發售備忘錄**」)。發售備忘錄僅以英文發佈。概無發佈中文版本之發售備忘錄。誠如發售備忘錄所披露，該等票據僅供專業投資者(定義見上市規則第37章)購買，並已按該基準於聯交所上市。

發售備忘錄僅供參考，並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦非邀請公眾作出認購或購買任何證券的要約，此外亦非供傳閱以邀請公眾作出認購或購買任何證券的要約。

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承董事會命
美高梅中國控股有限公司
公司秘書
Antonio MENANO

香港，2024年6月27日

截至本公告刊發日期，本公司的董事如下：何超瓊、William Joseph HORNBUCKLE、John M. MCMANUS、劉珍妮及馮小峰為執行董事；Daniel J. TAYLOR、Ayesha Khanna MOLINO及Jonathan S. HALKYARD為非執行董事；及黃林詩韻、Russell Francis BANHAM、孟生及劉志敏為獨立非執行董事。

IMPORTANT NOTICE

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

Confirmation of Your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (“QIBs”) (within the meaning of Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”), or (2) non-U.S. persons outside the United States (as defined under Regulation S under the Securities Act); provided that any investor resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Regulation (EU) No 2017/1129 and any relevant implementing measure in each Member State of the European Economic Area). By accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons outside the United States (and if you are resident in a Member State of the European Economic Area, you are a qualified investor) and (2) you consent to delivery of such offering memorandum by electronic transmission. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, neither the Initial Purchasers (as defined herein) nor any person who controls any Initial Purchaser nor MGM China Holdings Limited nor any director, officer, employer, employee or agent of theirs or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The attached offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorized to deliver this offering memorandum to any other person. You will not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. Any forwarding, distribution or reproduction of the offering memorandum in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions. If you have gained access to this transmission contrary to any of the foregoing restrictions, you are not authorized and will not be able to purchase any of the securities described herein.

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

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

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (“UK”). For these purposes, a “UK Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Bookrunners, are “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an association (“Association”) with the Company, the CMI or the relevant group company. Prospective investors associated with the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at

the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Bookrunner, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Bookrunner or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Bookrunner, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Bookrunner when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Bookrunners and/or any other third parties as may be required by the SFC Code, including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

MGM China Holdings Limited



(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

(HKSE STOCK CODE: 2282)

US\$500,000,000 7.125% SENIOR NOTES DUE 2031

ISSUE PRICE: 100.000%

MGM China Holdings Limited (the “Company”) is offering US\$500,000,000 in aggregate principal amount of 7.125% Senior Notes due 2031 (the “Notes”). The Company will pay interest on the Notes semi-annually in arrears on June 26 and December 26 of each year, beginning on December 26, 2024. The Notes will mature on June 26, 2031.

At its option, the Company may redeem the Notes, in whole or in part, at any time prior to June 26, 2027 at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) a “make-whole” amount described elsewhere in this offering memorandum, plus in either case accrued and unpaid interest to, but not including, the redemption date. Prior to June 26, 2027 the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. On or after June 26, 2027 the Company may redeem the Notes, in whole or in part, at a premium declining ratably to zero, plus accrued and unpaid interest to, but not including, the redemption date. In addition, the Company may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued interest, in the event of certain changes in withholding tax laws. In the event of a change of control triggering event or an investor put option triggering event, the Company will be required to offer to repurchase the Notes at 101% or 100% of the principal amount, respectively, plus accrued and unpaid interest to but not including the repurchase date.

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

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

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

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

See “Risk Factors” beginning on page 16 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

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

The initial purchasers of the Notes (collectively, the “Initial Purchasers”) expect to deliver the Notes to purchasers on or about June 26, 2024, solely in book-entry form through the facilities of Cede & Co. as nominee of The Depository Trust Company (“DTC”).

Joint Global Coordinators

BofA Securities

Deutsche Bank

Bank of China Macau Branch

Joint Bookrunners

ICBC (Macau)

Bank of Communications, Macau

BNU Macau

SMBC Nikko

UBS

Joint Lead Managers

BANCO COMERCIAL DE MACAU

Barclays

BNP PARIBAS

J.P. Morgan

Scotiabank

Co-Managers

CBRE

China Construction Bank Corporation
Macau Branch

Millennium BCP

THE DATE OF THIS OFFERING MEMORANDUM IS JUNE 18, 2024.

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NOTICE TO INVESTORS

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

In connection with the offering of the Notes, BofA Securities, Inc., Deutsche Bank AG, Singapore Branch, Bank of China Limited, Macau Branch¹, Industrial and Commercial Bank of China (Macau) Limited, Bank of Communications Co., Ltd. Macau Branch, Banco Nacional Ultramarino, S.A., SMBC Nikko Securities America, Inc., UBS AG Hong Kong Branch², Banco Comercial de Macau, S.A., Barclays Capital Inc., BNP Paribas³, J.P. Morgan Securities (Asia Pacific) Limited, Scotia Capital (USA) Inc., Banco Comercial Português S.A., Macau Branch, CBRE Capital Advisors, Inc. and China Construction Bank Corporation Macau Branch (the “Initial Purchasers”) may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time. In addition, the Initial Purchasers may bid for and purchase the Notes in the open market to stabilize the price of the Notes and may impose “penalty bids” under contractual arrangements whereby they may reclaim from dealers participating in this offering for the account of such Initial Purchaser the selling concession with respect to the Notes that are distributed in this offering but subsequently purchased for the account of such Initial Purchaser.

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

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

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

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

¹ Bank of China Limited, Macau Branch is a branch of Bank of China Limited, a joint stock limited company incorporated in the People’s Republic of China.

² UBS AG is incorporated in Switzerland with limited liability.

³ BNP Paribas is a public limited company (société anonyme) incorporated in France. The liability of its members is limited.

you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the U.S. federal income tax treatment of this offering.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed “*Transfer Restrictions*” herein.

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

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

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

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

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

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (“UK”). For these purposes, a “UK Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Bookrunners, are “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an association (“Association”) with the Company, the CMI or the relevant group company. Prospective investors associated with the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Bookrunner, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Bookrunner or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Bookrunner, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Bookrunner when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in

relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMI's (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Bookrunners and/or any other third parties as may be required by the SFC Code, including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

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

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

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

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

AVAILABLE INFORMATION

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

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

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make

available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of any such holder or beneficial owner.

PRESENTATION OF FINANCIAL INFORMATION

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

This offering memorandum contains certain consolidated financial information of the Company for the year ended December 31, 2019 and the three months ended March 31, 2019, which has been derived from our audited consolidated financial statements as of and for the year ended December 31, 2019 and our unaudited consolidated financial statements as of and for the three months ended March 31, 2019, respectively, which are not included in this offering memorandum.

In addition, this offering memorandum contains certain unaudited consolidated financial information for the twelve months ended March 31, 2024, which is calculated by taking the Company’s results of operations for the year ended December 31, 2023, adding the results of operations data for the three months ended March 31, 2024 and subtracting the results of operations data for the three months ended March 31, 2023. The financial information for the twelve months ended March 31, 2024 has not been audited or reviewed.

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

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

CERTAIN CONVENTIONS AND CURRENCY PRESENTATION

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

In this offering memorandum, the terms “the Company” or “MGM China” refer to MGM China Holdings Limited, “we,” “us,” “our,” or “the Group” refers to MGM China Holdings Limited and its subsidiaries, unless otherwise indicated or the context otherwise requires. In this offering memorandum, references to “China,” “mainland China” or “PRC” refer to the People’s Republic of China (for the purpose of this offering memorandum, not including Hong Kong, Macau and Taiwan); “HK\$” and “Hong Kong dollars” refer to the lawful currency of Hong Kong; “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China; “Macau” refers to the Macau Special Administrative Region of the People’s Republic of China; “Macau patacas” and “MOP” refer to the lawful currency of Macau; “RMB” or “Renminbi” refer to the lawful currency of China and “US\$” and “U.S. dollars” refer to the lawful currency of the United States.

We record and publish our financial statements in Hong Kong dollars. Unless otherwise stated in this offering memorandum, all translations between Hong Kong dollars and U.S. dollars for figures were made at the rate of HK\$7.8259 to US\$1.00, which was the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York for cable transfers for Hong Kong dollars on March 31, 2024. The noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York for Hong Kong dollars to U.S. dollars was HK\$7.8107 to US\$1.00 as at June 7, 2024. The Macau pataca is pegged to the Hong Kong dollar at a rate of HK\$1.00 = MOP1.03. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Hong Kong dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars or Macau patacas, or vice versa, or that the Macau pataca amounts referred to herein have been, could have been or could be converted into U.S. dollars or Hong Kong dollars, or vice versa, at any particular rate or at all on such date or any other date. For further information relating to the exchange rates, see “*Exchange Rate Information.*”

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

FORWARD-LOOKING STATEMENTS

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

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

- the ability of the Macau Government to terminate MGM Grand Paradise’s Concession under certain circumstances without compensating MGM Grand Paradise, exercise its redemption right with respect to the Concession, or refuse to grant MGM Grand Paradise an extension of the Concession in 2032;
- the reduced access to our target markets due to travel restrictions, and the potential long term impact on customer retention;
- the adverse effect of current and future economic, capital and credit market conditions could adversely affect our ability to service our indebtedness and significant financial commitments, and to make planned expenditures;
- general domestic or global political and economic conditions, including in China and Hong Kong, which may impact levels of travel, leisure and consumer spending;

- the uncertainty of consumer behavior related to discretionary spending and vacationing at our integrated resorts, particularly as a result of current macroeconomic conditions, including historic levels of inflation;
- the impact on the travel and leisure industry from factors such as an outbreak of an infectious disease, such as COVID-19 pandemic, extreme weather patterns or natural disasters, military conflicts and any future security alerts and/or terrorist attacks or other acts of violence;
- the risks associated with Macau’s gaming regulatory framework;
- our ability to maintain our customer relationships and collect and enforce gaming receivables;
- our dependence on our properties in Macau for all of our cash flows;
- competition in the casino/hotel and resort industries and actions taken by our competitors, including new development and construction activities of our competitors;
- factors affecting the development and success of new gaming and resort properties (including limited labor resources, government labor and gaming policies and transportation infrastructure in Macau);
- legalization of gaming in other jurisdictions;
- extensive regulation of our business (including the impact of new Gaming Law, such as the new Gaming Activity Law which was passed by the Macau Government in December 2022 and came into effect on January 1, 2023) and the cost of compliance or failure to comply with applicable laws and regulations;
- pending or future legal proceedings, regulatory or enforcement actions or probity investigations;
- our ability to maintain our gaming licenses and concessions;
- any violations by us of any applicable anti-money laundering laws or anti-corruption laws;
- changes in gaming laws or regulations;
- continued compliance with all provisions in our debt agreements;
- cybersecurity risks including misappropriation of customer information or other breaches of information security;
- our ability to protect our intellectual property rights;
- our relationships with our Significant Shareholders;
- our current and future insurance coverage levels; and
- other factors described under “Risk Factors.”

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

Subject to the requirements of applicable laws and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-

looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this offering memorandum are qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

CAUTIONARY NOTE REGARDING MARKET DATA

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. We have based the market data provided in this offering memorandum with respect to the Macau hotel, entertainment and gaming market on market research, publicly available information and industry publications and subscriptions, including statistics and information from government agencies including DSEC, DICJ and various public database sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Relevant regulators have different methods of reporting, which may not be consistent with our own. Neither the Company nor any Initial Purchaser has independently verified any such market data, and it is possible that the market data that we have relied upon may not be accurate in all material respects. Neither the Company nor any Initial Purchaser makes any representation or warranty as to the accuracy or completeness of this information.

GLOSSARY

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

“2024 Notes”	US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024 which were redeemed in full on May 15, 2024
“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AML”	anti-money laundering
“Board of Directors” or “Board”	the board of Directors of the Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“Casino Areas”	the casino areas, including casino support areas in MGM Macau and MGM Cotai designated by DICJ and the relevant gaming equipment reverted by MGM Grand Paradise to the Macau Government without compensation and free of encumbrance under Property Transfer Agreements on December 31, 2022
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentary and other incentives and in accordance with IFRS
“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
“Code”	U.S. Internal Revenue Code of 1986, as amended
“Concession” or “Gaming Concession”	the concession for the Operation of Games of Fortune and Chance in the Special Administrative Region of Macau, currently for a term of 10 years, commencing on January 1, 2023, and expiring on December 31, 2032, which may be extended up to a maximum of three years in accordance with Gaming Law
“Concession Contract”	the agreement entered into between the Macau Government and MGM Grand Paradise on December 16, 2022 for the Operation of Games of Fortune and Chance in the Special Administrative Region of Macau for a term of 10 years, commencing on January 1, 2023, expiring on December 31, 2032, which may be extended up to a maximum of three

	years in accordance with Gaming Law, following the expiry of the Subconcession Contract on December 31, 2022
“Concessionaire(s)”	the holder(s) of a concession for the operation of games of fortune and chance or other games in casino in Macau
“Consultancy Services Agreement”	the Consultancy Services Agreement dated January 13, 2021, entered into between MGM Grand Paradise and Occasions
“Corporate Support Agreement”	the Corporate Support Agreement, dated May 17, 2011, entered into among the Company, MGM Resorts International and Grand Paradise Macau Limited, as replaced and renewed by the renewed Corporate Support Agreement, dated June 3, 2023
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Ms. Pansy Ho and the Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“DICJ”	The Gaming Inspection and Coordination Bureau (“ <i>Direcção de Inspeção e Coordenação de Jogos</i> ,” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service (“ <i>Direcção dos Serviços de Estatística e Censos</i> ,” in Portuguese), a department of the Public Administration of Macau
“Existing 2025 Notes”	US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“Existing 2026 Notes”	US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“Existing 2027 Notes”	US\$750 million aggregate principal amount of 4.750% senior unsecured notes due February 1, 2027
“Existing Notes”	the Existing 2025 Notes, the Existing 2026 Notes and the Existing 2027 Notes
“FCPA”	U.S. Foreign Corrupt Practices Act
“Fifth Renewed MGM Marketing Agreement”	the fifth renewed MGM Marketing Agreement dated June 26, 2022 entered into among MGM Resorts International, MGM Resorts

	International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“Financial Intelligence Office”	Financial Intelligence Office (“ <i>Gabinete de Informação Financeira</i> ,” in Portuguese) of Macau
“First Renewed Branding Agreement”	the first renewed Branding Agreement, dated September 30, 2019, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise
“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“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
“Fourth Renewed MGM Marketing Agreement”	the fourth renewed MGM Marketing Agreement dated January 7, 2021 entered into between MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“Gaming Activity Law”	Macau Law No. 16/2022 (which revoked Administrative Regulation No. 6/2002 and Administrative Regulation No. 27/2009)
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games and slot machines but has not been designated as a casino by the Macau Government
“Gaming Law” or “gaming law”	unless otherwise specified or the context suggests otherwise, the gaming laws, rules, regulations or ordinances of any jurisdiction or jurisdictions to which MGM Resorts, the Company or any of their respective Affiliates, including MGM Grand Paradise, is, or may be, at any time subject
“gaming promoters”	corporations licensed by the Secretary of Economy and Finance and registered with the DICJ to promote games of fortune and chance to patrons, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Activity Law

“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly owned by Ms. Pansy Ho
“GGR” or “gross gaming revenue”.....	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“HIBOR”	Hong Kong InterBank Offer Rate
“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
“International Marketing Agreement”	the MGM Grand Paradise International Marketing Agreement dated March 31, 2023 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte., MGM Grand Paradise and the Company
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Macau Government”	the local government of Macau
“Macau Group Expenses”	collectively, the fully loaded employment costs (including salary, bonus, the applicable portion of employment taxes and the cost of other employee benefits) and other expenses (including but not limited to rent and professional fees) incurred in connection with the operation of any Macau Marketing Office
“Macau Marketing Office”	(i) any marketing office owned, leased or operated by the MGM China Group that primarily provides, or is established to provide, at least in part, marketing referrals to the Macau Properties and (ii) any marketing agent, wherever located, to the extent such agents engage, at least in part, in marketing referrals to the Macau Properties
“Macau Properties”	any resort, hotel and casino property owned or operated by any Macau Group member

“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the British Virgin Islands and jointly wholly owned, directly or indirectly, by MGM Resorts International and Ms. Pansy Ho in equal portion
“MGM China Group,” “Macau Group” or “Group”	collectively, the Company, MGM Grand Paradise and their respective controlled affiliates (without duplication) which carry on the casino gaming business
“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”	collectively, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and their controlled affiliates which carry on the casino gaming business but shall not include the MGM China Group
“MGM Group Expenses”	collectively, the fully loaded employment costs (including salary, bonus, the applicable portion of employment taxes and the cost of other employee benefits) and other expenses (including but not limited to rent and professional fee) incurred in connection with the operation of the existing and additional MGM Marketing Offices
“MGM Holding Company”	any company that achieves control of MGM Resorts International other than by way of a qualifying transaction
“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, as subsequently renewed pursuant to the First Renewed MGM Marketing Agreement, the Second Renewed MGM Marketing Agreement, the Third Renewed MGM Marketing Agreement, the Fourth Renewed MGM Marketing Agreement, the Fifth Renewed MGM Marketing Agreement and the Sixth Renewed MGM Marketing Agreement

“MGM Marketing Office”	(i) any marketing office owned, leased or operated by the MGM Group that primarily provides, or is established to provide, at least in part, marketing referrals to the Macau Properties or (ii) any marketing agent, wherever located, to the extent such agent engages, at least in part, in marketing referrals to the Macau Properties
“MGM Property”	any resort, hotel or casino property owned or operated by any MGM Group member during the term of the International Marketing Agreement
“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 credit facility dated November 10, 2022 entered into between the Company and MGM Resorts International, as amended on June 29, 2023, and cancelled on March 20, 2024
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly owned by Ms. Pansy Ho
“NYSE”	New York Stock Exchange
“Occasions”	Occasions Asia Pacific Limited, is a company incorporated in Hong Kong, indirectly 50% owned by Ms. Pansy Ho
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho” or “Managing Director”...	Pansy Catilina Chiu King Ho, a substantial Shareholder, the chairperson and an executive Director of the Company and the managing director of MGM Grand Paradise
“PH Group”	Ms. Pansy Ho and her associates
“premium mass market”	consists of predominantly walk-in, day-trip visitors to Macau from mainland China. Our premium mass market players 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
“Property Transfer Agreements”	the agreements entered into pursuant to Gaming Law and the Subconcession Contract, under which MGM Grand Paradise reverted 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 on December 31, 2022

“Renewed Consultancy Services Agreement”	the renewed Consultancy Services Agreement dated November 24, 2023, entered into between MGM Grand Paradise and Occasions
“Representatives”	BofA Securities, Inc. and Deutsche Bank AG, Singapore Branch
“Restricted Zone”	the PRC, Macau, Hong Kong and Taiwan
“Revolving Credit Facility”	the unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility agreement dated August 12, 2019 between, among others, the Company and Bank of America, National Association, as amended, restated and modified from time to time
“RFID”	Radio Frequency Identification
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Second Renewed 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 Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise
“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“Second Revolving Credit Facility”	the second unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility dated May 26, 2020 between, among others, the Company and certain lenders, as amended, restated and modified from time to time
“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, and cancelled on August 14, 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated 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
“Significant Shareholders”	MGM Resorts International Holdings, Ms. Pansy Ho and Grand Paradise Macau Limited
“Sixth Renewed MGM Marketing Agreement”	the sixth renewed MGM 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
“Subconcession” or “Subconcession Contract”	the sub-concession contract for the operation of games of fortune and chance or other games in casino in the Special Administrative Region of 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 Subconcession Extension Contract, dated as of March 15, 2019, and further extended to December 31, 2022, by the Subconcession Further Extension Contract, dated June 23, 2022. The Subconcession Contract expired on December 31, 2022
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“Third Renewed Branding Agreement”	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
“Third Renewed Deed of Non-compete Undertakings”	the renewed Deed of Non-compete Undertakings dated December 8, 2022, entered into among MGM Resorts International, Ms. Pansy Ho and the Company

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

SUMMARY

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

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 NYSE. MGM Resorts International is our controlling Shareholder (with an interest in approximately 56% of our issued share capital as of March 31, 2024) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in approximately 22% of our issued share capital as of March 31, 2024). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

Following the announcement by the Macau Government 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. 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 duration of the Gaming Concession under the current Concession Contract is 10 years, starting from January 1, 2023 and expiring on December 31, 2032.

Financial Impact of COVID-19 and Recovery

Visitation to Macau and business volume across all operations at MGM Macau and MGM Cotai were adversely impacted during 2020-2022 due to outbreaks of COVID-19 cases in Macau and neighboring regions, including mainland China which led to travel restrictions to Macau. Commencing in 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 a relaxation of travel restrictions to Macau. Following the easing of travel restrictions, total visitor arrivals into Macau during the three months ended March 31, 2024 and year ended December 31, 2023 significantly increased, returning to 86% and 72%, respectively, of total visitor arrivals as compared to the three months ended March 31, 2019 and year ended December 31, 2019. In particular, total visitor arrivals into Macau in April 2024 reached 75.8% of the total visitor arrivals in April 2019. As a result of positive macroeconomic improvements in the region and the recovery across the Macau gaming industry, the Group’s property visitation during the three months ended March 31, 2024 and the year ended December 31, 2023 significantly increased, returning to 153% and 106%, respectively, of total property visitors as compared to the corresponding period in 2019. The positive macroeconomic developments also resulted in the Group’s gross gaming revenue increasing by 385.0% to HK\$27.1 billion (or approximately US\$3.5 billion) for the year ended December 31, 2023, as compared to the year ended December 31, 2022, returning to 100.6% of that for the year ended December 31, 2019. Additionally, the Group’s gross gaming revenue increased to HK\$9.5 billion (or approximately US\$1.2 billion) for the three months ended March 31, 2024, representing 140.8% of that for the three months ended March 31, 2019.

For the three months ended March 31, 2024 and the year ended December 31, 2023, the Group’s operating revenue reached HK\$8.3 billion (or approximately US\$1.1 billion) and HK\$24.7 billion (or approximately US\$3.2 billion), respectively, representing 143.4% of the operating revenue for the three months ended March 31, 2019 and 108.4% of the operating revenue for the year ended December 31, 2019, respectively. The Group’s Adjusted EBITDA reached HK\$2.5 billion (or approximately US\$0.3 billion) and HK\$7.2 billion (or approximately US\$924.5 million) for the three months ended March 31, 2024 and year ended December 31, 2023, representing 154.7% and 117.0% of the Adjusted EBITDA for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. See “*Management’s Discussion and Analysis of Financial Condition and Results of*

Operations—Adjusted EBITDA” for more information. In addition, the Group’s main floor table games drop and main floor table games win for the three months ended March 31, 2024 reached HK\$29.9 billion (or approximately US\$3.8 billion) and HK\$7.4 billion (or approximately US\$949.6 million), which represent 191.2% and 213.0%, respectively, of those for the three months ended March 31, 2019. The Group’s main floor table games drop and main floor table games win for the year ended December 31, 2023 reached HK\$94.8 billion (or approximately US\$12.1 billion) and HK\$21.4 billion (or approximately US\$2.7 billion), which are 46.7% and 43.3% higher than those for the year ended December 31, 2019, respectively. The Group’s Adjusted EBITDA margin reached 30.3% and 29.3% for the three months ended March 31, 2024 and year ended December 31, 2023, respectively, which is 2.2 and 2.1 percentage points higher than Adjusted EBITDA margin for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. In connection with the Group’s operating performance, its combined market share increased from 9.4% and 9.5% in the three months ended March 31, 2019 and year ended December 31, 2019, respectively, to 17.0% and 15.2% in the three months ended March 31, 2024 and year ended December 31, 2023, respectively, with MGM Cotai’s and MGM Macau’s market shares reaching 8.6% and 6.6%, respectively, for the year ended December 31, 2023. The Group has demonstrated a strong conviction and momentum in leading the recovery of the Macau gaming industry and we believe that the Group is well-positioned to maintain such growth in the foreseeable future as Macau’s overall visitation and gross gaming revenue continue to recover to pre-COVID levels.

MGM Macau

MGM Macau opened in December 2007. The casino floor offered approximately 23,283 square meters, with 948 slot machines, 338 gaming tables, and multiple VIP and private gaming areas as at March 31, 2024. 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 offered approximately 24,549 square meters, with 956 slot machines and 412 gaming tables as at March 31, 2024. The hotel comprises two towers with 1,418 hotel rooms, suites, skylofts and villas, 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, featuring 28 luxurious villas, is the latest addition to the luxurious accommodation at MGM Cotai.

Our Competitive Strengths

One of the most recognizable resort brands in the industry with world-class gaming properties in Macau

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

Unique strategic position towards the premium mass market segment

We have consistently led innovation in the Macau market. As one of the first in the region to introduce gaming areas dedicated to the premium mass market, including the Supreme and Platinum lounges, we have established a primary focus on the high-margin mass gaming segment. We have continued to strengthen our position in the premium mass market with remodeled gaming floors at our two properties, geared towards mass market and premium mass market and additional innovative games attracting mass play. As a result of our strategic positioning in the premium mass market segment, our overall market share has increased to 17.0% and 15.2% in the three months ended March 31, 2024 and year ended December 31, 2023, respectively, from 9.4% and 9.5% in the three months ended March 31, 2019 and year ended December 31, 2019, respectively. With the entry into the Concession Contract, MGM Grand Paradise was awarded an additional 198 gaming tables on January 1, 2023 and is the only Concessionaire that was allocated additional tables under the new concession contracts when the market-wide table count was reduced to a total of 6,000 gaming tables from the market high of 6,739 tables in 2019. We are undergoing deployment optimization of all gaming tables and expect to continue to invest in our gaming floor to enhance table yield. Additionally, our gross gaming revenue from the mass market for the three months ended March 31, 2024 surpassed our gross gaming revenue from the mass market for the three months ended March 31, 2019 by 97.6%. The gross gaming revenue from the mass market accounted for 84% and 85% of our gross gaming revenue for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively. Given the higher margin generated by our mass market gaming segment as compared to our VIP gaming segment, our mass market gaming segment accounted for 90% and 88% of our casino revenue for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively. We believe our strategic position in, and pioneering approach to, the premium mass market improves our overall financial position while offering greater earnings stability.

Continuous focus on “Tourism +” with diversified resort offerings including innovative entertainment and art attractions

For over a decade, our resorts have featured integrated experiences with innovative entertainment and art at the heart of our brand in Macau, enhancing the appeal of our two properties to a broad base of customers and offering a premium experience to our patrons, which translates into a greater number of visitors, longer length of stay and higher spending. Our amenities include world-class entertainment, dynamic theater offerings, expansive retail and food and beverage offerings and architecturally stunning features such as the Grande Praça at MGM Macau and the Spectacle at MGM Cotai. The opening of MGM Theater in MGM Cotai, Asia’s first dynamic theater featuring a multi-dimensional sensory experience enriched with experiential technology elements, has made the staging of complex and innovative entertainment shows possible in Macau. As an avid supporter of Macau’s art and cultural tourism, MGM Cotai housed one of the largest permanent art collections in Macau and MGM Macau featured an art space dedicated specifically for art and cultural exhibitions. These unique entertainment and artistic offerings are the key traffic driver to MGM Macau and MGM Cotai and position the Company as the key player in reinforcing Macau as a cultural and entertainment destination. MGM China has been striving to partner with organizations in various regions to deepen the “tourism+” collaborations with a view to promoting Macau’s diverse history and culture, and highlighting the city as an international cultural tourism destination. In 2023, the Company announced a collaboration with Poly Culture Group Corporation Limited to build an arts and culture museum at MGM Macau. In addition, MGM China has joined hands with Chinese filmmaker Zhang Yimou to present a residency show “MGM 2049” at the MGM Theater. The show is expected to make its stage debut at the MGM Theater in the fourth quarter of 2024.

The Company further benefits from its location in one of the world’s top-performing gaming markets. The Macau area houses the largest concentration of casinos in Asia and prior to the COVID-19 pandemic, the region generated more than five times the gaming revenues of Las Vegas Strip at HK\$283.9 billion (approximately US\$36.3 billion) for the year ended December 31, 2019. We believe this, combined with the appeal of our diversified integrated resort offerings, enables us to capture significant visitation at both MGM Macau and MGM Cotai.

Strong leadership from our Managing Director of MGM Grand Paradise, Ms. Pansy Ho

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

Ms. Pansy Ho is a devoted supporter in the global arts and culture sectors and actively contributes to the diversified cultural and tourism development in Macau. She is also engaged in a host of economic, social and public services and participates in a variety of professional organizations. The Group intends to leverage her extensive global network in expanding international tourist markets and developing differentiated and high-quality products and services.

Experienced management team with a proven track record

The Company is managed by a seasoned team of executive officers who collectively have decades of experience in all areas of the gaming and hospitality industry, including casino marketing, table games operations, slot operations, hotel operations, food and beverage, entertainment, finance, and legal and regulatory compliance, with many having significant experience at prestigious gaming resorts in Macau, the Asia-Pacific region and the United States. We believe that the industry knowledge and experience of our senior executives is important to our success and provides us with significant competitive advantages in our market.

Extensive distribution network of MGM Resorts International for sourcing customers

MGM Resorts International is one of the world's largest gaming and hospitality companies featuring best-in-class hotels and casinos, state-of-the-art meetings and conference spaces, incredible live and theatrical entertainment experiences, and an extensive array of restaurant, nightlife and retail offerings. MGM Resorts International provides the Company with access to global expertise, operating and marketing experience and a deep talent pool to support the Company's expansions and operations. MGM Resorts International's expansive loyalty data base covers a wide range of consumer demographics and preferences who have access to global entertainment offerings. As a result of our valuable customer data base and the Macau and MGM Market Offices, we have successfully attracted a number of gaming and non-gaming travelers visiting our properties in Macau.

We believe that the combined strengths of our shareholders and our extensive global marketing network, provides a competitive advantage in comparison to other operators of integrated resorts in Asia, which, when coupled with our leading management team and focus on the premium mass segment, we believe will allow us to maintain our current market share.

Dedicated commitment to Macau community, including small and medium-sized enterprises (SMEs) and local talent development

We have been dedicated in our commitment to Macau community, in particular to SMEs. A significant portion of our procurement spend was with local SMEs in the year ended December 31, 2023. We have also proactively helped local producers tap into the Greater Bay Area and mainland China market to widen the reach of Made-in-Macau products, such as supporting and providing initiatives to local SMEs to collaborate with enterprises in mainland China. We firmly believe that the customer experience starts with our people, who are the bedrock of both Macau's and MGM China's long-term success. We have focused on offering our team members abundant upskilling opportunities to build Macau into a center of tourism talent. Promoting local employment remains one of our top priorities and in 2023, 92% of our management team was comprised of Macau residents.

Comprehensive corporate governance and legal compliance standards

We are committed to the establishment of good corporate governance practices and procedures to maintain high ethical standards as well as to ensure accountability, transparency and equity in all areas of MGM China's 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 MGM China operates. Our activities are subject to extensive regulations in Macau and we are required to obtain and maintain licenses in order to operate certain aspects of the business. We recognize the importance of complying with applicable legal and regulatory requirements and seek 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.

Prudent balance sheet management ensuring sufficient liquidity

The Group has been prudent in managing a stable balance sheet to ensure the satisfaction of financing obligations and operating requirements. We undertook various initiatives to maintain liquidity and maximize financial flexibility, including obtaining waivers from our lenders to ensure compliance with all financial covenants, accessing the capital markets in a timely manner to bolster our liquidity position at the onset of the pandemic and effectively managing operations during the COVID-19 pandemic to minimize cash burn and preserve liquidity. As demand has increased following the easing of COVID-related travel restrictions, we have swiftly ramped up our operations to match the rise in demand to maintain our operating margin and liquidity.

As of March 31, 2024, the Group had cash and cash equivalents of HK\$4.87 billion (approximately US\$621.9 million) and total available undrawn unsecured credit facilities of HK\$12.05 billion (approximately US\$1,539.8 million). After giving effect to the draw down of HK\$6.0 billion (US\$767 million) under the Revolving Credit Facility in May 2024 and the repayment of the 2024 Notes on May 15, 2024 as set forth in “—Recent Developments” and the offering of the Notes and the use of proceeds therefrom as set forth in “Use of Proceeds,” as of March 31, 2024, our total long-term indebtedness would have been HK\$24.0 billion (approximately US\$3.1 billion), primarily consisting of the Notes, the Existing Notes and amounts outstanding under the Revolving Credit Facility, our ratio of total debt to Adjusted EBITDA after corporate expenses for the 12 months ended March 31, 2024 would have been 3.2x and our ratio of net debt (comprised of total indebtedness, less cash and cash equivalents) to Adjusted EBITDA after corporate expenses for the 12 months ended March 31, 2024 would have been 2.5x, which is in line with the ratio of net debt to Adjusted EBITDA after corporate expenses for the year ended December 31, 2019.

Our Operating Strategies

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. We continue to implement the following business strategies to enhance our position as the leading developer and operator of integrated casino, hotel and entertainment resorts in Macau.

Develop and diversify our offerings to cater to different market segments

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

Continuously improve scale of operations to create optimal financial performance

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

Our management team is dedicated to reinvestment and the implementation of strategies specifically designed to increase margins and profitability. For example, we are proactive in addressing customer preferences, and as a result, have updated our hotel, food and beverage offerings, expanded our retail business, remodeled gaming floors and created gaming offerings that are more closely aligned with the high-margin premium mass segment. As part of our initiative to drive optimal financial performance, we will continuously evaluate efficiencies across both properties in order to create both new and improved strategies around maximizing the potential of our business. Effective from January 1, 2023, the Group is entitled to operate a total of 750 gaming tables, representing a 36% increase from the 552 gaming tables the Group was entitled to operate previously. The increase in gaming tables will offer an opportunity for market share growth. In order to maximize the revenue opportunities from the increased number of gaming tables, as of the date of this offering memorandum, we are undergoing multiple gaming floor projects to optimize our gaming floor layout to fully utilize all the tables productively.

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

We expect to maintain our focus towards the high-margin premium mass gaming segment in an effort to continue growing Adjusted EBITDA. We remodeled the MGM Macau and MGM Cotai mass gaming floors during the pandemic to better serve mass and premium mass customers and have leveraged our Golden Lion Club as a vehicle to attract and retain those premium mass players through exclusive customer service and promotions created. Innovative gaming offerings are also being created to attract premium mass play. Following the effectiveness of the Concession Contract, we added an additional 198 gaming tables to the mass floor. We believe our efforts to strengthen our premium mass segment and our laser-focused operational team have facilitated our solid gross gaming revenue recovery through the first quarter of 2024 and allowed us to gain market share as compared to 2019, and position us well to experience continued growth in the premium mass segment.

Complementary to our premium mass strategy, we also aim to effectively use best-in-class luxury offerings to attract ultra-high end customers and grow the VIP segment. Launched in late March 2019, the ultra-luxury “The Mansion” collection of villas is Macau’s first VIP enclave featuring 27 lavish residential-style villas. Designed to provide selected high-end guests with an unforgettable and sensational stay with heartfelt, intuitive and personalized service, it is an ultra-exclusive resort within a resort that is only available to our most selective guests. Additionally, each villa comes with butler service and certain villas feature balconies, oversized Jacuzzis and massage rooms. In December 2018, “Mansion One,” the ultra-luxury gaming area for invitation-only premium mass customers, was launched. In 2021, “Emerald Villa” was added to the luxurious accommodations. It was awarded the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category, the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category and 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. The expansive and unique offerings associated with The Mansion, Mansion One and Emerald Villa were designed to better position the Company to acquire high-end customers, helping to further grow our customer database and overall gaming business. We believe this combined strategy on premium mass and high-end VIP segments will allow us to more effectively and efficiently grow profits while also broadening our visitation and overnight guests.

Identify innovative investment opportunities in gaming and non-gaming facilities

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

We believe 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 MOP19.7 billion (equivalent to approximately HK\$19.1 billion) over the duration of the Concession Contract, of which MOP18 billion (equivalent to approximately HK\$17.5 billion) (approximately 91%) is expected to be directed towards the development of international tourist markets and nongaming projects and programming to drive tourism to the region. Inclusive of our investments under the Concession Contract, we estimate that our capital expenditure in 2024 will be approximately HK\$1.6 billion to HK\$2.0 billion (equivalent to approximately US\$200 million to US\$250 million).

We intend to continue to work together with the Macau Government to promote the economic diversification of Macau, with an aim to consolidate Macau's position as a world-class center of tourism and leisure. In 2023, we expanded our sales networks in Kuala Lumpur, Manila, Seoul and Osaka and we expect to continue leveraging the extensive sales network of MGM Resorts International to further our reach into international markets. We also plan to increase our non-gaming offerings in terms of entertainment, art, gastronomy, meetings, incentives, conferences and exhibitions (MICE) and wellness tourism through the redesign and upgrade of facilities in MGM Macau and MGM Cotai.

Recent Developments

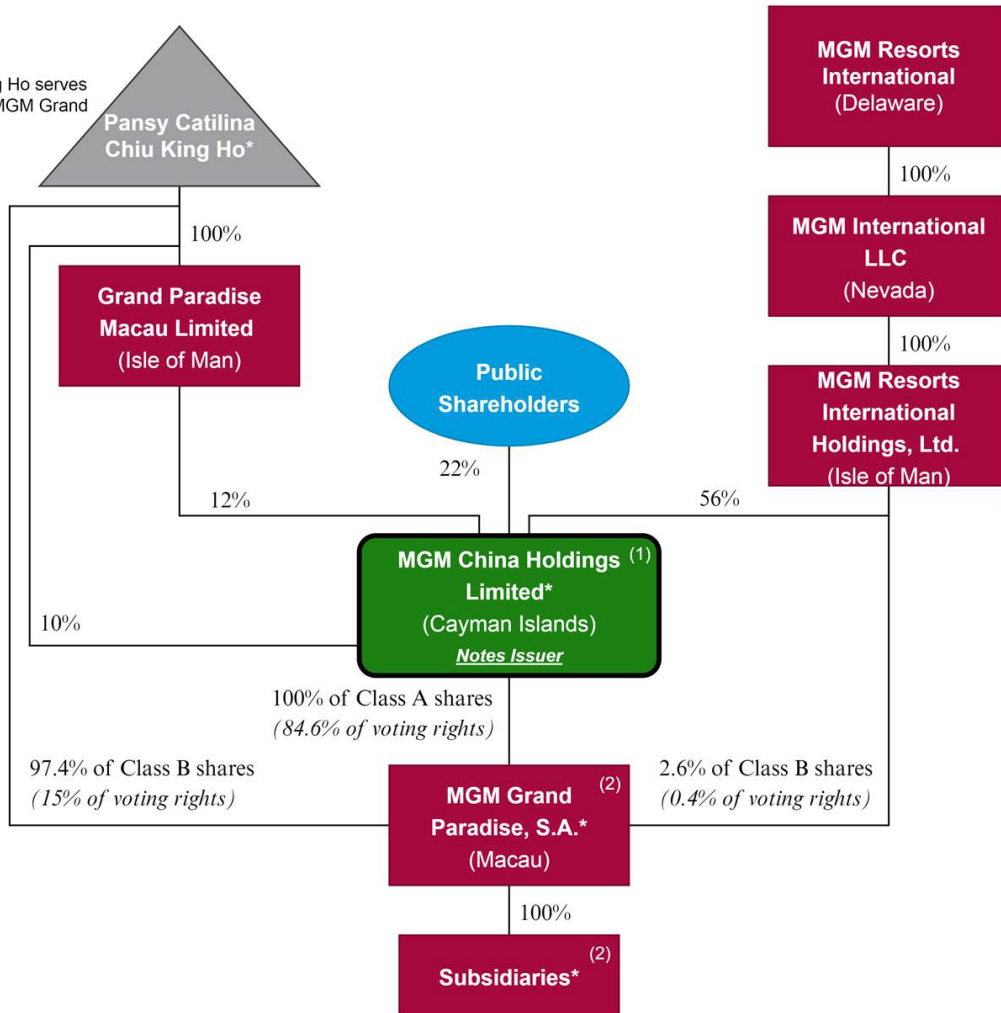
Repayment of 2024 Notes

On May 10, 2024, the Company drew down HK\$6.0 billion (approximately US\$0.8 billion) under the Revolving Credit Facility, the proceeds of which were used, together with cash on hand, to repay the outstanding principal amount, and all accrued and unpaid interest on, the 2024 Notes on May 15, 2024.

Organizational Chart

The following chart illustrates our simplified corporate structure as of March 31, 2024.

*Pansy Catilina Chiu King Ho serves as Managing director of MGM Grand Paradise, S.A.



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

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

THE OFFERING

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

Issuer	MGM China Holdings Limited (the “Company”)
Notes Offered	US\$500,000,000 aggregate principal amount of 7.125% Senior Notes due 2031
Issue Date	June 26, 2024
Maturity Date	June 26, 2031
Interest	The Notes will bear interest at a rate of 7.125% per annum, payable semi-annually in arrears on June 26 and December 26 of each year. The first interest payment will be on December 26, 2024. Interest will accrue from the issue date.
Ranking of Notes	The Notes will be general unsecured obligations of the Company will (1) rank equally in right of payment with all of the Company’s existing and future senior unsecured indebtedness, including our Existing Notes and amounts outstanding under our Revolving Credit Facility and our Second Revolving Credit Facility, (2) rank senior to all of the Company’s existing and future subordinated indebtedness, (3) be effectively subordinated to all of the Company’s future secured indebtedness to the extent of the value of the assets securing such debt, and (4) be structurally subordinated to all existing and future obligations of the Company’s subsidiaries. See “ <i>Description of Notes—Brief Description of the Notes.</i> ” As at March 31, 2024, we had no secured long-term debt. We may incur secured and/or additional unsecured indebtedness and other obligations in the future.
Issue Price	100.000% of the principal amount of the Notes plus accrued interest from and including June 26, 2024, if any
Optional Redemption	At its option, the Company may redeem the Notes, in whole or in part, at any time or from time to time prior to their stated maturity. The redemption price for Notes that are redeemed before June 26, 2027 will be equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) a “make-whole” amount described elsewhere in this offering memorandum, plus in either case accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date. Prior to June 26, 2027 we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. On or after June 26, 2027, we may redeem the Notes, in whole or in part, at a premium declining ratably to zero, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date. See “ <i>Description of Notes—Optional Redemption.</i> ”
Redemption for Tax Reasons	All payments under or with respect to the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is

required by law, subject to certain exceptions, we will pay additional amounts so that the net amount received is no less than the amount that would have been received in the absence of such withholding or deduction. See “*Description of Notes—Additional Amounts.*” We may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, we are required to pay additional amounts with respect to such withholding taxes. If we exercise such redemption right, we must pay you a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including the date of redemption. See “*Description of Notes—Redemption for Tax Reasons.*”

Gaming Redemption..... The indenture governing the Notes (the “Indenture”) grants the Company the power to redeem the Notes if any Gaming Authority requires that a person who is a holder or the beneficial owner of Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable. See “*Description of Notes—Gaming Redemption.*”

Change of Control..... If we experience a Change of Control Triggering Event (as defined under “*Description of Notes—Repurchase at the Option of Holders*”), we will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of such repurchase. See “*Description of Notes—Repurchase at the Option of Holders.*”

Special Put Option..... Upon the occurrence of (1) any event after which none of the Company or any of its subsidiaries has such licenses, concessions, or other permits or authorizations as are necessary for the Company and its subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as the Company and its subsidiaries are entitled to at the Issue Date, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its subsidiaries, taken as a whole; or (2) the termination, rescission, revocation or modification of any gaming license which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its subsidiaries, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any Gaming License; provided that such renewal, tender or other process results in the granting or renewal of the relevant Gaming License (the “Special Put Option Triggering Event”), each holder of the Notes will have the right to require the Company to repurchase all or any part of such holder’s Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including the date of repurchase.

The Company’s obligation to make a Special Put Option Offer (as defined under “*Description of Notes—Special Put Option*”) following a Special Put Option Triggering Event will cease to be of effect upon the

repayment in full of the Existing Notes or, if earlier, at such time as each provision equivalent to the Special Put Option Offer applicable in respect of each series of Existing Notes ceases to be of effect.

See “*Description of Notes—Special Put Option.*”

Certain Covenants..... The Indenture will partially limit, among other things, our ability to merge or consolidate with another company and require us to provide certain information to the holders of Notes.

These covenants are subject to a number of important exceptions and qualifications. See “*Description of Notes—Certain Covenants*” and the related definitions.

Transfer Restrictions The Notes have not been and will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on transfer and resale. See “*Transfer Restrictions.*”

Listing..... Application will be made for a listing of and permission to deal in the Notes on the Hong Kong Stock Exchange and we have received a confirmation from the Hong Kong Stock Exchange of the eligibility of a listing of the Notes by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange.

Form, Denomination and Registration..... The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of DTC.

Book-Entry Only The Notes will be issued in book-entry form through the facilities of Cede & Co. as nominee of DTC for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. For a description of certain factors relating to clearance and settlement, see “*Description of Notes—Book-Entry, Delivery and Form.*”

Delivery of the Notes The Company expects to make delivery of the Notes, against payment in same-day funds, on or about June 26, 2024, which is the fifth business day after the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the U.S. Exchange Act trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next four business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement arrangement at the time of any such trades to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the day of pricing or the next four business days should consult their advisors. See “*Plan of Distribution.*”

Security Codes	Notes sold under	Rule 144A	Regulation S
	CUSIP	55300R AJ0	G60744 AJ1
	ISIN	US55300RAJ05	USG60744AJ14

No Prior Market	The Notes will be new securities for which there is no existing market. Although we have been advised by certain of the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. Accordingly, we cannot assure the liquidity of the trading market for the Notes.
Trustee for the Notes	Wilmington Savings Fund Society, FSB.
Registrar, Transfer Agent and Principal Paying Agent	Wilmington Savings Fund Society, FSB.
Use of Proceeds	Subject to compliance with applicable laws and regulations, we intend to use the net proceeds from this offering to repay a portion of the amounts outstanding under our Revolving Credit Facility. See “ <i>Use of Proceeds</i> .” The Company will be permitted to reborrow such amounts under the Revolving Credit Facility.
Governing Law of the Notes and the Indenture	The Notes and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.
Risk Factors	Investing in the Notes involves substantial risks. Please see the “ <i>Risk Factors</i> ” section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary consolidated financial information presented below as of and for the years ended December 31, 2023, 2022 and 2021 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum, and the summary consolidated financial information presented below as of and for the quarters ended March 31, 2024 and 2023 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. The data below should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited and unaudited consolidated financial statements and the accompanying notes thereto and other financial data included elsewhere in this offering memorandum. Our historical results presented below are not necessarily indicative of the results to be expected for any future period.

Selected Data from Consolidated Statement of Profit or Loss

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

	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	(US\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)	(HK\$'000)
Casino revenue.....	2,788,413	21,821,840	4,438,995	8,223,054	919,377	7,194,955	4,352,214
Other revenue.....	365,756	2,862,370	829,574	1,187,760	135,875	1,063,345	488,476
Operating revenue	3,154,169	24,684,210	5,268,569	9,410,814	1,055,252	8,258,300	4,840,690
Operating profit/(loss)	581,082	4,547,486	(3,609,542)	(2,348,629)	229,050	1,792,520	766,021
Profit/(loss) before tax	343,097	2,685,039	(5,216,170)	(3,828,001)	170,592	1,335,040	155,116
Profit/(loss) for the year attributable to owners of the Company	337,125	2,638,304	(5,231,911)	(3,846,616)	168,510	1,318,746	151,284

Selected Data from Consolidated Statement of Financial Position

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

	As at December 31,				As at March 31,		
	2023	2023	2022	2021	2024	2024	2023
	(US\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)	(HK\$'000)
Assets							
Total non-current assets.....	3,071,685	24,038,700	23,975,653	24,770,685	3,065,245	23,988,305	25,058,178
Total current assets.....	657,126	5,142,604	7,233,843	3,668,890	733,229	5,738,174	4,317,639
Total Assets	3,728,811	29,181,304	31,209,496	28,439,575	3,798,474	29,726,479	29,375,817
Liabilities							
Total non-current liabilities	2,578,422	20,178,474	32,902,415	24,128,951	2,499,514	19,560,954	30,131,494
Total current liabilities.....	1,319,982	10,330,050	2,303,502	3,113,708	1,351,116	10,573,695	3,075,301
Total Liabilities	3,898,404	30,508,524	35,205,917	27,242,659	3,850,630	30,134,649	33,206,795
Total (Deficit)/Equity	(169,593)	(1,327,220)	(3,996,421)	1,196,916	(52,156)	(408,170)	(3,830,978)
Total Equity and Liabilities	3,728,811	29,181,304	31,209,496	28,439,575	3,798,474	29,726,479	29,375,817

Other Financial and Operational Data

MGM Macau	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	(US\$'000, except percentages)	(HK\$'000, except percentages)			(US\$'000, except percentages)	(HK\$'000, except percentages)	
(in thousands, except for percentage and revenue per available room (“REVPAR”))							
Adjusted EBITDA ⁽ⁱ⁾⁽ⁱⁱ⁾	405,178	3,170,886	(274,238)	360,899	144,860	1,133,661	694,780
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾	29.2%	29.2%	(8.9)%	7.0%	32.4%	32.4%	29.7%
Main floor gross table games win	1,260,737	9,866,398	2,722,172	4,125,052	424,412	3,321,405	2,050,274
Main floor table games win percentage	20.4%	20.4%	22.0%	20.3%	23.0%	23.0%	22.1%
Average daily gross win per main floor gaming table.....	11.8	92.0	33.5	52.2	15.1	118.6	83.9

MGM Macau	For the year ended December 31,				For the three months ended March 31,		
	2023 (US\$'000, except percentages)	2023	2022	2021	2024 (US\$'000, except percentages)	2024	2023 (HK\$'000, except percentages)
(in thousands, except for percentage and revenue per available room ("REVPAR"))							
VIP gross table games win	131,704	1,030,705	190,707	1,198,775	28,243	221,024	290,240
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	3.1%	3.1%	2.0%	2.9%	1.8%	1.8%	3.9%
Average daily gross win per VIP gaming table	7.3	56.9	13.6	48.3	10.1	78.8	57.7
Slot machine gross win	115,300	902,325	351,914	504,795	36,883	288,640	187,388
Slot hold percentage	3.9%	3.9%	4.5%	3.8%	4.1%	4.1%	4.4%
Average daily win per slot	0.3	2.7	1.1	1.9	0.4	3.3	2.2
REVPAR ^(iv)	280	2,192	824	1,155	391	3,061	1,535
MGM Cotai							
Adjusted EBITDA ⁽ⁱ⁾	519,348	4,064,360	(1,000,117)	(173,723)	175,191	1,371,030	718,086
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾	29.4%	29.4%	(45.4)%	(4.1)%	28.8%	28.8%	28.7%
Main floor gross table games win	1,475,192	11,544,706	1,750,254	3,381,925	525,142	4,109,706	2,052,484
Main floor table games win percentage	24.9%	24.9%	24.1%	22.9%	26.6%	26.6%	26.4%
Average daily gross win per main floor gaming table	12.0	94.2	23.9	43.5	16.5	129.4	73.4
VIP gross table games win	373,685	2,924,422	390,066	913,578	163,293	1,277,911	456,550
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	3.7%	3.7%	2.8%	3.7%	2.4%	2.4%	4.1%
Average daily gross win per VIP gaming table	21.6	169.4	38.8	50.9	33.1	258.8	117.5
Slot machine gross win	100,213	784,257	173,238	406,803	29,968	234,527	160,654
Slot hold percentage	3.6%	3.6%	3.0%	3.4%	3.5%	3.5%	4.1%
Average daily win per slot	0.3	2.2	0.6	1.4	0.3	2.7	1.8
REVPAR ^(iv)	231	1,805	355	569	336	2,631	1,205

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

Adjusted EBITDA and Adjusted EBITDA after corporate expenses for the years ended December 31, 2023, 2022 and 2021 and for the three months ended March 31, 2024 and 2023

The financial information presented in the table below for the three months ended March 31, 2024 and 2023 has not been audited.

	For the year ended December 31,				For the three months ended March 31,		
	2023 (US\$'000)	2023	2022 (HK\$'000)	2021	2024 (US\$'000)	2024 (HK\$'000)	2023
Profit/(loss) for the year attributable to owners of the Company	337,125	2,638,304	(5,231,911)	(3,846,616)	168,510	1,318,746	151,284
<i>Add/(less)</i>							
Income tax expense	5,972	46,735	15,741	18,615	2,082	16,294	3,832
Net foreign currency loss	4,082	31,945	13,072	100,653	5,538	43,338	138,831
Finance costs	244,511	1,913,522	1,665,261	1,383,508	55,406	433,600	505,075
Interest income	(10,608)	(83,020)	(71,705)	(4,789)	(2,486)	(19,458)	(33,001)
Operating profit/(loss)	581,082	4,547,486	(3,609,542)	(2,348,629)	229,050	1,792,520	766,021
Depreciation and amortization	241,008	1,886,103	2,033,607	2,157,474	58,960	461,415	491,243

Loss on disposal/write-off of property and equipment and other assets.....	2,731	21,369	13,357	19,543	1,997	15,625	714
Pre-opening costs ⁽¹⁾ (unaudited)	—	—	1,130	19,364	—	—	—
Corporate expenses (unaudited)	93,425	731,141	240,747	287,782	28,101	219,929	142,560
Share-based payments	6,280	49,147	46,346	51,642	1,943	15,202	12,328
Adjusted EBITDA (unaudited)⁽²⁾	924,526	7,235,246	(1,274,355)	187,176	320,051	2,504,691	1,412,866
<i>Less</i>							
Corporate expenses (unaudited)	93,425	731,141	240,747	287,782	28,101	219,929	142,560
Adjusted EBITDA after corporate expenses (unaudited).....	831,101	6,504,105	(1,515,102)	(100,606)	291,950	2,284,762	1,270,306

- (1) Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM Cotai.
- (2) Adjusted EBITDA includes provision 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.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our casinos, hotels, convention space and other facilities face intense competition in Macau, elsewhere in Asia and in the world, 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 Concessionaire, MGM Grand Paradise, we currently compete with five other Concessionaires authorized by the Macau Government to conduct gaming operations in Macau. As at March 31, 2024, MGM Macau and MGM Cotai were among 30 casinos of varying sizes in Macau. If current Concessionaires open additional facilities, we would face additional competition, which could have a material adverse effect on our financial condition and results of operations. Furthermore, as a result of DICJ increasing scrutiny and restrictions imposed on gaming promoters, we have terminated our arrangements with our primary gaming promoters, which has led to substantial declines in revenues from gaming promoters. As a result, we expect competition for the mass market segment amongst Macau casino operators will grow and if we are unable to maintain and further develop our mass market business and replace revenue previously generated through our arrangements with gaming promoters, our business, financial condition, results of operations and cash flows could be adversely affected. In addition, although our operating revenue in the three months ended March 31, 2024 and the year ended December 31, 2023 outperformed the market and our overall market share increased during such periods to 15.2% and 17.0%, respectively, we cannot assure you that our operating revenue will continue to grow at the same pace as, or that it will remain at the same level experienced in, the three months ended March 31, 2024 and the year ended December 31, 2023.

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

Our business is particularly sensitive to reductions in discretionary consumer spending and corporate spending on business travel and corporate meetings. Prior to the outbreak of the COVID-19 pandemic, the global macroeconomic environment faced challenges, including the slowdown of China's economy, the U.S.-China trade disputes, and other geopolitical and trade tensions. The enactment of the National Security Law for Hong Kong and the critical stance taken by the U.S. government in relation to the enactment of this law and related developments have caused further frictions in the bilateral relations between China and the United States. Such challenges have affected and may continue to affect the Chinese economy and the demand for gaming and leisure activities by its population.

The COVID-19 pandemic and other recent events, such as the Russian invasion of Ukraine and the U.S. government's policies and proposals regarding certain restrictions on exports to and investments in China, have led to additional geopolitical tensions and economic uncertainties, which may further impact the global movement of human resources, capital, goods and services. Economic contraction and uncertainty or the perception by our customers of weak or weakening economic conditions may cause a decline in demand for hotels, casino resorts, and for the type of luxury amenities we offer. Further, current macroeconomic conditions, including historic levels of inflation and relatively low levels of unemployment in certain major economies in the world, have led to rising interest rates, disruption and volatility within the capital markets, and fiscal and monetary policy uncertainty. Our gaming revenues, financial condition, results of operations and cash flows could be adversely affected by a further deterioration of the current macroeconomic environment, an economic slowdown or recession in China or the global economy, or the perception or expectation that any of these events may occur.

In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as the increased cost of travel, an unstable job market, perceived or actual disposable consumer income and wealth, outbreaks of contagious diseases (such as the 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 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, such as increasing consumer demand for non-gaming offerings by tourists, especially those of younger generations. 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.

The global COVID-19 pandemic materially impacted our business, financial results and liquidity, as a result of which we recorded net losses in 2022 and 2021 and had a deficit position as of March 31, 2024, December 31, 2023 and December 31, 2022.

The COVID-19 pandemic and the travel restrictions and other containment measures implemented in response to the pandemic had a significant impact on our business, results of operations and financial condition. As a result of the containment measures imposed by a number of jurisdictions, including Macau, we were required to significantly scale back the operations at our properties and, at times, suspend operations altogether. Our results of operations and financial position were materially and adversely impacted by the COVID-19 pandemic. During the years ended December 31, 2022 and 2021, we recorded a total comprehensive loss for the year attributable to owners of the Company of HK\$5,239.7 million and HK\$3,844.4 million, respectively. In addition, we recorded a deficiency in assets of HK\$408.2 million, HK\$1,327.2 million and HK\$3,996.4 million as of March 31, 2024, December 31, 2023 and December 31, 2022, respectively.

The recovery of the industry will continue to be affected by a number of external factors, including global and regional economic activity, the demand for travel and consumer confidence. The emergence of new variants and the reintroduction of containment and other restrictive measures imposed during the pandemic could have a negative impact on the pace of recovery for the Macau gaming and tourism industry which could, in turn, adversely impact our business, financial condition and results of operations.

The Macau Government has the right to terminate or redeem MGM Grand Paradise's concession and refuse to grant MGM Grand Paradise an extension of the Concession in 2032.

The Macau Government has the right to unilaterally terminate the Concession under certain circumstances, including if MGM Grand Paradise is found to have endangered the national security of China or the security of Macau, or failed to perform its obligations under the Concession or lack the appropriate qualifications under the Gaming Law, or public interest reasons. Starting in the eighth year of MGM Grand Paradise's 10-year Concession, the Macau Government may redeem the Concession by providing MGM Grand Paradise with at least one year of advance notice. In the event the Macau Government exercises this redemption right, MGM Grand Paradise is entitled to reasonable and fair damages or indemnity. Upon such termination, all of MGM Grand Paradise's Casino

Area and gaming-related equipment, including those which have been temporarily transferred to MGM Grand Paradise by the Macau Government for use in accordance with the Concession, would be transferred automatically to the Macau Government without compensation to MGM Grand Paradise, and we would cease to generate any revenues from these operations. We cannot assure you that MGM Grand Paradise will perform all of its obligations under the Concession Contract in a way that satisfies the requirements of the Macau Government or the Macau Government will not terminate MGM Grand Paradise's Concession on the other grounds described above.

Under the terms of the Concession, MGM Grand Paradise is required to implement certain investments in gaming and non-gaming projects during the 10-year term of the Concession, with an initial committed investment amount of MOP16.7 billion (equivalent to approximately HK\$16.2 billion), of which the committed investment amount related to non-gaming projects was subject to increases of up to 20% in future years in the event that market-wide Macau annual gross gaming revenue reached MOP180 billion (equivalent to approximately HK\$174.8 billion). During the year ended December 31, 2023, the non-gaming investment commitment increased in accordance with the Concession Contract as the market-wide Macau gross gaming revenue reached MOP180 billion (equivalent to approximately HK\$174.8 billion) and, accordingly, the investment commitments of MGM Grand Paradise that are expected to be directed towards gaming and non-gaming projects has increased to MOP19.7 billion (equivalent to approximately HK\$19.1 billion), of which MOP18 billion (equivalent to approximately HK\$17.5 billion) is expected to be in non-gaming projects. There can be no assurance, however, that MGM Grand Paradise will have sufficient cash on hand to fund these obligations, or that it will be able to obtain financing to fund these obligations on satisfactory terms or at all. If MGM Grand Paradise is unable to satisfy its investment commitments, the Concession Contract may be subject to termination by the Macau Government.

Furthermore, under the terms of the Concession, MGM Grand Paradise is obligated to comply with any laws and regulations that are existing or 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 other requirements of the Concession Contract, or that these laws and regulations or other requirements would not adversely affect our ability to construct or operate our businesses in Macau. If any disagreement arises between MGM Grand Paradise and the Macau Government regarding the interpretation of, or MGM Grand Paradise's compliance with, a provision of the Concession, MGM Grand Paradise will rely on a consultation and negotiation process with the Macau Government. During any consultation or negotiation, MGM Grand Paradise will be obligated to comply with the terms of the Concession 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.

In addition, the Concession expires on December 31, 2032. We cannot assure you that MGM Grand Paradise will be able to obtain an extension of the Concession Contract upon its expiration or be awarded a new gaming concession on terms favorable to MGM Grand Paradise or at all. We cannot provide any assurances on the terms associated with any potential future extension or renewal, which could include additional fees or other financial commitments that may have an adverse impact on the financial position of MGM Grand Paradise or the Group as a whole. We also cannot assure you that if the concession is redeemed by the Macau Government, the compensation paid to MGM Grand Paradise will be adequate to compensate for the loss of future revenues or the losses that may be incurred by holders of our debt and equity securities.

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

Current Macau laws and regulations concerning gaming and gaming concessions and licenses are, for the most part, fairly recent and there is little precedent on the interpretation of these laws and regulations. We believe our organizational structure and operations are in compliance in all material respects with all applicable laws and regulations of Macau. These laws and regulations are complex and a court or an administrative or regulatory body

may in the future render an interpretation of these laws and regulations, or issue regulations, which differs from our interpretation and could have a material adverse effect on our financial condition, results of operations and cash flows.

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

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, and in response to outbreaks of contagious diseases, among others;
- 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;
- 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.

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.

MGM China and its directors, key employees, managing companies and shareholders who own 5% or more of the shares in MGM Grand Paradise must be found suitable and are subject to the continuous monitoring and supervision of the Macau Government for the term of the Concession to ensure that they are suitable to conduct a gaming business in Macau. The objectives of the Macau Government's supervision are to preserve the conduct of gaming in Macau in a fair and honest manner and to safeguard and protect the interests of Macau in receiving taxes from the operation of casinos in the jurisdiction. Our activities in Macau are also subject to administrative review and approval by various agencies of the Macau Government, including the DICJ, the Health Bureau, the Labour Affairs Bureau, the Land and Urban Construction Bureau, the Fire Services Bureau, the Financial Services Bureau (including the Tax Department), the Municipal Affairs Bureau, the Monetary Authority of Macau, the Financial Intelligence Office and the Macao Government Tourism Office. We cannot assure you that we will be able to obtain all necessary approvals and licenses, and our failure to do so may materially affect our business and operations. Developments in the regulation of the gaming industry could be difficult to comply with and significantly increase our costs, which could adversely affect our business, financial condition, results of operations and prospects. Macau law permits redress to the courts with respect to administrative actions; such redress is, however, largely untested in relation to gaming regulatory issues.

Current laws, such as licensing requirements, tax rates and other regulatory obligations, could change or become more stringent, resulting in additional regulations being imposed upon the gaming operations or an increase in competition in the gaming industry. There is little precedent on the interpretation of the current gaming laws and industry regulations. These laws and regulations are complex, and DICJ, the Macau Government and the courts may in the future render an interpretation of these laws and regulations that may differ from our interpretation. The uncertainty caused by contradictory decisions or interpretations of laws could have a material adverse effect on our business, financial condition and results of operations.

In December 2022, the Macau Legislative Assembly passed the "Legal Framework for Operating Games of Chance in Casinos," which came into force on January 1, 2023, establishing several limitations relating to Concessionaires, gaming promoters, collaborators and management companies. It imposes suitability and financial capacity verification for gaming promoters, collaborators and management companies, and requires the provision of a guarantee in the amount of MOP1,500,000 for each gaming promoter and management company and of MOP500,000 for each collaborator, for obtaining a gaming promotion license or authorization as a management company or collaborator. The Gaming Activity Law restricts gaming promotion activity to the gaming promoters licensed by the Secretary of Economy and Finance ("SEF"), determining that gaming promoters be suitable corporate legal entities established in Macau with the exclusive object of gaming promotion, with a minimum share capital of MOP10,000,000, of which 50% must be held by Macau permanent residents of at least 21 years of age, with an exclusivity contract with one of the Concessionaires subject to a gaming commission. It sets out the form and minimum content of the gaming promotion contracts and prohibits gaming promoters (a) to resort to any persons or entities that are not its directors, employees or collaborators for gaming promotion activities, (b) to get a share, by any means, of the casino revenue obtained by the concessionaires, (c) to pay a commission to any of its collaborators by way of sharing any casino gaming revenue, (d) to cooperate with anyone who is prohibited from carrying out the activity of promoting games or being a collaborator, and (e) to deposit, by itself or through third parties, chips or funds of others. The gaming promoters' commission is legally capped at 1.25% of the amount bet (net rolling) whatever the calculation basis. Commissions include any advantages or gifts offered or provided in

Macau or abroad, directly or indirectly, within the referred cap. The Gaming Activity Law further requires collaborators, who must also be of a minimum 21 years of age, to be previously authorized by the DICJ. Collaborators must sign a contract with at least one gaming promoter and are prohibited from (a) granting credit for gaming, and (b) depositing any gaming chips or funds. Concessionaires will be jointly liable for the unlawful acts of gaming promoters. This joint and several liability may be excluded when it is proven that the Concessionaire has responsibly fulfilled its supervisory duty, taking into account, among other things, (a) the supervision mechanism established by the Concessionaire and its implementation; and (b) measures adopted by the Concessionaire to prevent the occurrence of illegal acts.

Failure to comply with the terms of the Concession Contract and adapt to the regulatory and gaming environment in Macau could result in the termination of the Concession Contract or otherwise negatively affect our operations in Macau.

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

As most of our patrons travel to reach our property, the strength and profitability of our business depends upon 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 policies 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 may include natural disasters, inclement weather, acts of terrorism or regional political events. We cannot predict the extent to which travel disruptions as a result of any such events would adversely affect our business, financial condition, results of operations and cash flows.

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

We extend credit to certain in-house VIP patrons in the ordinary course of our business. We selectively extend credit to those VIP patrons whose level of play and financial resources, in the opinion of management, warrant such an extension. For these extensions of credit, we often are provided a certain amount of "front money" as a deposit, or secured by uncertified or personal cheques as collateral. We also extend limited credit to certain non-fixed room gaming promoters, however, as a result of the adoption of the New Gaming Credit Law (Law 7/2024), we expect to discontinue such credit operations effective from August 1, 2024.

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

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

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

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

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

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

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

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

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

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

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

Our intellectual property rights, especially our sublicensed rights to use the logo versions of “MGM” in the PRC in respect of gaming, hotel and resort operations, are among our most valuable assets. We have sublicensed the right to use these logos and certain other “MGM”-related trademarks and service marks from MGM Branding, which is the beneficiary of head licenses from MRIH and MGM Resorts International. Pursuant to the sublicensing arrangement, MGM Branding has licensed to us the right to use the “MGM” trademarks 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 PRC citizens and often falsely represent affiliates of one or more Macau casinos and even the Macau Government. These fraudulent websites can appear highly professional and will often feature false statements in an attempt to pass off as a legitimate business or purport to be in association with, or be accredited by, a legitimate business or governmental authority. Such websites may also wrongfully display logos and trademarks owned by legitimate businesses or governmental authorities, or use deceptively similar logos and imagery, to appear legitimate. We do not offer online gambling or investment accounts of any kind. Websites offering these or similar activities and opportunities that use our names or similar names or images in likeness to ours, are without our authorization and possibly unlawfully and with criminal intent. We are not responsible for the contents of such websites. We report the fraudulent websites that use our names and trademarks to the appropriate authorities and may bring lawsuits against such websites when we become aware 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 completed on a timely basis, these unauthorized activities may continue to harm our reputation and negatively affect our business. Efforts we take to acquire and protect our intellectual property rights against unauthorized use throughout the world, which may include retaining counsel and commencing litigation in various jurisdictions, may be costly and may not be successful in protecting and preserving the status and value of our intellectual property assets.

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

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

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

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

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

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

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

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

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

The Third Renewed Deed of Non-compete Undertakings will terminate on the earlier of (i) the last day of the term of the Concession Contract on December 31, 2032 or as such term may be extended by agreement with the Macau Government or the date of effective termination of the Concession Contract if such Concession is terminated by the Macau Government prior to such term, or (ii) the date on which our Shares cease to be listed on the Hong Kong Stock Exchange, provided that the Third Renewed Deed of Non-compete Undertakings shall cease to apply in respect of either of MGM Resorts International and its associates or the PH Group following the date on which their respective shareholding in the Company represents less than 15% of the then issued share capital of the Company. Upon the expiration or termination of the Third Renewed Deed of Non-compete Undertakings, MGM Resorts International and Ms. Pansy Ho may also compete with us in the Restricted Zone. For details of the Third Deed of Non-compete Undertakings, see the section headed "*Security Ownership of Certain Beneficial Owners—Third Renewed Deed of Non-compete Undertakings*."

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

Ms. Pansy Ho and MGM Resorts International together beneficially own the substantial majority of our outstanding shares. Ms. Pansy Ho, Grand Paradise Macau Limited, MRIH and MGM Resorts International have entered into a voting agreement, whereby, as our Significant Shareholders, they have entered into certain mutual undertakings with regard to the exercise of voting rights and dealings in respect of their shares. The voting agreement may be terminated at any time by the written agreement of all the parties to the agreement and shall be terminated automatically without notice (a) on the date that the Third Renewed Deed of Non-compete Undertakings is terminated or ceases to bind either MGM Resorts International or Ms. Pansy Ho or (b) when, by virtue of the transfer of any shares, the PH Group holds less than 15% of the issued shares. The Significant Shareholders may have interests that differ from those of the holders of the Notes and may take actions that are not in the best interests of the holders of the Notes.

As a result of their substantial equity and voting interests, the Significant Shareholders will, when acting together, have the power, among other things, to elect a majority of the directors to our Board, including the collective ability to nominate directors, appoint and change our management, affect our legal and capital structure and our day-to-day operations, approve material mergers, acquisitions, dispositions and other business combinations

and approve any other material transactions and financings. These actions may be taken in many cases without the approval of the independent non-executive directors or other shareholders and the interests of the Significant Shareholders may conflict with the interests of the public shareholders.

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

As at March 31, 2024, we had drawn down bank borrowings of HK\$2.30 billion, or approximately US\$293.9 million, under the Revolving Credit Facility. The Revolving Credit Facility and the Second Revolving Credit Facility entered into on August 12, 2019 and May 26, 2020, respectively, 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 facilities require that we and certain of our subsidiaries satisfy various financial covenants, and 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 Revolving Credit Facility or the Second Revolving Credit Facility could result in an event of default under such instruments, and potentially trigger an event of default under the Existing Notes and/or the notes being offered hereby, 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, including the investments required under the terms of our Concession, depends on our ability to generate cash flow in the future, receive distributions from our subsidiaries, borrow under the Revolving Credit Facility and the Second Revolving Credit Facility or incur new indebtedness. Current macroeconomic conditions, including historic levels of inflation and relatively low levels of unemployment, have led to rising interest rates, disruption and volatility within the capital markets, and fiscal and monetary policy uncertainty. If economic conditions in the PRC, Macau or the region more generally deteriorate we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or investment requirements or fail to satisfy the financial and other restrictive covenants in our debt instruments. We cannot assure you that our business will generate sufficient cash flow from operations or continue to receive distributions from our subsidiaries. We cannot assure you that future borrowings will be available to us under the Revolving Credit Facility and the Second Revolving Credit Facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We cannot assure you that we will be able to access the capital markets in the future to borrow additional indebtedness on terms that are favorable to us or at all.

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

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

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

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

Our gaming business is subject to cheating and counterfeiting.

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

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

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

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

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

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

While we seek employees from other countries to adequately staff our resorts, certain Macau Government policies limit our ability to import labor in certain job positions (for instance, the Macau Government requires that we only hire Macau residents as dealers or supervisors in our casinos) and any government policies that freeze, reduce or cancel our ability to import labor could cause labor costs to increase. 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.

A labor shortage in Macau hotels and other non-gaming Macau attractions could negatively impact our business.

We primarily rely on the Macau community for the workforce at our casinos as the Macau Government requires that we only hire Macau residents as dealers or supervisors in our casinos. In contrast, we and other Macau hotels and non-gaming attractions, including other Concessionaires, rely on foreign and imported workers to staff our hotels and non-gaming attractions. The surge in visitation and business volume has created a labor shortage in Macau, affecting both local and non-local employees. As the demand for foreign workers increases, recruitment has become highly competitive among concessionaires, all contending for talented individuals. This situation could exacerbate the scarcity of labor resources available to Macau's hotels and non-gaming attractions, including us. Without the ability to rely on foreign labor, the competition for local labor resources may increase, which may, in turn, lead to a rise in the cost of local labor. A shortage of labor resources in Macau, particularly with respect to foreign workers, may adversely affect the quality of service that we and other Macau hotels and non-gaming attractions are able to provide, which may lead to a reduction in customer satisfaction levels and a decrease in visitation to Macau as a whole. An increase in competition for foreign labor, increase in labor costs or reduction in visitation numbers may have an adverse effect on our business, results of operations, financial conditions and prospects.

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 or regions may negatively impact us. For example, there are currency exchange controls and restrictions in effect on the export of the Renminbi, the currency of China. Gaming operators in Macau are currently prohibited from accepting wagers in Renminbi. There are currently restrictions on the export of the Renminbi outside of mainland China, including to Macau. For example, a Chinese citizen traveling abroad is only allowed to take a total of RMB20,000 plus the equivalent of up to US\$5,000 out of China. Since January 1, 2018, the Chinese Government has imposed an annual limit of RMB100,000 (approximately US\$14,500) in the aggregate amount that can be withdrawn overseas by any person from Chinese bank accounts. In addition, the Chinese Government's ongoing anti-corruption campaign has led to tighter monetary transfer regulations, including real-time monitoring of certain financial channels, reducing the amount that China-issued ATM cardholders can withdraw in each withdrawal, imposing a limit on the annual aggregate amount that may be withdrawn and the launch of facial recognition and identity card checks with respect to certain ATM users, all of which could disrupt the amount of money visitors can bring from mainland China to Macau. Furthermore, a law with respect to the control of cross-border transportation of cash and other negotiable instruments, effective since November 1, 2017, requires all individuals entering Macau with an amount in cash or negotiable instruments in an amount equal to or higher than the amount as determined by dispatch of the Chief Executive, which is currently set at MOP120,000 (approximately US\$14,867), are required to declare such amount to the customs authorities. Such controls and restrictions may impede the flow of gaming customers to Macau, inhibit the growth of gaming in Macau and negatively impact the success of our business and our results of operations could be adversely affected.

In addition, the value of Renminbi against the U.S. dollar and other currencies may fluctuate and may be affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the Chinese Government. Given a significant number of our customers come from, and are expected to continue to come from, mainland China, any further devaluation of the Renminbi against the U.S. dollar and other currencies may affect the visitation and level of spending of gaming customers and could in turn have a material adverse effect on our revenues and financial condition.

The cash received from our gaming activities is primarily in Hong Kong dollar, whereas our operating expenses and capital expenditures are primarily denominated in Macau pataca and Hong Kong dollar. Macau pataca is pegged to the Hong Kong dollar 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 the Group's exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises liabilities in the form of U.S. dollar-denominated notes. The Hong Kong dollar is pegged to the U.S. dollar and remains 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 three months ended March 31, 2024 and the years ended December 31, 2023, 2022 and 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 revenues and financial condition.

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

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

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

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

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

Our third-party information system service providers and other third parties that share data with us pursuant to contractual agreements face risks relating to cybersecurity that may be similar to those that we face, and we do not directly control any of such parties' information security and cybersecurity operations. A significant theft, loss or

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

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

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

The tax exemption with respect to payment of corporate income taxes on our casino gaming operations will expire on December 31, 2027 and the tax arrangement providing an annual 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 will expire on December 31, 2025.

We have the benefit of a corporate tax exemption in Macau, which exempts us from paying the Macau complementary tax calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the relevant year, on profits generated by the operation of gaming operations. This exemption does not apply to our non-gaming activities. Additionally, we entered into an arrangement with the Macau Government, that provided for an annual payment in lieu of the Macau complementary tax otherwise due from MGM Grand Paradise's shareholders on distributed dividends received by them from gaming profit.

However, the exemption from corporate income taxes on our casino gaming operations will expire on December 31, 2027 and the tax arrangement providing an annual payment in lieu of Macau complementary tax on dividends will expire on December 31, 2025. There is no certainty that the arrangements will be entered into on the same terms as the previous arrangements, or at all. If the arrangements are not extended, a Macau complementary tax of 12% would be due on earnings from gaming operations and distributions to MGM Grand Paradise's shareholders, which could have a material adverse effect on our financial condition, results of operations and cash flows, should such distributions be made.

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

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

- lack of sufficient, or delays in the availability of, financing;
- changes to plans and specifications, and delays in capital expenditures due to unexpected events;
- 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.

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

Although we have all-risk property insurance for our property covering damage caused by a casualty loss (such as fire, natural disasters or certain acts of terrorism), the policy has certain exclusions. In addition, our property insurance coverage is in an amount that may be less than the expected full replacement cost of rebuilding our property if there was a total loss. Our level of insurance coverage may be inadequate to cover all possible losses in

the event of a major casualty. In addition, certain casualty events, such as labor strikes, terrorist attacks, loss of income due to cancellation of room reservations or conventions due to fear of pandemics or terrorism, or damage resulting from deterioration or corrosion, insects or animals and pollution, might not be covered under our insurance policies. Therefore, certain acts and events could expose us to substantial uninsured losses. In addition to the damage caused to our property by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed. While we carry general liability insurance and limited business interruption insurance, this insurance may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses.

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

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

The Revolving Credit Facility, the Second Revolving Credit Facility, the 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.

Macau governmental authorities focus heavily on the gaming industry's compliance with anti-money laundering laws and regulations. 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. From time to time, the Company may receive governmental and regulatory inquiries about compliance with such laws and regulations. The Company intends to cooperate with all such inquiries. Any violation of anti-money laundering laws or regulations, accusations of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, gaming promoters or our patrons could 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 U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws, which generally prohibit U.S. companies and their affiliates and intermediaries from offering, promising, authorizing or making improper payments to foreign government 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.

Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to such laws and regulations. The Office of Foreign Assets Control and the Commerce Department administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations, and individuals. Failure to comply with these laws and regulations could increase our cost of operations, reduce our profits, or otherwise adversely affect our business, financial condition, results of operations and prospects. Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in preventing our and our affiliates' directors, employees, contractors or agents from violating or circumventing our policies and the law. If we or our affiliates, or any of our respective directors, employees or agents fail to comply with applicable laws or the policies governing our operations, the Company may face investigations, prosecutions and other legal proceedings and actions, which could result in civil penalties, administrative remedies and/or criminal sanctions. Any such government investigations, prosecutions or other legal proceedings or actions could adversely affect our business, performance, prospects, value, financial condition, and results of operations.

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

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

The Group was named as a defendant in legal proceedings filed in the Macau courts against gaming promoters by individuals who claimed to have placed cash deposits with gaming promoters who had operations at the Group's properties and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely upon the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos. In February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, with the Court of Final Appeal 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 ongoing proceedings, the Gaming Activity Law, enacted with effect from January 1, 2023, includes in its article 63 certain binding interpretation guidelines with respect to article 29 of the revoked Macau Administrative Regulation No. 6/2002. These guidelines clarify that: (a) a concessionaire will only be jointly and severally liable if the funds or chips deposited by the customer (plaintiff) with a gaming promoter (co-defendant) were used in games of chance or were won in those games; and that (b) to assess whether the deposited funds or chips were used in casino games of chance or were won in those games, it is considered, namely, the concessionaire's gaming records or records relating to the exchange of chips. The Group expects that, going forward, these new binding guidelines will substantially reduce the likelihood of success of claims of this nature, whether in cases filed before the date on which the Gaming Activity Law came into effect but still pending a decision or in cases filed after such date but concerning deposits of funds or chips made prior to such date. Regarding deposits of funds or chips made after January 1, 2023, the Gaming Activity Law

restates the principle of the concessionaires' joint liability with actions of their gaming promoters in what appear to be narrower terms in relation to Administrative Regulation No. 6/2002. However, there is currently no indication as to how courts will interpret the new statute.

On June 6, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Alvin Chau relating to side-betting in the Group's Sun City VIP Rooms, defrauding the Group and leading to lower gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found the majority of the 21 criminal defendants guilty and found that the Group is entitled to HK\$349.0 million in compensation. Following an appeal by certain of the defendants, in October 2023, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants.

On August 15, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Levo Chan relating to side-betting in the Group's Tak Chun VIP Rooms, defrauding the Group and leading to lower gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found five of the nine defendants guilty and found that the Group is entitled to HK\$3.8 million in compensation. Following an appeal by certain of the defendants, in January 2024, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants.

The Group has also been named as a defendant in legal proceedings filed in the Macau Court of First Instance by a contractor and by one of its sub-contractors, both claiming compensation for damages based on the alleged unlawful termination of two construction works contracts (contractor's claim) and on unpaid executed construction works (sub-contractor's claim). The Group intends to keep defending its position that it is not liable with respect to these claims. The Macau Court of First Instance declared, in the meantime, that the contractor, which is currently in bankruptcy proceedings, would have the proceedings continued by the receiver appointed with respect to that company. On January 16, 2020, the Group obtained an interim injunction to freeze the contractor's assets and on June 2, 2020, the Group filed its claim for credits against the contractor's insolvency estate. No final court decision with respect to this matter is expected in the near future.

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

Macau's subtropical climate and location on the South China Sea mean that our operations 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 or any other natural disaster that impacts Macau, our business may be severely disrupted and adversely affected and regulatory authorities may require our casinos to take certain actions such as a temporary cessation of operations. Any flooding, unscheduled cessation of operations, interruption in our technology or transportation services or interruption in the supply of public utilities is likely to result in an immediate, and potentially substantial, loss of revenues. The occurrence and timing of such events cannot be predicted or controlled by us and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Macau is in the process of expanding its transportation infrastructure to service the increased number of visitors to Macau, and has taken strides in recent years to improve travel times and improve accessibility, including by way of a 55 km bridge connecting Hong Kong, Macau and Zhuhai, which opened in October 2018, the Macau Light Rapid Transit system, which opened in December 2019, and the launch of additional direct flights between Macau and international destinations. If continued and other planned expansions of transportation facilities to and from Macau are delayed or not completed, and Macau's transportation infrastructure is insufficient to meet the demands

of the volume of visitors to Macau, the desirability of Macau as a leisure and business tourism destination, as well as the results of operations of our properties, could be negatively impacted.

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

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

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

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

Uncertainties in laws and regulations may expose us to risks.

There is no assurance that our interpretation of the laws and regulations that affect our activities and operations is or will be consistent with the interpretation and application by authorities in jurisdictions where the Group operates. These uncertainties may impede our ability to assess our legal rights or risks relating to our business and activities. Any changes in the laws and regulations, or in the interpretation or enforcement of laws and regulations, in jurisdictions where the Group operates, could have a material and adverse effect on our business and prospects, financial condition and results of operations.

Corporate income taxes may significantly increase due to the Pillar Two legislation initiated by the Organization for Economic Co-operation and Development (“OECD”) and its inclusive framework.

Over 140 members of the OECD and its inclusive framework have agreed to enact a two-pillar solution to reform international tax rules to address the tax challenges arising from the digitalization of the economy as part of the Base Erosion and Profit Shifting (“BEPS”) project. In particular, the Pillar Two initiatives consist of interrelated rules which operate to impose a minimum tax rate of 15% calculated on a jurisdictional basis on multinational enterprises with a global turnover of at least €750.0 million. As at the date of this offering memorandum, the jurisdictions where the Group operates have not enacted the Pillar Two legislation. However, depending on the exact rules and interpretation when it is subsequently enacted, there is a risk that such legislation may have a material adverse effect on our financial condition, results of operations and cash flows.

RISKS RELATING TO THE NOTES

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

We have a substantial amount of debt in relation to our equity. As at March 31, 2024, after giving effect to the draw down of HK\$6.0 billion (US\$767 million) under the Revolving Credit Facility in May 2024 and the repayment of the 2024 Notes on May 15, 2024 as set forth in “—Recent Developments” and the offering of the Notes and the

use of proceeds therefrom, we would have had total long-term indebtedness of HK\$24,005 million, or US\$3,067 million, primarily consisting of the Notes, the Existing Notes and amounts outstanding under the Revolving Credit Facility. Further, as repayments made under the Revolving Credit Facility and the Second Revolving Credit Facility do not result in the cancellation of such commitments, we will be able to reborrow any amounts under the Revolving Credit Facility and the Second Revolving Credit Facility that we repay.

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

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

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

Claims by our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to any secured indebtedness and other secured obligations of the Company to the extent of the value of the assets securing such indebtedness or other obligations. In addition, although we have not been required to incur liens in connection with our Gaming Concession in the past, we can provide no assurance that we will not be required to do so in the future, including with respect to the equity interests of our subsidiaries. As at March 31, 2024, neither the Company nor any of its subsidiaries had any secured indebtedness outstanding. We may incur secured indebtedness or other secured obligations in the future, all of which will be effectively senior to the Notes to the extent of the value of the collateral securing such obligations.

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

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

- the creditors of the Company (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and
- creditors of such subsidiary, including trade creditors, and any preferred shareholders of such subsidiary will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Company, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

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

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

The Indenture will not and does not:

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

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

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

Credit rating agencies continually review our corporate ratings and ratings for our debt securities. Credit rating agencies also evaluate the industries in which we and our affiliates operate and may change their credit rating for us based on their overall view of such industries. We are subject to a ratings downgrade at any time, and no assurance can be given that events occurring between now and the issuance of the Notes will not result in the rating agencies downgrading our credit rating. There can be no assurance that any rating assigned to our currently outstanding debt securities will remain in effect for any given period of time or that any such ratings will not be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances so warrant.

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

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

- impair our business, financial condition and results of operations.

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

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

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

If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness, including the Notes, on or before the maturity date, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness, including the Notes, will depend on the condition of the financing and capital markets, our financial condition and our ability to obtain requisite governmental approvals at such time. To address the adverse financial impact of the COVID-19 pandemic on the Group's financial position, we entered into the Second Revolving Credit Facility on May 26, 2020, which facility has subsequently been amended to increase the available undrawn credit facilities thereunder to HK\$4.6 billion (approximately US\$587.8 million). In addition, we entered into several amendments to our Revolving Credit Facility and our Second Revolving Credit Facility to, among other things, waive the financial covenants thereunder through the then-current maturity date. We can give no assurance that our lenders will be willing to continue to negotiate on terms that are reasonable or at all to the extent our financial condition deteriorates in the future.

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

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

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements, or the Indenture, there could be a default under the terms of these agreements. In the event of a default

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Trustee may request the holders of the Notes to provide an indemnity and/or security to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Company and taking enforcement steps pursuant to terms of the Notes, the Trustee may, at its sole discretion, request the holders of the Notes to provide an indemnity and/or security to its satisfaction before it takes actions on behalf of the holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security to it, in breach of the terms of the Indenture or the terms of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations.

Certain actions in respect of defaults taken under the Indenture by beneficial owners with short positions in excess of their interests in the Notes will be disregarded.

By acceptance of the Notes, each Holder of Notes agrees, in connection with certain notices of Default (as defined under “Description of Notes”), notices of acceleration or instructions to the Trustee to provide certain notices of Default, notices of acceleration or take any other action with respect to certain alleged Default or Event of Default (as defined under “Description of Notes”) (a “Noteholder Direction”), to (i) deliver a written representation to the Company and the Trustee that such Holder is not (or, in the case such Holder is DTC or DTC’s nominee, that such Holder is being instructed solely by beneficial owners that are not) Net Short (as defined under “Description of Notes”) and (ii) provide the Company with such other information as the Company may reasonably request from

time to time in order to verify the accuracy of such Holder's representation within five business days of request therefor. See "*Description of Notes—Events of Default and Remedies.*" Holders of the Notes, including Holders that have hedged their exposure to the Notes in the ordinary course and not for speculative purposes, may not be able to make such representations or provide the requested additional information. These restrictions may impact a Holder's ability to participate in Noteholder Directions.

An active trading market for the Notes may not develop.

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

The liquidity and prices of the Notes may be volatile.

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

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

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

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

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

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

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

The Notes will initially be represented by one or more Notes in registered, global form, and holders of a beneficial interest in a global note must rely on the procedures of the relevant clearing systems.

The Notes will initially be represented by one or more global notes. Such global notes will be registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering, beneficial interests in Notes offered and sold in reliance on Regulation S under the Securities Act may be held only through Euroclear System and Clearstream Banking, S.A. (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A global note in accordance with the terms of the Indenture. Investors will only be entitled to receive definitive Notes in the circumstances described in the Indenture. The clearing systems will maintain records of the beneficial interests in the global notes. Interests in the Notes represented by a global note will trade in book-entry form only and holders of book-entry interests will not be considered a Holder (as defined in the Indenture) of the Notes. DTC or its nominee will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to the relevant clearing systems. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global note representing the Notes and credited by such participants to indirect participants. After payment to DTC or its nominee, the Company will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the relevant clearing system or, if you are not a participant in the relevant clearing system, on the procedures of the participant through which you own your interest, to exercise any rights of a Holder under the Indenture. Unlike holders of definitive notes, holders of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Holders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from the relevant clearing system. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an Event of Default (as defined in the Indenture) under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through the relevant clearing system. The procedures to be implemented through the relevant clearing system may not be adequate to ensure the timely exercise of rights under the Indenture and the Notes.

USE OF PROCEEDS

We estimate that the net proceeds from the offering of the Notes will be approximately HK\$3,859.3 million, or US\$493.1 million, after deducting the discounts of the Initial Purchasers and other estimated offering expenses payable by us. Subject to compliance with applicable laws and regulations, we intend to use the net proceeds from this offering to repay a portion of the amounts outstanding under our Revolving Credit Facility. Affiliates of certain of the Initial Purchasers are lenders under our Revolving Credit Facility and, accordingly, may receive a portion of the net proceeds for this offering through any repayment of borrowings under our Revolving Credit Facility. See “*Plan of Distribution—Conflicts of Interest.*” The Company will be permitted to reborrow such amounts under the Revolving Credit Facility.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as at March 31, 2024 (i) on an actual basis, (ii) as adjusted to give effect to the draw down of HK\$6.0 billion (approximately US\$767 million) under our Revolving Credit Facility and the repayment of the 2024 Notes in May 2024 (as described in “*Summary—Recent Developments—Repayment of 2024 Notes*”) and (iii) as further adjusted to give effect to the net proceeds from the issuance of the Notes, after deducting the discounts of the Initial Purchasers and other estimated offering expenses payable by us, and the application of the proceeds as described under “*Use of Proceeds*.” The following table should be read in conjunction with the summary financial information and unaudited condensed consolidated financial statements and related notes included elsewhere in this offering memorandum.

	Actual		As at March 31, 2024 As Adjusted		As Further Adjusted	
	(US\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)
Cash and cash equivalents.....	621,909	4,866,997	621,909	4,866,997	621,909	4,866,997
Pledged bank deposits ⁽¹⁾	86,891	680,000	86,891	680,000	86,891	680,000
Total cash	708,800	5,546,997	708,800	5,546,997	708,800	5,546,997
Debt						
Revolving Credit Facility ⁽²⁾	293,755	2,300,000	1,060,479	8,300,000	567,340	4,440,743
2024 Notes ⁽³⁾⁽⁴⁾	750,000	5,869,125	—	—	—	—
Existing 2025 Notes ⁽³⁾	500,000	3,912,750	500,000	3,912,750	500,000	3,912,750
Existing 2026 Notes ⁽³⁾	750,000	5,869,125	750,000	5,869,125	750,000	5,869,125
Existing 2027 Notes ⁽³⁾	750,000	5,869,125	750,000	5,869,125	750,000	5,869,125
Notes offered hereby ⁽²⁾	—	—	—	—	500,000	3,912,950
Total face value of debt.....	3,043,755	23,820,125	3,060,479	23,951,000	3,067,340	24,004,693
Debt finance costs.....	(31,552)	(246,925)	(31,552)	(246,925)	(38,413)	(300,618)
Total debt	3,012,203	23,573,200	3,028,927	23,704,075	3,028,927	23,704,075
Total deficit	(52,156)	(408,170)	(52,156)	(408,170)	(52,156)	(408,170)
Total capitalization	2,960,047	23,165,030	2,976,771	23,295,905	2,976,771	23,295,905

- (1) As at March 31, 2024, the Company had pledged bank deposits of MOP700.4 million (equivalent to HK\$680 million or approximately US\$86.9 million) in relation to the bank guarantees provided to the Macau Government for the Concession Contract.
- (2) In order to present the exact US\$ denominated figure, the amount outstanding under the Revolving Credit Facility as at March 31, 2024 (actual) was translated using the exchange rate of HK\$7.8297 to US\$1.00, the amount outstanding under the Revolving Credit Facility as at March 31, 2024 (as adjusted) was translated using the exchange rate of HK\$7.8267 to US\$1.00 and the amount outstanding under the Revolving Credit Facility as at March 31, 2024 (as further adjusted) was translated using the exchange rate of HK\$7.8273 to US\$1.00. As of March 31, 2024, we had drawn down bank borrowings of HK\$2.30 billion (approximately US\$294 million) under the Revolving Credit Facility and the Second Revolving Credit Facility was undrawn. As of March 31, 2024, we had available capacity of HK\$12.05 billion (approximately US\$1.54 billion) under the Revolving Credit Facility and the Second Revolving Credit Facility. In May 2024, we drew down HK\$6.0 billion (approximately US\$767 million) under our Revolving Credit Facility to repay outstanding principal of HK\$5.87 billion (US\$750 million) and a portion of accrued but unpaid interest of HK\$0.13 billion (US\$17 million) on the 2024 Notes at maturity on May 15, 2024. The net proceeds of US\$493.1 million (approximately HK\$3,859.3 million) from this offering will be used to repay a portion of the amounts outstanding under our Revolving Credit Facility.
- (3) In order to present the exact US\$ denominated figure, the amount outstanding under the 2024 Notes and the Existing Notes as at March 31, 2024 was translated using the exchange rate of HK\$7.8255 to US\$1.00.
- (4) The 2024 Notes were repaid in full at maturity on May 15, 2024 with drawings under our Revolving Credit Facility Agreement. As of the date of this offering memorandum, the 2024 Notes are no longer outstanding.

Except as otherwise disclosed above, there has been no material change in our capitalization since March 31, 2024.

EXCHANGE RATE INFORMATION

Overview

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

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

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

Period	Noon buying rate			Period End
	Low	Average ⁽¹⁾	High	
	(HK\$ per US\$1.00)			
2019.....	7.7850	7.8335	7.8499	7.7894
2020.....	7.7498	7.7562	7.7951	7.7534
2021.....	7.7515	7.7727	7.8034	7.7996
2022.....	7.7693	7.8306	7.8499	7.8015
2023.....	7.7920	7.8291	7.8499	7.8109
2024				
January.....	7.8065	7.8162	7.8263	7.8175
February.....	7.8185	7.8218	7.8286	7.8286
March.....	7.8198	7.8230	7.8290	7.8259
April.....	7.8210	7.8305	7.8368	7.8210
May.....	7.7979	7.8119	7.8234	7.8199
June (through June 7).....	7.8107	7.1830	7.8198	7.8107

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

Macau

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

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

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

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 NYSE. MGM Resorts International is our controlling Shareholder (with an interest in approximately 56% of our issued share capital as of March 31, 2024) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in approximately 22% of our issued share capital as of March 31, 2024). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

Following the announcement by the Macau Government 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. 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 duration of the Gaming Concession under the current Concession Contract is 10 years, starting from January 1, 2023 and expiring on December 31, 2032.

Financial Impact of COVID-19 and Recovery

Visitation to Macau and business volume across all operations at MGM Macau and MGM Cotai were adversely impacted during 2020-2022 due to outbreaks of COVID-19 cases in Macau and neighboring regions, including mainland China which led to travel restrictions to Macau. Commencing in 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 a relaxation of travel restrictions to Macau. Following the easing of travel restrictions, total visitor arrivals into Macau during the three months ended March 31, 2024 and year ended December 31, 2023 significantly increased, returning to 86% and 72%, respectively, of total visitor arrivals as compared to the three months ended March 31, 2019 and year ended December 31, 2019. In particular, total visitor arrivals into Macau in April 2024 reached 75.8% of the total visitor arrivals in April 2019. As a result of positive macroeconomic improvements in the region and the recovery across the Macau gaming industry, the Group's property visitation during the three months ended March 31, 2024 and the year ended December 31, 2023 significantly increased, returning to 153% and 106%, respectively, of total property visitors as compared to the corresponding period in 2019. The positive macroeconomic developments also resulted in the Group's gross gaming revenue increasing by 385.0% to HK\$27.1 billion (or approximately US\$3.5 billion) for the year ended December 31, 2023, as compared to the year ended December 31, 2022, returning to 100.6% of that for the year ended December 31, 2019. Additionally, the Group's gross gaming revenue increased to HK\$9.5 billion (or approximately US\$1.2 billion) for the three months ended March 31, 2024, representing 140.8% of that for the three months ended March 31, 2019.

For the three months ended March 31, 2024 and the year ended December 31, 2023, the Group's operating revenue reached HK\$8.3 billion (or approximately US\$1.1 billion) and HK\$24.7 billion (or approximately US\$3.2 billion), respectively, representing 143.4% of the operating revenue for the three months ended March 31, 2019 and 108.4% of the operating revenue for the year ended December 31, 2019, respectively. The Group's Adjusted EBITDA reached HK\$2.5 billion (or approximately US\$0.3 billion) and HK\$7.2 billion (or approximately US\$924.5 million) for the three months ended March 31, 2024 and year ended December 31, 2023, representing

154.7% and 117.0% of the Adjusted EBITDA for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. See “—Adjusted EBITDA” for more information. In addition, the Group’s main floor table games drop and main floor table games win for the three months ended March 31, 2024 reached HK\$29.9 billion (or approximately US\$3.8 billion) and HK\$7.4 billion (or approximately US\$949.6 million), which represent 191.2% and 213.0%, respectively, of those for the three months ended March 31, 2019. The Group’s main floor table games drop and main floor table games win for the year ended December 31, 2023 reached HK\$94.8 billion (or approximately US\$12.1 billion) and HK\$21.4 billion (or approximately US\$2.7 billion), which are 46.7% and 43.3% higher than those for the year ended December 31, 2019, respectively. The Group’s Adjusted EBITDA margin reached 30.3% and 29.3% for the three months ended March 31, 2024 and year ended December 31, 2023, respectively, which is 2.2 and 2.1 percentage points higher than Adjusted EBITDA margin for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. In connection with the Group’s operating performance, its combined market share increased from 9.4% and 9.5% in the three months ended March 31, 2019 and year ended December 31, 2019, respectively, to 17.0% and 15.2% in the three months ended March 31, 2024 and year ended December 31, 2023, respectively, with MGM Cotai’s and MGM Macau’s market shares reaching 8.6% and 6.6%, respectively, for the year ended December 31, 2023. The Group has demonstrated a strong conviction and momentum in leading the recovery of the Macau gaming industry and we believe that the Group is well-positioned to maintain such growth in the foreseeable future as Macau’s overall visitation and gross gaming revenue continue to recover to pre-COVID levels.

MGM Macau

MGM Macau opened in December 2007. The casino floor offered approximately 23,283 square meters, with 948 slot machines, 338 gaming tables, and multiple VIP and private gaming areas as at March 31, 2024. 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 offered approximately 24,549 square meters, with 956 slot machines and 412 gaming tables as at March 31, 2024. The hotel comprises two towers with 1,418 hotel rooms, suites, skylofts and villas, 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, featuring 28 luxurious villas, is the latest addition to the luxurious accommodation at MGM Cotai.

Factors Affecting Our Results of Operations and Financial Position

Our results of operations and the period-to-period 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 continues to be added with several new large-scale integrated resorts being opened in Cotai in recent years. Infrastructure investment and growth in room supply have been supporting 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% and 67.5% of visitors to Macau were from mainland China in 2019 (before the COVID-19 pandemic) and 2023, respectively. Approximately 70.9% and 65.4% of visitors to Macau were from mainland China for the three months ended March 31, 2024 and March 31, 2023, respectively.

Following the easing of travel restrictions to Macau which began in late 2022, total visitor arrivals into Macau and Macau gross gaming revenue have significantly increased. Total visitor arrivals into Macau increased by 394.9% and total visitation from mainland China to Macau increased by 273.1%, in each case, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Macau gross gaming revenue increased by 333.8% to HK\$177.7 billion for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Total visitor arrivals into Macau and Macau gross gaming revenue for the year ended December 31, 2023 were 28.4% and 37.4% lower than the pre-pandemic comparable period in 2019, respectively.

Total visitor arrivals into Macau increased by 79.4% and total visitation from mainland China to Macau increased by 94.3% for the three months ended March 31, 2024, respectively, over the comparable period in 2023. Macau gross gaming revenue increased by 65.5% to HK\$55.7 billion for the three months ended March 31, 2024 over the comparable period in 2023.

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

- the financial investments made to date and the investments committed to be made during the 10-year term of the new gaming concessions by the six gaming concessionaires, in an aggregate amount of approximately US\$18 billion, to provide superior and diversified gaming and non-gaming offerings to enhance the position of Macau as a world class tourism center;
- the planned investment by the Macau Government of an estimated MOP235 million (or approximately HK\$228 million or US\$29 million) in 2024 on promoting Macau at overseas roadshows and travel programs;
- the 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 development of the fourth Macao-Taipa bridge, the opening of Qingmao border and Hengqin border 24-hour checkpoints; the ongoing expansion of the Macau Light Rapid Transit System; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China; the launch of additional direct flights between Macau and international destinations. All can facilitate more convenient travel to Macau;
- the development of Hengqin into a tourism island which, together with Macau, have been designated as a key tourism hub by the Chinese Government;
- the continuous growth of mainland China outbound tourism, particularly in light of the growing middle class with increasing wealth and demand for travel and leisure experiences;
- the investment by the Macau government in various initiatives to attract visitors, targeting 33 million visitors in 2024, which represents an expected 17% increase to 2023 and at 84% of 2019 visitation levels, respectively;
- the rolling out of favorable visa policies for Chinese visitors, including opening visa machines in all cities enabling instant visa approvals, allowing non-local citizens to apply for visa in any Chinese cities and continuing to expand the individual visa scheme, most recently adding eight cities, including Taiyuan, Hohhot, Harbin, Lhasa, Lanzhou, Xining, Yinchuan and Urumqi, to the program in May 2024, bringing the total number of cities participating in the individual visa scheme to 59;

- the strong efforts to promote Macau as a safe and quality tourism destination by the Macau Government; and
- the roll-out of measures by China’s National Immigration Administration on April 28, 2024, aimed at supporting recovery and growth in Macau and Hong Kong, including the ability to renew travel documents online in 20 mainland cities, the extension of the maximum stay under a business visa from 7 to 14 days, the implementation of a multi-entry visa within a 7-day period for mainland participants in Hengqin-Macau tour groups, and the implementation of a multi-entry visa within a 12-month period for participation in exhibitions, performing arts and medical treatment.

Nonetheless, the Macau gaming market and tourism is also affected by factors, such as 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 U.S. dollar; introduction of a border currency declaration system; monetary outflow policies and legislation on cross-border gambling. These factors may 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.

Competition

There are six gaming operators in Macau and as at March 31, 2024, 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, and the additional 198 gaming tables awarded under the Gaming Concession, our overall gaming market share increased from 9.4% and 9.5% for the three months ended March 31, 2019 and the year ended December 31, 2019, respectively, to 17.0% and 15.2% for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively. 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.

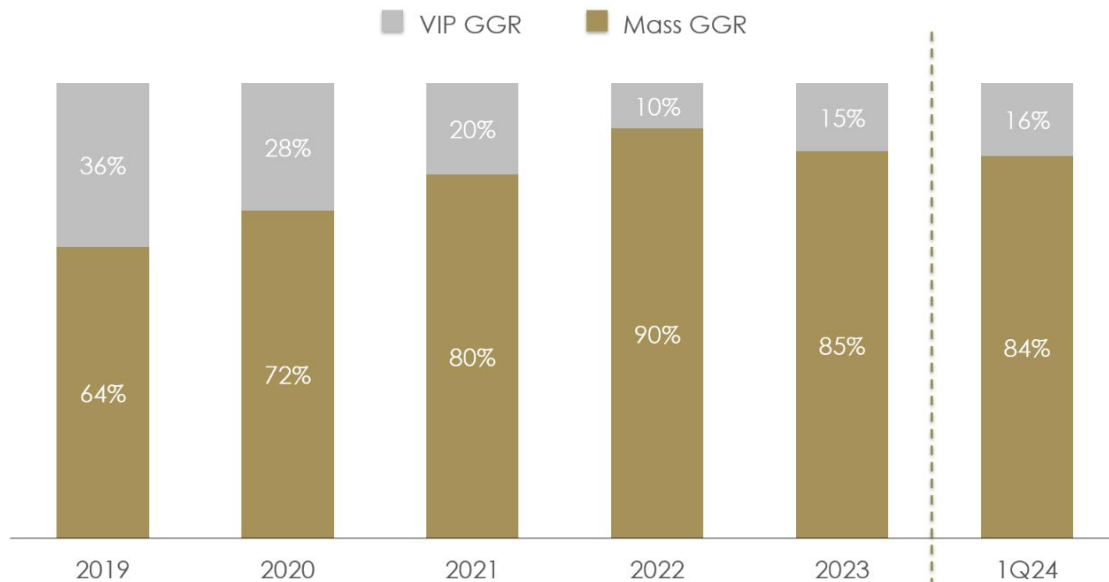
Gaming Patrons

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. As a result of our direct relationships with customers, the mass market gaming operation enjoys a higher margin. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. Our mass market gaming operation accounted for 84% and 85% of our gross gaming revenue for the three months ended March 31, 2024 and for the year ended December 31, 2023, respectively. Our mass gross gaming revenue, including slots, for the year ended December 31, 2023 was at 134% of mass gross gaming revenue for the year ended December 31, 2019, whereas, for the three months ended March 31, 2024, our mass gross gaming revenue, including slots, surpassed the level in the corresponding period in 2019 by 97.6%. Daily gross gaming revenue in 2023 was likewise at 101% of daily gross gaming revenue in 2019. Unlike VIP players, main floor players, including premium and mass market players, do not receive commissions from the Group. The chart below presents our gross gaming revenue breakdown between the VIP and mass segments for the years ended December 31, 2019 through 2023 and the three months ended March 31, 2024.

MGM CHINA GGR MIX



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

The majority of our VIP casino 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. For discussions on credit granted to our gaming patrons, see “*Risk Factors—Risks Relating to Our Business and Operations—We are exposed to credit risk on credit extended to our patrons and gaming promoters.*” Alternately, our VIP clients may come under our gaming promoters’ programs.

In December 2021, the Group suspended VIP operations with its primary gaming promoters and subsequently terminated its contractual arrangements with such promoters. In addition, following the introduction of the Macau Gaming Law in June 2022, the Group has not had revenue sharing arrangements with any gaming promoters. Accordingly, the contribution of VIP operations with gaming promoters to our casino revenue was substantially reduced.

We extend credit to certain in-house VIP patrons in the ordinary course of our business and limited credit to certain non-fixed room gaming promoters. However, as a result of the adoption of the New Gaming Credit Law (Law 7/2024), we expect to discontinue our credit operations with gaming promoters effective from August 1, 2024. In order to minimize the credit risk with in-house VIP players and non-fixed room 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. See *“Risk Factors—Risks Relating to Our Business and Operations—We are exposed to credit risk on credit extended to our patrons and gaming promoters.”*

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.

Hospitality

MGM Macau opened in December 2007 and the hotel houses 585 hotel rooms comprising 468 standard guestrooms, 99 luxury suites and 18 private luxury villas. MGM Cotai opened in February 2018 and the hotel comprises two towers – M Tower and Emerald Tower with 1,418 hotel rooms comprising 1,248 standard guestrooms, 99 luxury suites, 16 skylofts, 27 The Mansion villas and 28 Emerald villas. The expansive and unique offerings associated with The Mansion and Emerald Villa were designed to better position the Group to acquire high-end customers. In addition, the resorts offer luxurious amenities, including 8 diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space at MGM Macau and 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings at MGM Cotai.

Our hospitality services and premium quality facilities are highly recognized by world-class awards. In particular, our resorts have received a total of seven Forbes Travel Guide Five-Star Awards for 2023 and 2024, Imperial Court at MGM Macau was honored in the Black Pearl Restaurant Guide with One-diamond Restaurant in 2023 and 2024 and Five Foot Road at MGM Cotai achieved One Michelin Star at the MICHELIN Guide Hong Kong and Macau 2023 and 2024.

Arts and Culture

Precious works of art can be found throughout MGM Macau including the massive “Fiori de Paradiso” chandelier by renowned artist Dale Chihuly, which is located at the hotel lobby. Additional artwork, including lion sculptures and paintings by local and international artists are located elsewhere on the grounds. MGM Macau also features the MGM Art Space, a dedicated gallery space in a Macau resort designed specifically for art and cultural exhibitions. In 2023, MGM China announced a collaboration with Poly Culture Group Corporation Limited to build a cutting-edge arts and culture museum at MGM Macau.

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.

As a supporter of cultural tourism, MGM China collaborates with world-renowned artists, art institutions and luxury brands to bring in exhibitions, art installations and performing arts to the two properties. During 2023 and the first quarter of 2024, MGM China presented the “Fondant Art Exhibition” of Zhou Yi, “To Infinity and Beyond: The Art of Hsiao Chin” special exhibition, art installation “Valkyrie Miss Dior” by contemporary Portuguese artist Joana Vasconcelos, local artist Eric Fok’s first digital artwork “Giraffe meets Qilin” and “Living Heritage: Poly Culture MGM Charity Auction Gala.”

Entertainment

Empowered by the latest in technology and engineering, MGM Theater, Asia’s first dynamic theater, can create custom arrangements for special events. New shows or events performed at the MGM Theater during 2023 and the first quarter of 2024 include the “George Lam Keep Smiling Concert Macau,” “Wowkie Da MGM Music Show,” “Hacken Lee MGM Music Show,” “Harlem Yu – Harlem’s Years World Tour Concert in Macau,” “Paul Anka: The Greatest Hits, His Way in Macau,” “Let’s JAM at MGM,” “Matchy Kondo – Matchy Get Macao ~ X’mas Special Concert in Macao”, the global premiere of the world’s first digital collective movie “SHIP,” “Buddha Passion,” and “Together with Ekin Cheng MGM Music Show.” The Spectacle, situated at the heart of MGM Cotai, comprises the one of the world’s largest areas of permanent indoor LED screens and showcases an exclusive array of digital art collected from around the globe, setting a platform for world renowned artists to reveal the beauty of the world. Our innovative “Sea Odyssey” show is another exclusive attraction at MGM Cotai, which takes advantage of the LED displays at the Spectacle. In addition, MGM Cotai also held “Oktoberfest Macau at MGM,” “Mayday FLY TO MGM Concert,” “MGM Chef Nic Gastronomusic Fest,” and “Bruno Mars The One & Only Night at MGM” during 2023 and the first quarter of 2024. We continued developing our original entertainment products in 2024 and will leverage our advanced technologies and our originality to introduce new and unique entertainment offerings.

Additionally, MGM China has joined hands with world-renowned Chinese filmmaker Zhang Yimou to present a residency show “MGM 2049” at the MGM Theater. The show is currently expected to make its stage debut at the MGM Theater in the fourth quarter of 2024.

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 after corporate expenses is Adjusted EBITDA less corporate expenses. Adjusted EBITDA is used by management as the primary measure of the Group’s operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA and Adjusted EBITDA after corporate expenses should not be considered in isolation, construed as alternatives to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as alternatives to cash flow as a measure of liquidity. Adjusted EBITDA and Adjusted EBITDA after corporate expenses presented in this offering memorandum may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

The following table presents the reconciliation of the Group’s Adjusted EBITDA and Adjusted EBITDA after corporate expenses to profit or loss attributable to owners of the Company for the years ended December 31, 2023, 2022 and 2021, and for the three months ended March 31, 2024 and 2023.

	For the year ended December 31,				For the three months ended March 31,		
	2023 (US\$'000)	2023	2022 (HK\$'000)	2021	2024 (US\$'000)	2024 (HK\$'000)	2023
Profit/(Loss) for the year attributable to owners of the Company	337,125	2,638,304	(5,231,911)	(3,846,616)	168,510	1,318,746	151,284

<i>Add/(less)</i>							
Income tax expense.....	5,972	46,735	15,741	18,615	2,082	16,294	3,832
Net foreign currency loss.....	4,082	31,945	13,072	100,653	5,538	43,338	138,831
Finance costs.....	244,511	1,913,522	1,665,261	1,383,508	55,406	433,600	505,075
Interest income.....	(10,608)	(83,020)	(71,705)	(4,789)	(2,486)	(19,458)	(33,001)
Operating profit/(loss).....	581,082	4,547,486	(3,609,542)	(2,348,629)	229,050	1,792,520	766,021
Depreciation and amortization.....	241,008	1,886,103	2,033,607	2,157,474	58,960	461,415	491,243
Loss on disposal/write-off of property and equipment and other assets.....	2,731	21,369	13,357	19,543	1,997	15,625	714
Pre-opening costs ⁽¹⁾ (unaudited).....	—	—	1,130	19,364	—	—	—
Corporate expenses (unaudited).....	93,425	731,141	240,747	287,782	28,101	219,929	142,560
Share-based payments.....	6,280	49,147	46,346	51,642	1,943	15,202	12,328
Adjusted EBITDA⁽²⁾ (unaudited).....	924,526	7,235,246	(1,274,355)	187,176	320,051	2,504,691	1,412,866
<i>Less</i>							
Corporate expenses (unaudited).....	93,425	731,141	240,747	287,782	28,101	219,929	142,560
Adjusted EBITDA after corporate expenses (unaudited).....	831,101	6,504,105	(1,515,102)	(100,606)	291,950	2,284,762	1,270,306

- (1) Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases of MGM Cotai.
- (2) Adjusted EBITDA includes provision 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.

In addition, solely for comparison purposes, the following table presents the reconciliation of the Group's Adjusted EBITDA and Adjusted EBITDA after corporate expenses to profit or loss attributable to owners of the Company for the year ended December 31, 2019 and the three months ended March 31, 2019.

	For the year ended December 31,		For the three months ended March 31,	
	2019		2019	
	(US\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)
Profit for the year attributable to owners of the Company.....	246,775	1,931,228	83,102	650,345
<i>Add/(less)</i>				
Income tax expense.....	1,337	10,462	348	2,722
Net foreign currency (gain)/loss.....	(10,886)	(85,190)	49	387
Finance costs.....	144,146	1,128,075	22,868	178,965
Interest income.....	(2,714)	(21,238)	(551)	(4,310)
Operating profit.....	378,658	2,963,337	105,816	828,109
Depreciation and amortization.....	327,688	2,564,457	79,402	621,396
Loss/(gain) on disposal/write-off of property and equipment and other assets.....	1,888	14,778	(82)	(642)
Pre-opening costs ⁽¹⁾ (unaudited).....	2,626	20,548	2,662	20,833
Corporate expenses (unaudited).....	70,242	549,703	16,731	130,933
Share-based payments.....	8,984	70,308	2,343	18,335
Adjusted EBITDA (unaudited).....	790,086	6,183,131	206,872	1,618,964
<i>Less</i>				
Corporate expenses (unaudited).....	70,242	549,703	16,731	130,933
Adjusted EBITDA after corporate expenses (unaudited).....	719,844	5,633,428	190,141	1,488,031

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

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:

Gaming concession right and corresponding gaming concession right payable

The Group has concluded that minimum future payments required under the Concession Contract, which include a fixed annual premium, variable premium and a fee for the use of gaming assets, represent in-substance consideration for the Concession Contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations. The Group applies judgement in determining the initial recognition amounts of the gaming concession right asset and corresponding gaming concession right payable, which have been determined as the equivalent of the net present value of the minimum future payments. The minimum future payments of the variable premium associated with the intangible asset was determined using the approved number of gaming tables at the minimum rate per gaming table and the approved number of electric or mechanical gaming machines.

Property and equipment under the Gaming Concession

The Group has assessed whether the Property Transfer Agreements 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.

The Group has continued to recognize the assets subject to the Property Transfer Agreements with a carrying amount as property and equipment and has 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.

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. 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.

Valuation of lease liabilities and right-of-use assets

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

Useful lives of property and equipment

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

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.

Discussion of Results of Operations

Operating Revenue

The following table sets forth the operating revenue for the years ended December 31, 2023, 2022 and 2021, and for the three months ended March 31, 2024 and 2023.

	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000
MGM Macau	1,385,897	10,845,888	3,066,371	5,180,280	446,604	3,495,075	2,342,344
Casino revenue.....	1,242,694	9,725,198	2,637,716	4,608,499	395,322	3,093,749	2,145,543
Other revenue.....	143,203	1,120,690	428,655	571,781	51,282	401,326	196,801
MGM Cotai	1,768,272	13,838,322	2,202,198	4,230,534	608,648	4,763,225	2,498,346
Casino revenue.....	1,545,719	12,096,642	1,801,279	3,614,555	524,055	4,101,206	2,206,671
Other revenue.....	222,553	1,741,680	400,919	615,979	84,593	662,019	291,675
Total operating revenue	3,154,169	24,684,210	5,268,569	9,410,814	1,055,252	8,258,300	4,840,690

Summary Statistics

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

MGM Macau

(in thousands, except for number of gaming units, percentage, and REVPAR)	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000
Main floor table games drop.....	6,184,252	48,397,338	12,391,712	20,299,155	1,845,597	14,443,458	9,290,729
Main floor gross table games win ⁽¹⁾ ...	1,260,737	9,866,398	2,722,172	4,125,052	424,412	3,321,405	2,050,274
Main floor table games win percentage.....	20.4%	20.4%	22.0%	20.3%	23.0%	23.0%	22.1%
Average daily gross win per main floor gaming table.....	11.8	92.0	33.5	52.2	15.1	118.6	83.9
VIP table games turnover.....	4,275,995	33,463,509	9,312,367	41,078,818	1,552,544	12,150,058	7,431,996
VIP gross table games win ⁽¹⁾	131,704	1,030,705	190,707	1,198,775	28,243	221,024	290,240
VIP table games win percentage (calculated before commissions, complimentary and other incentives).....	3.1%	3.1%	2.0%	2.9%	1.8%	1.8%	3.9%
Average daily gross win per VIP gaming table.....	7.3	56.9	13.6	48.3	10.1	78.8	57.7
Slot machine handle.....	2,975,318	23,284,538	7,884,837	13,276,317	903,893	7,073,775	4,298,822
Slot machine gross win ⁽¹⁾	115,300	902,325	351,914	504,795	36,883	288,640	187,388
Slot hold percentage.....	3.9%	3.9%	4.5%	3.8%	4.1%	4.1%	4.4%
Average daily win per slot.....	0.3	2.7	1.1	1.9	0.4	3.3	2.2
Commissions, complimentary and other incentives ⁽¹⁾	(265,047)	(2,074,230)	(627,077)	(1,220,123)	(94,216)	(737,320)	(382,359)
Room occupancy rate.....	93.9%	93.9%	54.2%	79.8%	93.5%	93.5%	93.5%
REVPAR	280	2,192	824	1,155	391	3,061	1,535
	As at December 31,			As at March 31,			
	2023	2022	2021	2024	2023		
Gaming Units:							
Tables ⁽²⁾	351	294	289	338	354		
Slot machines ⁽³⁾	950	926	845	948	934		

(1) Reported casino revenue is different to the total of “VIP gross table games win,” “main floor gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentary and other incentives. See “—Casino Revenue” for a reconciliation of gaming wins to casino revenue for MGM Macau and MGM Cotai on an aggregate basis.

- (2) Permanent table count as at December 31, 2023, 2022 and 2021. MGM Grand Paradise is entitled to operate a total of 750 gaming tables starting from January 1, 2023.
- (3) Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity as at December 31, 2021.

MGM Cotai

	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
(in thousands, except for number of gaming units, percentage, and REVPAR)	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000
Main floor table games drop	5,932,389	46,426,285	7,249,594	14,747,578	1,973,958	15,447,999	7,776,682
Main floor gross table games win ⁽¹⁾ ...	1,475,192	11,544,706	1,750,254	3,381,925	525,142	4,109,706	2,052,484
Main floor table games win percentage.....	24.9%	24.9%	24.1%	22.9%	26.6%	26.6%	26.4%
Average daily gross win per main floor gaming table.....	12.0	94.2	23.9	43.5	16.5	129.4	73.4
VIP table games turnover.....	10,151,269	79,442,814	13,802,412	24,981,565	6,772,533	53,001,164	11,265,661
VIP gross table games win ⁽¹⁾	373,685	2,924,422	390,066	913,578	163,293	1,277,911	456,550
VIP table games win percentage (calculated before commissions, complimentary and other incentives).....	3.7%	3.7%	2.8%	3.7%	2.4%	2.4%	4.1%
Average daily gross win per VIP gaming table	21.6	169.4	38.8	50.9	33.1	258.8	117.5
Slot machine handle.....	2,814,766	22,028,074	5,758,673	12,015,749	863,815	6,760,129	3,895,573
Slot machine gross win ⁽¹⁾	100,213	784,257	173,238	406,803	29,968	234,527	160,654
Slot hold percentage.....	3.6%	3.6%	3.0%	3.4%	3.5%	3.5%	4.1%
Average daily win per slot	0.3	2.2	0.6	1.4	0.3	2.7	1.8
Commissions, complimentary and other incentives ⁽¹⁾	(403,371)	(3,156,743)	(512,279)	(1,087,751)	(194,348)	(1,520,938)	(463,017)
Room occupancy rate.....	92.0%	92.0%	25.2%	47.2%	93.4%	93.4%	89.3%
REVPAR	231	1,805	355	569	336	2,631	1,205
	As at December 31,			As at March 31,			
	2023	2022	2021	2024	2023		
Gaming Units:							
Tables ⁽²⁾	399	258	263	412	396		
Slot machines ⁽³⁾	901	934	839	956	956		

- (1) Reported casino revenue is different to the total of “VIP gross table games win,” “main floor gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentary and other incentives. See “—Casino Revenue” for a reconciliation of gaming wins to casino revenue for MGM Macau and MGM Cotai on an aggregate basis.
- (2) Permanent table count as at December 31, 2023, 2022 and 2021. MGM Grand Paradise is entitled to operate a total of 750 gaming tables starting from January 1, 2023.
- (3) Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity as at December 31, 2021.

Casino Revenue

	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000
Main floor gross table games win	2,735,929	21,411,104	4,472,426	7,506,977	949,554	7,431,111	4,102,758
VIP gross table games win.....	505,389	3,955,127	580,773	2,112,353	191,536	1,498,935	746,790
Slot machine gross win	215,513	1,686,582	525,152	911,598	66,851	523,167	348,042
Gross casino revenue	3,456,831	27,052,813	5,578,351	10,530,928	1,207,941	9,453,213	5,197,590
Commissions, complimentary and other incentives.....	(668,418)	(5,230,973)	(1,139,356)	(2,307,874)	(288,564)	(2,258,258)	(845,376)
Casino revenue.....	2,788,413	21,821,840	4,438,995	8,223,054	919,377	7,194,955	4,352,214

Financial results for the three months ended March 31, 2024 compared to financial results for the three months ended March 31, 2023.

Operating Revenue

Operating revenue of HK\$8,258.3 million for the three months ended March 31, 2024 was 70.6% higher than the same period in the prior year. The increase was primarily due to the continued ramp up of operations after the relaxation of COVID-19 related travel restrictions to Macau beginning in late 2022. With the premium mass market which both MGM Macau and MGM Cotai are well positioned to capture and the additional 198 gaming tables awarded under the Gaming Concession, the Group's operating revenue for the three months ended March 31, 2024 was 43.4% higher than the same period in 2019 before the COVID-19 pandemic.

Casino Revenue

Casino revenue increased by 65.3% to HK\$7,195.0 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The increase is explained above in operating revenue. The components of our gaming operations were:

Main Floor Table Gaming Operations

Main floor gross table games win increased by 81.1% to HK\$7,431.1 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. Similarly, main floor table games drop in MGM Macau and MGM Cotai increased by 55.5% to HK\$14,443.5 million and 98.6% to HK\$15,448.0 million during the three months ended March 31, 2024, respectively.

VIP Gaming Operations

VIP gross table games win increased by 100.7% to HK\$1,498.9 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. Similarly, VIP table games turnover in MGM Macau and MGM Cotai increased by 63.5% to HK\$12,150.1 million and 370.5% to HK\$53,001.2 million during the three months ended March 31, 2024, respectively.

Slot Machine Gaming Operations

Slot machine gross win increased by 50.3% to HK\$523.2 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. Similarly, slot machine handle in MGM Macau and MGM Cotai increased by 64.6% to HK\$7,073.8 million and 73.5% to HK\$6,760.1 million, respectively, during the three months ended March 31, 2024.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 117.7% to HK\$1,063.3 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The increase was primarily due to:

- increase in hotel rooms revenue by 113.8% to HK\$494.4 million primarily as a result of increase in revenue per available room driven by increased demand; and
- increase in food and beverage revenue by 125.3% to HK\$487.8 million due to continued ramp up of operations after the relaxation of COVID-19 related travel restrictions to Macau beginning in late 2022 as discussed above.

Operating Costs and Expenses

The major operating costs and expenses for the three months ended March 31, 2024 and 2023 were as follows:

	For the three months ended March 31,		
	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000
Gaming taxes and levies	477,974	3,740,574	2,086,345
Inventories consumed	33,722	263,913	153,232
Staff costs	141,557	1,107,814	862,180
Loss allowance/(reversal of loss allowance) on trade receivables, net	2,280	17,842	(6,251)
Other expenses and losses.....	111,709	874,222	487,920
Depreciation and amortization	58,960	461,415	491,243
Finance costs.....	55,406	433,600	505,075
Income tax expense.....	2,082	16,294	3,832

Gaming Taxes and Levies

Gaming taxes and levies increased by 79.3% to HK\$3,740.6 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. This increase was attributable to higher gross gaming revenue generated during the three months ended March 31, 2024.

Inventories Consumed

Inventories consumed increased by 72.2% to HK\$263.9 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The increase resulted from higher business activities in light of the continued ramp up of operations as discussed above.

Staff Costs

Staff costs increased by 28.5% to HK\$1,107.8 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The increase was primarily due to hiring of additional staff in response to increased business activities as discussed above, as compared to the three months ended March 31, 2023.

Other Expenses and Losses

Other expenses and losses increased by 79.2% to HK\$874.2 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 142.2% from HK\$163.0 million for the three months ended March 31, 2023 to HK\$394.8 million for the three months ended March 31, 2024. The increase resulted from increased marketing activities being organized during the three months ended March 31, 2024 in response to the increase in our business activities.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 77.7% from HK\$85.8 million for the three months ended March 31, 2023 to HK\$152.4 million for the three months ended March 31, 2024. This increase primarily resulted from higher revenue generated during the three months ended March 31, 2024.

Depreciation and Amortization

Depreciation and amortization decreased by 6.1% to HK\$461.4 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. The decrease was attributable to the impact of full depreciation of certain assets during the three months ended March 31, 2024.

Finance Costs

Total finance costs decreased from HK\$505.1 million for the three months ended March 31, 2023 to HK\$433.6 million for the three months ended March 31, 2024. The decrease was primarily due to a decrease in the weighted average balance of the Unsecured Credit Facilities resulting from continued repayment of such facilities during the year ended December 31, 2023 and the three months ended March 31, 2024.

Income Tax expense

Income tax expense in the three months ended March 31, 2024 and 2023 primarily related to the provision for payment in lieu of Macau Complementary Tax on dividends. In January and February 2024, MGM Grand Paradise was granted an exemption from Macau Complementary Tax for profits generated from gaming operations and finalized a tax concession arrangement with the Macau Government, respectively.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased from HK\$151.3 million for the three months ended March 31, 2023 to HK\$1,318.7 million for the three months ended March 31, 2024. This increase was attributable to the improved financial performance of the Group as discussed above.

Financial results for the year ended December 31, 2023 compared to financial results for the year ended December 31, 2022

Operating Revenue

Operating revenue of HK\$24,684.2 million for the year ended December 31, 2023 was 368.5% higher than the year ended December 31, 2022. The increase was primarily due to the relaxation of COVID-19 related travel restrictions to Macau beginning in late 2022, which resulted in an increased number of visitors to Macau and, as a result, an increase in the number of guests at our properties. Driven by the premium mass market, which we believe both MGM Macau and MGM Cotai are well-positioned to capture, and the additional 198 gaming tables awarded under the Gaming Concession, our operating revenue for the year ended December 31, 2023 outperformed the market and was 8.4% higher than in 2019 before the COVID-19 pandemic, in particular, MGM Macau's operating revenue for the year ended December 31, 2023 recovered to 88% of 2019 levels.

Casino Revenue

Casino revenue increased by 391.6% to HK\$21,821.8 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase is explained above in operating revenue. The components of our gaming operations were:

Main Floor Table Gaming Operations

Main floor gross table games win increased by 378.7% to HK\$21,411.1 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Similarly, main floor table games drop in MGM Macau and MGM Cotai increased by 290.6% to HK\$48,397.3 million and 540.4% to HK\$46,426.3 million during the year ended December 31, 2023, respectively.

VIP Gaming Operations

VIP gross table games win increased by 581.0% to HK\$3,955.1 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Similarly, VIP table games turnover in MGM Macau and MGM Cotai increased by 259.3% to HK\$33,463.5 million and 475.6% to HK\$79,442.8 million for the year ended December 31, 2023, respectively.

Slot Machine Gaming Operations

Slot machine gross win increased by 221.2% to HK\$1,686.6 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Similarly, slot machine handle in MGM Macau and MGM Cotai increased by 195.3% to HK\$23,284.5 million and 282.5% to HK\$22,028.1 million during the year ended December 31, 2023, respectively.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 245.0% to HK\$2,862.4 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase was primarily due to the relaxation of COVID-19 related travel restrictions as discussed above.

Operating Costs and Expenses

The major operating costs and expenses for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31,		
	2023	2023	2022
	US\$'000	HK\$'000	HK\$'000
Gaming taxes and levies	1,381,216	10,809,256	2,303,302
Inventories consumed	100,662	787,777	332,234
Staff costs	505,728	3,957,777	3,053,018
Loss allowance on trade receivables, net	5,011	39,212	50,614
Other expenses and losses.....	339,462	2,656,599	1,105,336
Depreciation and amortization	241,008	1,886,103	2,033,607
Finance costs.....	244,511	1,913,522	1,665,261
Income tax expense.....	5,972	46,735	15,741

Gaming Taxes and Levies

Gaming taxes and levies increased by 369.3% to HK\$10,809.3 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. This increase was attributable to the higher gross gaming revenue generated during the year ended December 31, 2023.

Inventories Consumed

Inventories consumed increased by 137.1% to HK\$787.8 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase resulted from higher business activities in light of increased number of visitors due to the relaxation of COVID-19 related travel restrictions as discussed above.

Staff Costs

Staff costs increased by 29.6% to HK\$3,957.8 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase was primarily due to hiring of additional staff in response to increased business activities as discussed above, as compared to the year ended December 31, 2022 during which we undertook a number of measures to reduce payroll expenses, including limiting staff on-site, implementing a hiring freeze and organizational change, and introducing voluntary unpaid leave during the COVID-19 pandemic.

Loss Allowance on Trade Receivables, net

Loss allowance on trade receivables, net, decreased by 22.5% from HK\$50.6 million for year ended December 31, 2022 to HK\$39.2 million for the year ended December 31, 2023. During the year ended December 31, 2023, the Group recognized loss allowance of HK\$113.9 million, as compared to a loss allowance of HK\$121.1 million for the year ended December 31, 2022, in each case, for outstanding trade receivables during the period, which was offset by a reversal of loss allowance of HK\$74.7 million and HK\$70.5 million for the year ended December 31, 2023 and 2022, respectively, due to recoveries during the relevant period related to amounts provided for in prior years.

Other Expenses and Losses

Other expenses and losses increased by 140.3% to HK\$2,656.6 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 371.7% from HK\$220.5 million for the year ended December 31, 2022 to HK\$1,040.1 million for the year ended December 31, 2023. The increase resulted from increased marketing activities being organized during 2023 following relaxation of COVID-19 related travel restrictions as discussed above.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 388.9% from HK\$93.4 million for the year ended December 31, 2022 to HK\$456.6 million for the year ended December 31, 2023. This increase primarily resulted from higher revenue generated during the year ended December 31, 2023.

Depreciation and Amortization

Depreciation and amortization decreased by 7.3% to HK\$1,886.1 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease was attributable to the impact of full depreciation of certain assets in the year ended December 31, 2023.

Finance Costs

Total finance costs increased from HK\$1,665.3 million for the year ended December 31, 2022 to HK\$1,913.5 million for the year ended December 31, 2023. The increase was due to the net impact of:

- HK\$133.3 million of notional interest attributable to gaming concession right payable for year ended December 31, 2023, as compared to nil for the year ended December 31, 2022;
- an increase of HK\$62.3 million in interest expense attributable to the increased weighted average interest rate from 4.6% to 6.3% as a result of higher HIBOR during the year ended December 31, 2023, and partially offset by a decrease in weighed average balance of Unsecured Credit Facilities resulting from repayment during the year ended December 31, 2023; and
- an increase of HK\$51.1 million in standby charges on the MGM Resorts International Revolving Credit Facility.

Income Tax expense

Income tax expense in the years ended December 31, 2023 and 2022 primarily related to the provision for payment in lieu of Macau Complementary Tax on dividends.

Profit/Loss Attributable to Owners of the Company

Profit/loss attributable to owners of the Company increased from a loss of HK\$5,231.9 million for the year ended December 31, 2022 to a profit of HK\$2,638.3 million for the year ended December 31, 2023. This increase was attributable to the improved financial performance of the Group as discussed.

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

Operating Revenue

Operating revenue of HK\$5,268.6 million for the year ended December 31, 2022 was 44.0% lower than the year ended December 31, 2021. 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.

Casino Revenue

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 was primarily due to the continued adverse impacts of COVID-19, as 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 year ended December 31, 2022, 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 year ended December 31, 2022, 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 year ended December 31, 2022, 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 as follows:

	For the year ended December 31,		
	2022	2022	2021
	US\$'000	HK\$'000	HK\$'000
Gaming taxes and levies	294,318	2,303,302	4,242,245
Inventories consumed	42,453	332,234	443,773
Staff costs	390,117	3,053,018	3,147,909
Loss allowance on trade receivables, net	6,467	50,614	125,095
Other expenses and losses.....	141,241	1,105,336	1,642,947
Depreciation and amortization	259,856	2,033,607	2,157,474
Finance costs.....	212,788	1,665,261	1,383,508
Income tax expense.....	2,011	15,741	18,615

Gaming Taxes and Levies

Gaming taxes and levies 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 year ended December 31, 2022.

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 the COVID-19 related travel restrictions 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 undertook a number of measures to reduce payroll expenses, including limiting staff on-site, implementing a hiring freeze, 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 2022 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 year ended December 31, 2022.

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 year ended December 31, 2022.

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 was 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 year ended December 31, 2022 for the Existing 2027 Notes issued on March 31, 2021.

Income Tax expense

Income tax expense in the years ended December 31, 2022 and 2021 primarily related to the provision for Macau dividend withholding tax.

Loss Attributable to Owners of the Company

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

Liquidity and Capital Resources

Capital Resources

As at March 31, 2024, our cash and cash equivalents, and available undrawn unsecured credit facilities were HK\$4.9 billion and HK\$12.1 billion, respectively. These balances are available for operations and implementation of our investment plan.

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, less 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 March 31, 2024 and December 31, 2023.

	As at December 31,		As at March 31,	
	2023	2024	2024	2024
	HK\$'000	US\$'000	US\$'000	HK\$'000
Bank borrowings, net of debt finance costs.....	24,098,731	3,012,203	3,012,203	23,573,200
Less: cash and cash equivalents	(4,231,986)	(621,909)	(621,909)	(4,866,997)
Less: pledged bank deposits.....	(680,000)	(86,891)	(86,891)	(680,000)
Net debt	19,186,745	2,303,403	2,303,403	18,026,203
Total (deficit)/equity	(1,327,220)	(52,156)	(52,156)	(408,170)
Total deficit/equity plus net debt.....	17,859,525	2,251,247	2,251,247	17,618,033
Gearing ratio.....	107.4%	102.3%	102.3%	102.3%

Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2023, 2022 and 2021 and for the three months ended March 31, 2024 and 2023.

	For the year ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities.....	1,056,474	8,267,865	(2,113,878)	(449,607)	247,356	1,935,781	1,796,836
Net cash (used in)/generated from investing activities	(15,927)	(124,645)	(1,320,931)	(518,489)	(47,079)	(368,432)	183,657
Net cash (used in)/generated from financing activities.....	(1,356,544)	(10,616,178)	7,037,130	1,442,561	(118,921)	(930,664)	(5,013,871)
Net (decrease)/increase in cash and cash equivalents.....	(315,997)	(2,472,958)	3,602,321	474,465	81,356	636,685	(3,033,378)
Cash and cash equivalents at the beginning of the year	856,974	6,706,591	3,112,020	2,635,511	540,767	4,231,986	6,706,591
Effect of foreign exchange rate changes, net	(210)	(1,647)	(7,750)	2,044	(214)	(1,674)	1,804
Cash and cash equivalents at the end of the year.....	540,767	4,231,986	6,706,591	3,112,020	621,909	4,866,997	3,675,017

Net Cash Generated from/(Used in) Operating Activities

We recorded net cash generated from operating activities of HK\$1,935.8 million for the three months ended March 31, 2024 compared to net cash generated from operating activities of HK\$1,796.8 million for the three months ended March 31, 2023. The increase was primarily due to an increase in operating profit for the three months ended March 31, 2024.

We recorded net cash generated from operating activities of HK\$8,267.9 million for the year ended December 31, 2023 compared to net cash used in operating activities of HK\$2,113.9 million for the year ended December 31, 2022. The significant increase in net cash generated from operating activities for the year ended December 31, 2023 compared to the net cash used in operating activities for the year ended December 31, 2022 was caused primarily by an increase in operating profit due to the improved trading condition as discussed above.

We recorded net cash used in operating activities of HK\$2,113.9 million for the year ended December 31, 2022 compared to net cash used in operating activities of HK\$449.6 million for the year ended December 31, 2021. 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 restrictions as discussed above.

Net Cash (Used in)/Generated from Investing Activities

Net cash used in investing activities was HK\$368.4 million for the three months ended March 31, 2024 compared to the net cash generated from investing activities of HK\$183.7 million for the three months ended March 31, 2023. The major components of the cash flow used in investing activities related to payments for the development and renovation works at our properties as well as purchase of property and equipment, and other assets in total amounting to HK\$368.4 million and HK\$107.6 million for the three months ended March 31, 2024 and 2023, respectively. Cash flow used in investing activities for the three months ended March 31, 2023 was offset by the release of pledged bank deposits of HK\$291.3 million during the period.

Net cash used in investing activities was HK\$124.6 million for the year ended December 31, 2023 compared to HK\$1,320.9 million for the year ended December 31, 2022. The major components of the cash flow used in investing activities related to payments for the development and renovation works at our properties as well as purchase of property, equipment and other assets in total amounting to HK\$415.9 million and HK\$304.1 million for the years ended December 31, 2023 and 2022, respectively, and the placement of pledged bank deposits of HK\$971.3 million related to the issuing of bank guarantees for the Concession Contract during the year ended December 31, 2022. Cash flow used in investing activities for the year ended December 31, 2023 was partly offset by the release of pledged bank deposits of HK\$291.3 million during the year. A payment was also made during the year ended December 31, 2022 of HK\$45.6 million related to the further extension of the Subconcession Contract to December 31, 2022.

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 year ended December 31, 2022 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 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 year ended December 31, 2022 of HK\$45.6 million related to the further extension of the Subconcession Contract to December 31, 2022.

Net Cash (Used in)/Generated from Financing Activities

Net cash used in financing activities was HK\$930.7 million for the three months ended March 31, 2024 compared to net cash used in financing activities of HK\$5,013.9 million for the three months ended March 31, 2023.

Net cash used in financing activities for the three months ended March 31, 2024 was primarily due to the impact of:

- HK\$600.0 million of net repayments on the Revolving Credit Facility; and
- HK\$254.6 million of interest payments.

Net cash used in financing activities for the three months ended March 31, 2023 was primarily due to the impact of:

- HK\$4,600.0 million of repayments on the Revolving Credit Facility and the Second Revolving Credit Facility; and
- HK\$352.6 million of interest payments.

Net cash used in financing activities was HK\$10,616.2 million for the year ended December 31, 2023 compared to the net cash generated from financing activities of HK\$7,037.1 million for the year ended December 31, 2022.

Net cash used in financing activities for the year ended December 31, 2023 was primarily due to the net impact of:

- HK\$8,600.0 million of net repayments on the Revolving Credit Facility and the Second Revolving Credit Facility; and
- HK\$1,754.3 million of interest payments.

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 as required by the Macau Gaming Law; and partly offset by
- HK\$1,618.9 million of interest payments.

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

- HK\$5,813.0 million of net proceeds from the issuance of the Existing 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 March 31, 2024 and December 31, 2023, 2022 and 2021, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at December 31,				As at March 31,	
	2023	2023	2022	2021	2024	2024
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000
Contracted but not accounted for.....	59,315	464,191	373,120	102,538	65,209	510,317

Guarantees

As at March 31, 2024 and December 31, 2023, the Group had given bank guarantees totaling HK\$978.7 million to certain parties, including: (a) HK\$970.9 million issued in favor of the Macau Government as required in the Concession Contract; (b) HK\$4.0 million issued in favor of the Macau Government as required in the land concession contract in respect of MGM Cotai as well as other regulatory requirements; (c) HK\$0.6 million issued in

favor of a company in which one of the Directors of the Company has a non-controlling beneficial interest; and (d) HK\$3.2 million issued in favor of certain vendors.

As at December 31, 2022 and 2021, the Group had given bank guarantees totaling HK\$1,153.5 million and HK\$1,095.2 million, respectively, to certain parties, including: (a) HK\$1,145.7 million and HK\$1,087.4 million, respectively, issued in favor of the Macau Government as required in the Subconcession Contract; (b) HK\$4.0 million and HK\$4.0 million, respectively, issued in favor of the Macau Government as required in the land concession contract in respect of MGM Cotai as well as other regulatory requirements; (c) HK\$0.6 million and HK\$0.6 million, respectively, issued in favor of a company in which one of the Directors of the Company has a non-controlling beneficial interest; and (d) HK\$3.2 million and HK\$3.2 million, respectively, issued in favor of certain vendors.

The bank guarantees of HK\$1,145.7 million and HK\$1,087.4 million issued in favor of the Macau Government as required in the Subconcession Contract were cancelled in January 2023.

Gaming Concession

Under the terms of the Concession, MGM Grand Paradise has committed to certain investments in gaming and non-gaming projects with an initial amount of 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. During 2023, the non-gaming investment commitment increased in accordance with the Concession Contract as the market-wide Macau gross gaming revenue reached MOP180 billion (equivalent to approximately HK\$174.8 billion) and, accordingly, the investments commitments in gaming and non-gaming projects has increased to MOP19.7 billion (equivalent to approximately HK\$19.1 billion), of which MOP18 billion (equivalent to approximately HK\$17.5 billion) is in non-gaming projects.

Legal Proceedings

As at March 31, 2024, the Group was named as a defendant in legal proceedings filed in the Macau courts against gaming promoters by individuals who claimed to have placed cash deposits with gaming promoters who had operations at the Group's properties and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely upon the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos. In February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, with the Court of Final Appeal 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.

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.

On June 6, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Alvin Chau relating to side-betting in the Group's Sun City VIP Rooms, defrauding the Group and leading to lower

gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found the majority of the 21 criminal defendants guilty and found that the Group is entitled to HK\$349.0 million in compensation. Following an appeal by certain of the defendants, in October 2023, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants. On August 15, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Levo Chan relating to side-betting in the Group's Tak Chun VIP Rooms, defrauding the Group and leading to lower gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found five of the nine defendants guilty and found that the Group is entitled to HK\$3.8 million in compensation. Following an appeal by certain of the defendants, in January 2024, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants.

Indebtedness

	As at December 31,				As at March 31,	
	2023	2023	2022	2021	2024	2024
	US\$'000	HK\$'000	HK\$'000	US\$'000	US\$'000	HK\$'000
Unsecured Senior Notes ⁽¹⁾	2,750,000	21,478,600	21,454,400	21,440,650	2,750,000	21,520,125
Unsecured Credit Facilities ⁽²⁾	365,118	2,900,000	11,500,000	2,810,000	293,755	2,300,000
Less: debt finance costs	(35,762)	(279,869)	(229,264)	(321,544)	(31,552)	(246,925)
Total borrowings.....	3,079,356	24,098,731	32,725,136	23,929,106	3,012,203	23,573,200

- (1) In order to present the exact US\$ denominated figure, the amount outstanding under the Unsecured Senior Notes as at March 31, 2024 and December 31, 2023 was translated using the exchange rate of HK\$7.8255 to US\$1.00 and HK\$7.8104 to US\$1.00, respectively.
- (2) In order to present the exact US\$ denominated figure, the amount outstanding under the Unsecured Credit Facilities as at March 31, 2024 and December 31, 2023 was translated using the exchange rate of HK\$7.8297 to US\$1.00 and HK\$7.9426 to US\$1.00, respectively.

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

Market Risk

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

Foreign Currency Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises liabilities denominated in US\$, including US\$2.75 billion of unsecured senior notes as at March 31, 2024. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign currency exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any foreign currency hedging transactions during the years ended December 31, 2023, 2022 and 2021, and the three months ended March 31, 2024.

Interest Rate Risk

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under the Revolving Credit Facility and Second Revolving Credit Facility,

and by utilizing interest rate swap agreements when considered necessary. Interest rate fluctuations may lead to higher interest expense for variable rate borrowings or require us to incur additional expenses in order to hedge the interest rate exposure of our debt or our exposure to our hedging counterparties' failure to pay under any 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. The Group did not enter into any interest rate swap agreements during the years ended December 31, 2023, 2022 and 2021, and the three months ended March 31, 2024.

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, available undrawn Unsecured Credit Facilities and internally generated funds, the Group believes it is able to meet its financial obligations as they fall due for the following twelve months from March 31, 2024.

Employees and Remuneration Policy

As at March 31, 2024, the Group employed 12,345 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM Macau, MGM Cotai and shared services team members.

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

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

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

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

BUSINESS

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 NYSE. MGM Resorts International is our controlling Shareholder (with an interest in approximately 56% of our issued share capital as of March 31, 2024) and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in approximately 22% of our issued share capital as of March 31, 2024). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

Following the announcement by the Macau Government 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. 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. 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. The duration of the Gaming Concession under the current Concession Contract is 10 years, starting from January 1, 2023 and expiring on December 31, 2032.

Financial Impact of COVID-19 and Recovery

Visitation to Macau and business volume across all operations at MGM Macau and MGM Cotai were adversely impacted during 2020-2022 due to outbreaks of COVID-19 cases in Macau and neighboring regions, including mainland China which led to travel restrictions to Macau. Commencing in 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 a relaxation of travel restrictions to Macau. Following the easing of travel restrictions, total visitor arrivals into Macau during the three months ended March 31, 2024 and year ended December 31, 2023 significantly increased, returning to 86% and 72%, respectively, of total visitor arrivals as compared to the three months ended March 31, 2019 and year ended December 31, 2019. In particular, total visitor arrivals into Macau in April 2024 reached 75.8% of the total visitor arrivals in April 2019. As a result of positive macroeconomic improvements in the region and the recovery across the Macau gaming industry, the Group's property visitation during the three months ended March 31, 2024 and the year ended December 31, 2023 significantly increased, returning to 153% and 106%, respectively, of total property visitors as compared to the corresponding period in 2019. The positive macroeconomic developments also resulted in the Group's gross gaming revenue increasing by 385.0% to HK\$27.1 billion (or approximately US\$3.5 billion) for the year ended December 31, 2023, as compared to the year ended December 31, 2022, returning to 100.6% of that for the year ended December 31, 2019. Additionally, the Group's gross gaming revenue increased to HK\$9.5 billion (or approximately US\$1.2 billion) for the three months ended March 31, 2024, representing 140.8% of that for the three months ended March 31, 2019.

For the three months ended March 31, 2024 and the year ended December 31, 2023, the Group's operating revenue reached HK\$8.3 billion (or approximately US\$1.1 billion) and HK\$24.7 billion (or approximately US\$3.2 billion), respectively, representing 143.4% of the operating revenue for the three months ended March 31, 2019 and 108.4% of the operating revenue for the year ended December 31, 2019, respectively. The Group's Adjusted EBITDA reached HK\$2.5 billion (or approximately US\$0.3 billion) and HK\$7.2 billion (or approximately US\$924.5 million) for the three months ended March 31, 2024 and year ended December 31, 2023, representing 154.7% and 117.0% of the Adjusted EBITDA for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted EBITDA*" for more information. In addition, the Group's main floor table games drop and main floor table games win for the three months ended March 31, 2024 reached HK\$29.9 billion (or approximately US\$3.8 billion) and HK\$7.4 billion (or approximately US\$949.6 million), which represent 191.2% and 213.0%,

respectively, of those for the three months ended March 31, 2019. The Group's main floor table games drop and main floor table games win for the year ended December 31, 2023 reached HK\$94.8 billion (or approximately US\$12.1 billion) and HK\$21.4 billion (or approximately US\$2.7 billion), which are 46.7% and 43.3% higher than those for the year ended December 31, 2019, respectively.

The Group's Adjusted EBITDA margin reached 30.3% and 29.3% for the three months ended March 31, 2024 and year ended December 31, 2023, respectively, which is 2.2 and 2.1 percentage points higher than Adjusted EBITDA margin for the three months ended March 31, 2019 and year ended December 31, 2019, respectively. In connection with the Group's operating performance, its combined market share increased from 9.4% and 9.5% in the three months ended March 31, 2019 and year ended December 31, 2019, respectively, to 17.0% and 15.2% in the three months ended March 31, 2024 and year ended December 31, 2023, respectively, with MGM Cotai's and MGM Macau's market shares reaching 8.6% and 6.6%, respectively, for the year ended December 31, 2023. The Group has demonstrated a strong conviction and momentum in leading the recovery of the Macau gaming industry and we believe that the Group is well-positioned to maintain such growth in the foreseeable future as Macau's overall visitation and gross gaming revenue continue to recover to pre-COVID levels.

MGM Macau

MGM Macau opened in December 2007. The casino floor offered approximately 23,283 square meters, with 948 slot machines, 338 gaming tables, and multiple VIP and private gaming areas as at March 31, 2024. 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

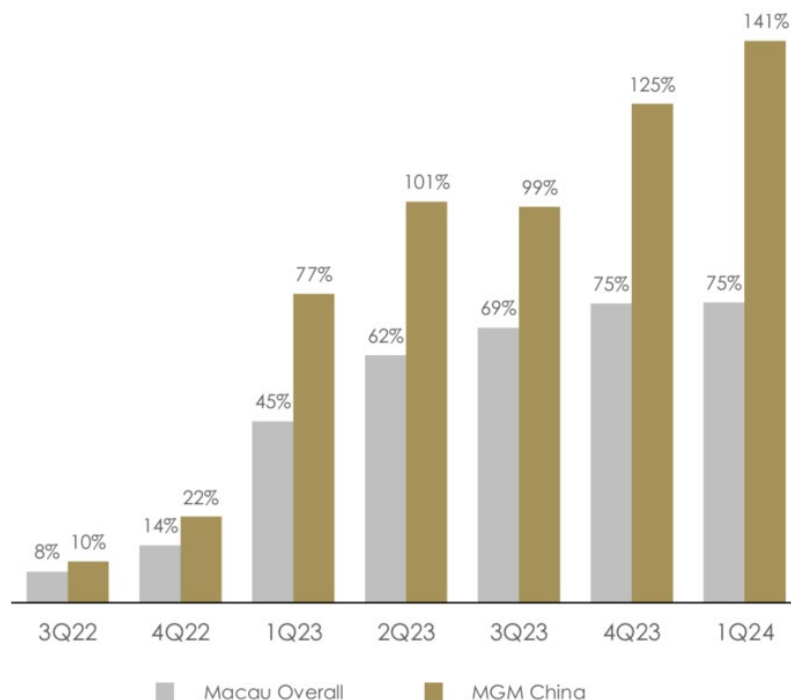
MGM Cotai opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offered approximately 24,549 square meters, with 956 slot machines and 412 gaming tables as at March 31, 2024. The hotel comprises two towers with 1,418 hotel rooms, suites, skylofts and villas, 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, featuring 28 luxurious villas, is the latest addition to the luxurious accommodation at MGM Cotai.

MACAU INDUSTRY OVERVIEW

From 2006 through 2019, Macau was one of the world's largest gaming destinations in terms of gross gaming revenues. The industry in Macau generated gross gaming revenues of approximately US\$36 billion in 2019, over five times of Las Vegas Strip's gross gaming revenues during the same period. The industry in Macau, however, was significantly impacted by the COVID-19 pandemic after 2019, resulting in gross gaming revenues declining to approximately US\$7 billion and US\$11 billion in 2020 and 2021, respectively. After mainland China and Macau relaxed their COVID-19 travel restrictions in December 2022, the gaming industry in Macau has been on track for full recovery in 2024. According to the DICJ, the gross gaming revenues of Macau for 2023 reached US\$22.7 billion, representing a year-over-year growth of 333.8%. The positive trend continued in the first quarter of 2024, with Macau's gross gaming revenue reaching US\$7.1 billion in the first quarter of 2024 with 65.5% year-over-year growth, driven by the strong recovery in visitation of mainland China tourists. In April 2024, the overall growing trends of visitation and gross gaming revenue remained strong in Macau. The gross gaming revenue reached US\$2.3

billion in April 2024, representing 78.6% of that in the same period of 2019. The overall good gaming business momentum is expected to continue into the second quarter of 2024.

The chart below further reflects the gross gaming revenue of Macau and of the Group, respectively, on a quarterly basis from the third quarter of 2022 to the first quarter of 2024, in each case as compared to the corresponding quarter in 2019, showing the solid recovery of the Group, outperforming the market recovery:



Source: DICJ

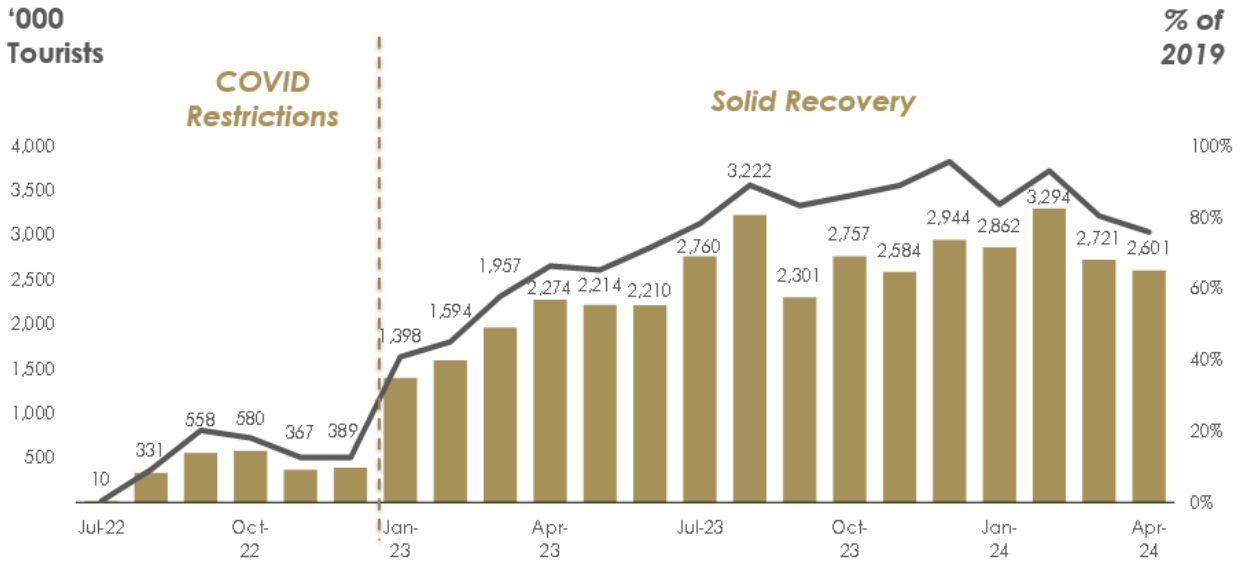
Approximately 3.7 billion people live within a five-hour flight of Macau as of April 2024. Visitors from Hong Kong, Southeast China, Taiwan and other locations in Asia can reach Macau in a relatively short time, using a variety of transportation methods, and visitors from more distant locations in Asia can take advantage of short travel times by air (followed by a road, ferry or helicopter trip to Macau). A number of infrastructure projects completed in recent years, such as the extension of the Guangzhou-Zhuhai Intercity Railway, the opening of the Macau Light Rapid Transit and the completion of the 55-km Hong Kong-Zhuhai-Macau bridge, have helped facilitate Macau’s development as a popular gaming destination in the region. Furthermore, the continued upgrades and improvements to Hengqin Port, a boundary-crossing facility between Macau and Zhuhai, which is able to handle up to 220,000 passenger trips daily, further bolsters the development of Macau.

As a result of the easing of COVID-19 control measures in December 2022, the Macau tourism industry witnessed a rebound and is on a positive trajectory towards pre-pandemic levels. Visitor arrivals to Macau in the first quarter of 2024 recorded year-over-year growth of 79.4%, reaching 85.7% of pre-pandemic levels for the same period in 2019. In April 2024, visitor arrivals reached approximately 2.6 million, representing 75.8% of the visitor arrivals in April 2019. In addition, overall hotel occupancy rate in Macau increased to 83.3% in April 2024 from 79.3% in April 2023, although it remained below the occupancy rate of 91.4% in April 2019.

The Macau government is targeting 33 million visitors in 2024, which represents a 17% increase compared to the total number of visitor arrivals in 2023 and 84% of the total visitor arrivals in 2019.

The chart below reflects visitor arrivals in Macau from July 2022 to April 2024 and shows the solid recovery of the Macau tourism industry since the beginning of 2023.

MACAU INBOUND TOURISM



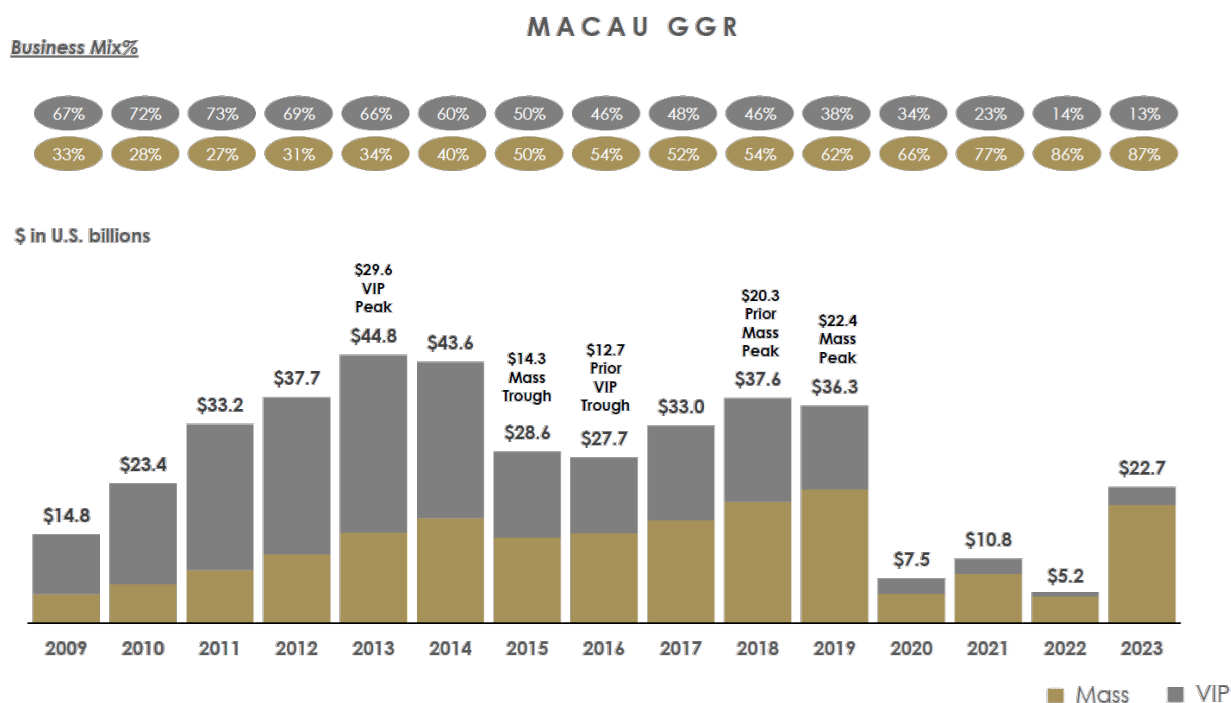
Source: DSEC

According to the DSEC, total visitor arrivals decreased by 26.0% and the total visitation from mainland China to Macau decreased by 27.5% for the year ended December 31, 2022 compared to 2021. While the number of visitations to Macau remains below pre-pandemic levels, it has steadily improved since January 2023, benefiting from China's economic reopening and the easing of COVID-19 control measures imposed by mainland China and Macau governments. Overall visitations to Macau increased 394.9% and 79.4% year-over-year, reaching approximately 28.2 million and 8.9 million for the year ended December 31, 2023 and the first quarter of 2024, respectively. Visitations to Macau for the year ended December 31, 2023 and the first quarter of 2024 reached 71.6% and 85.7% of the same respective period in 2019. Visitations to Macau increased 14.4% year-over-year in April 2024, and reached approximately 2.6 million, representing 75.8% of that in April 2019.

Visitation from mainland China reached approximately 6.3 million in the first quarter of 2024, representing 84.5% of that in the first quarter of 2019. In April 2024, visitation from mainland China has increased 25.3% to approximately 1.7 million as compared to April 2023. In particular, visitation by persons using the individual visit scheme in April 2024 reached approximately 0.8 million, representing 81.3% of that in April 2019, and overnight visitations from mainland China in April 2024 reached approximately 0.8 million, representing 75.7% of that in April 2019. Similarly, visitations from Guangdong, Shanghai and Beijing in April 2024 reached 99.7%, 107.7% and 106.6%, respectively, of that in April 2019.

The Macau gaming market consists of two primary segments: the mass market (comprised of mass table games and slots) and the VIP market. The mass market has shown steady growth over recent years and the gross gaming revenue of mass tables has surpassed the prior peak in 2018 driven by development in Cotai and overnight visitation in 2019 prior to the COVID-19 pandemic. In 2023, the mass market led the recovery in Macau, reaching 87% of its business mix. Looking forward, the mass market gaming segment is expected to experience a faster recovery than the VIP segment, resulting in a greater contribution of the mass market to the overall market mix. Meanwhile, the VIP market is expected to experience a slower recovery, primarily due to the structural loss for high-end gamblers resulting from the removal of major junkets and tightened regulations on junkets. The structural loss of high-end gamblers may potentially be offset by the conversion of original VIP junket customers to premium mass business customers.

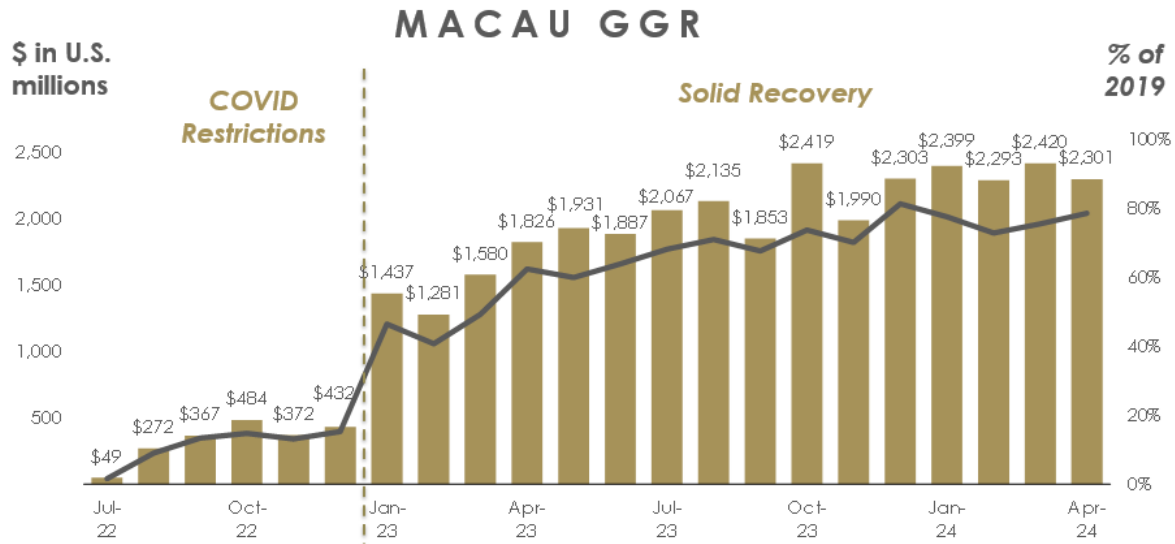
The chart below also reflects a breakdown of mass gross gaming revenue and VIP gross gaming revenue in Macau, whose breakdown has been determined by the Company based on publicly available information and other assumptions that the Company believes to be reasonable.



Source: DICJ and relevant companies' earnings releases

Due to the COVID-19 pandemic, Macau's gross gaming revenue decreased significantly in 2020 and remained at mid to high single digit billion dollars throughout 2021 and 2022. In 2023, with the easing of COVID-19 travel restrictions in mainland China and subsequently Macau, Macau's gross gaming revenue began to recover and reached US\$22.7 billion, representing a 334% year-over-year growth and reaching 63% of 2019 levels, according to the DICJ. In particular, Macau's mass market has significantly outperformed the overall Macau market, with the mass market gross gaming revenue recovering to 88% of 2019 levels in 2023. Additionally, due to strong and increasing visitation from mainland China, the trend of recovery continued into the first quarter of 2024, with Macau's gross gaming revenue approaching US\$7.1 billion, an increase of 65% compared to the first quarter of 2023, and reaching 75% of the gross gaming revenue levels in for first quarter of 2019. The growing trend continued in April 2024, and the gross gaming revenue reached US\$2.3 billion, representing 78.6% of that in April 2019. Benchmarked against other global gaming destinations such as Las Vegas Strip, whose gross gaming revenue in 2023 recovered to approximately 135% of 2019 levels and Singapore, where the combined gross gaming revenue of Marina Bay Sands and Genting Singapore in 2023 recovered to approximately 116% of 2019 levels, Macau still has ample room for further recovery in its gaming sector. Macau government also forecasted Macau's gross gaming revenue to reach US\$26.8 billion in 2024 as part of the annual policy address in November 2023, and the Chief Executive reaffirmed the forecast in February 2024. The forecasted gross gaming revenue represents 73.9% of that in 2019.

The chart below reflects the recovery of Macau’s gross gaming revenue since the second half of 2022 from the impact of the outbreak of COVID-19.



Source: DICJ

OUR PROPERTIES

The description of our properties and amenities below is based on the fully operational integrated resorts (unless otherwise stated).

MGM Macau Resort and Casino Overview

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

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

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

From the Grande Praça, patrons are able to access the casino on the main gaming floor. MGM Macau also maintains a convertible convention area with approximately 1,600 square meters of meeting space as well as a deluxe spa, swimming pool facilities and restaurants catering to a range of tastes. Our property is also seamlessly connected on multiple levels to the One Central complex, a shopping mall featuring retail stores for internationally recognized luxury brands, as well as serviced apartments and a Mandarin Oriental Hotel. MGM Macau and its first expansion were completed with capital expenditures of approximately US\$1.2 billion. In addition, we continue to enhance the MGM Macau facilities, by taking actions such as expanding our VIP gaming areas in 2011 and 2017, adding new retail outlets beginning in 2015, remodeling our restaurant, Square Eight, in 2017 and completing the renovation of our main gaming floor in October 2019. Highlights of MGM Macau are described in greater detail below.

Casino and Gaming Products

Main Gaming Floor

MGM Macau's casino currently occupies approximately 23,283 square meters of floor area, offering 24-hour gaming and a full range of games. The layout of our main gaming floor is organized using the different market segments we target. Although most of the floor features an open floor plan, design elements shift in an effort to create an impression of increasing luxury and exclusivity as patrons ascend from lower to higher limit gaming.

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

VIP Gaming Areas

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

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

Gaming Product Statistics

Under the Concession Contract, MGM Grand Paradise currently has 750 approved gaming tables. The decision to allocate tables between MGM Macau and MGM Cotai, as well as among different gaming segments, is based upon a number of factors pertaining to profit maximization, including the popularity of particular games, and feedback and suggestions from our gaming promoters with respect to their clients' preferences and statistical gaming results.

As at March 31, 2024, MGM Macau contained:

- 338 approved gaming tables for all major types of table games such as baccarat, blackjack, craps, poker, Caribbean stud poker, roulette and sic bo. Baccarat is the most popular game among our patrons measured by the level of revenues generated per table; and
- a combination of 948 slot machines in operation as well as other electronic gaming units placed throughout the casino in areas and bet denominations designed to target players in the various tiers of membership in our Golden Lion Club.

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

	Year Ended December 31,				For the three months ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	(US\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)	(HK\$'000)
VIP gross table games win.....	131,704	1,030,705	190,707	1,198,775	28,243	221,024	290,240
Main floor gross table games win	1,260,737	9,866,398	2,722,172	4,125,052	424,412	3,321,405	2,050,274
Slot machine gross win	115,300	902,325	351,914	504,795	36,883	288,640	187,388

Luxury Hotel

The 35-story MGM Macau hotel tower is 154 meters tall and houses 585 hotel rooms comprising 468 standard guestrooms, 99 luxury suites and 18 private luxury villas. Both internal and external corridors connecting to these rooms follow the exterior wave shape of the tower. In addition to the unique shape of the internal corridors, the beige tones of the interior corridors subtly darken along with the lighting as the corridor moves away from the elevator lobby toward either end of the tower to create a more unique and welcoming atmosphere than straighter and more conventional hotel corridors. For the years ended December 31, 2023, 2022 and 2021, our occupancy rates were 93.9%, 54.2% and 79.8%, respectively, and for the three months ended March 31, 2024 and 2023, our occupancy rates were 93.5% and 93.5%, respectively. The revenues per available room during the years ended December 31, 2023, 2022 and 2021 were HK\$2,192, HK\$824 and HK\$1,155, respectively and for the three months ended March 31, 2024 and 2023, our revenues per available room were HK\$3,061 and HK\$1,535, respectively.

Highlights of our guest accommodations themselves include the following:

Standard Guestrooms

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

Luxury Suites

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

Private Luxury Villas

Our private luxury villas are designed to cater to our most discerning VIP patrons. Each of our 18 villas is located on floors 30 to 32 and is between 220 and 380 square meters in total floor area. Each villa has a grand entrance lined with marble to match one of the two themes of “Gold” and “Burgundy” (on floors 30 to 32). All of our villas feature contemporary designer furnishings, antique style mirrors and come with chef service, as well as a private pantry, full kitchen, separate lounge and entertainment areas and a Saint-Louis chandelier to illuminate the dining area. Both our suites and villas are accessed through the separate VIP lobby and its dedicated elevator bank.

Restaurants and Bars

MGM Macau features 8 diverse restaurants catering to a broad range of international tastes. The restaurants at MGM Macau provide high quality food, service and décor, which we believe are additional reasons for customers to visit and stay at MGM Macau. MGM Macau's restaurants and bars include the following:

- Aux Beaux Arts, a French, 1930's style brasserie, is situated along the Grande Praça featuring an extensive wine list and an exclusive wine cellar, and also contains the ABA Bar, specializing in champagne and other festive libations.
- Imperial Court, a Forbes Five-Star restaurant, which serves traditional and contemporary Cantonese cuisine. In addition to Imperial Court's distinctively Eastern design cues and adornments its cuisine also pays respect to time-honored Chinese culinary traditions with a blend of contemporary flair. Imperial Court is situated off our VIP lobby and features six distinctive private rooms.
- Grand Imperial Court, located adjacent to the Level 2 VIP casino, offering an even wider range of traditional and contemporary regional delicacies to our VIP gaming patrons as well as those simply in pursuit of a special meal.
- Pastry Bar, situated on the ground floor, which features a wide array of confections and pastries. Pastry Bar also serves tea and coffee and offers lunch and dinner items in addition to decadent desserts.
- Rossio, MGM Macau's signature restaurant named after the Estação Rossio, Lisbon's central train station whose facade is replicated just outside the restaurant in the Grande Praça. Rossio features delicious all-day dining comfort foods, with menu offerings highlighted by Portuguese fare and Macanese specialties. Rossio also features a wide seafood selection.
- North by Square Eight, a contemporary yet casual dining restaurant, featuring specialty dishes from northern and central China.
- South by Square Eight, an enhanced Cantonese café concept by Square Eight, where master chefs in open kitchens bring to life the aromas, flavors and bustle of Hong Kong and Guangdong, 24 hours a day, seven days a week.

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

Convention, Meeting and Reception Facilities

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

Retail

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

Tria Spa

Found only at MGM Cotai and MGM Macau, the Forbes Five Star – Tria Spa is staffed with expertly trained therapists who focus on tailor-made treatments to heal the mind, body and soul of each guest. Tria Spa provides a

sensory spa journey for guests through its offering of Ancient Chinese, Ayurvedic and Himalayan healing rituals, as well as massages, wraps, scrubs and a range of results-driven facials.

Salon, Gym and Pool

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

Art Collection

Precious works of art can be found throughout MGM Macau including the massive “Fiori de Paradiso” chandelier by renowned artist Dale Chihuly, which is located at the hotel lobby. Additional artwork, including lion sculptures and paintings by local and international artists are located elsewhere on the grounds. MGM Macau also features the MGM Art Space, a dedicated gallery space in a Macau resort designed specifically for art and cultural exhibitions. In 2023, MGM China announced a collaboration with Poly Culture Group Corporation Limited to build a cutting-edge arts and culture museum at MGM Macau.

MGM Cotai Resort and Casino Overview

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

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

MGM Cotai opened to the public on February 13, 2018, beginning its phased opening approach. The facility’s VIP gaming areas were opened in the second half of 2018 with the addition of a number of significant gaming promoters. In December 2018, we introduced Mansion One, the ultra-luxury gaming area for invitation-only premium mass customers. In late March 2019, we launched The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests. In 2021, we launched Emerald Villa, which enhances our upscale suite offerings and complements our room product portfolio to accommodate a wider breadth of guest types.

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

Casino and Gaming Products

Main Gaming Floor

MGM Cotai’s casino currently occupies approximately 24,549 square meters of floor area, offering 24-hour gaming and a full range of games. Three high limit gaming areas, Dragon, Platinum and Supreme, are located in our main gaming area and provide dining, exclusive facilities and luxury amenities. Our Supreme gaming areas are exclusive to our gaming patrons with Supreme status in the Golden Lion Club.

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

VIP Gaming Areas

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

Gaming Product Statistics

Under the Concession Contract, MGM Grand Paradise currently has 750 approved gaming tables. The decision to allocate tables between MGM Macau and MGM Cotai, as well as among different gaming segments, is based upon a number of factors pertaining to profit maximization, including the popularity of particular games, and feedback and suggestions from our gaming promoters with respect to their clients' preferences and statistical gaming results.

As at March 31, 2024, MGM Cotai contained:

- 412 approved gaming tables for all major types of table games such as baccarat, blackjack, craps, poker, Caribbean stud poker, roulette and sic bo. Baccarat is the most popular game among our patrons measured by the level of revenues generated per table; and
- a combination of 956 slot machines in operation as well as other electronic gaming units placed throughout the casino in areas and bet denominations designed to target players in the various tiers of membership in our Golden Lion Club.

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

	Year Ended December 31,				Three Months Ended March 31,		
	2023	2023	2022	2021	2024	2024	2023
	(US\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(US\$'000)	(HK\$'000)	(HK\$'000)
VIP gross table games win.....	373,685	2,924,422	390,066	913,578	163,293	1,277,911	456,550
Main floor gross table games win	1,475,192	11,544,706	1,750,254	3,381,925	525,142	4,109,706	2,052,484
Slot machine gross win	100,213	784,257	173,238	406,803	29,968	234,527	160,654

Luxury Hotel

The MGM Cotai hotel tower is 151 meters tall and houses 1,418 hotel rooms comprising 1,248 standard guestrooms, 99 luxury suites, 16 skylofts, 27 The Mansion villas and 28 Emerald villas. For the years ended December 31, 2023, 2022 and 2021, our occupancy rates were 92.0%, 25.2% and 47.2%, respectively, and for the three months ended March 31, 2024 and 2023, our occupancy rates were 93.4% and 89.3%, respectively. The revenues per available room during the years ended December 31, 2023, 2022 and 2021 were HK\$1,805, HK\$355 and HK\$569, respectively, and for the three months ended March 31, 2024 and 2023, our revenues per available room were HK\$2,631 and HK\$1,205, respectively.

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

Highlights of our guest accommodations themselves include the following:

Standard Guestrooms

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

Luxury Suites

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

Skyloft

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

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

The Mansion

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

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

Emerald Villa

Emerald Villa, featuring 28 luxurious one, two or three-bedroom villas, is the latest addition to the luxurious accommodation at MGM Cotai. It was awarded the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category, the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category and 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. As the first in Macau to have received these two top design recognitions— SBID International Design Awards and MUSE Design Awards, the launch of Emerald Villa enhances our upscale suite offerings and complements our room product portfolio to accommodate a broader profile of guest types.

Mansion One

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

Restaurants and Bars

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

- Bar Patuá, a classic yet contemporary bar that serves crafted cocktails using uniquely oriental ingredients such as Chinese tea and herbs.
- Chún, a fine dining restaurant serving exquisite and creative Cantonese cuisine, and contains an alfresco terrace, which opens out to the spellbinding Spectacle and five private dining rooms.
- Coast offers dishes that capture the spirit of California and neighboring West Coast flavors.
- Five Foot Road is a stylish tea lounge featuring elegant calligraphic poems, where guests can savor a variety of beverages including traditional Sichuan Kung Fu tea and a selection of infused beverages. At the heart of the cuisine is the famed Sichuan chili and peppercorn, playing a central role on the menu focusing on authentic Sichuan ingredients and recipes with contemporary presentation from our trained Sichuan master chef. Five Foot Road received Forbes Travel Guide's Five-Star honors and awarded One Michelin Star at the latest Michelin Guide Hong Kong and Macau 2024.
- Grill 58 is the must-go restaurant for exceptional meat and a destination for food and wine connoisseurs around the world.
- Hao Guo buzzes with fun and energy, and is ideal for families, groups and team events. Contemporary urban Asian interiors feature a timber motif and metallic tones, and contrast with views of a picturesque lake through floor-to-ceiling windows. The restaurant features a series of open, private and semi-private spaces and an outdoor terrace.
- Miàn Dui Miàn serves up tasty, fast and comforting fare, drawing together cuisine from the North and South of China. It offers noodles and dumpling dishes, and congee and rice dishes from around Asia, as well as carefully crafted traditional beverage favorites ranging from Hong Kong-style milk tea, lemon tea to freshly squeezed juices.

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

Convention, Meeting and Reception Facilities

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

MGM Theater

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

Spectacle

As the epicenter of entertainment at MGM Cotai, the Spectacle comprises one of the largest area of permanent indoor LED screens in the world, which showcases an exclusive array of digital art collected from around the globe, setting a platform for the artists to reveal the beauty of the world. The digital art comprises the elements of nature, art, music, language, and culture for guests to discover and understand the world by inspiring them to perceive it in a different way.

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

Retail

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

Tria Spa

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

Salon, Gym and Pool

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

Art Collection

The MGM Cotai Art Collection features over 300 captivating and thought-provoking 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.

ADVERTISING AND MARKETING

We advertise through several types of media and undertake various marketing activities to promote our operations. These activities capitalize upon our well-recognized MGM brand, our product offerings and our network of relationships with travel service providers. We seek to attract patrons through advertising, casino marketing, media and public relations, resort sales networks and special events. To support our efforts in attracting international patrons and expanding our overseas sales network, we leverage the existing MGM Marketing Offices operated by MGM Resorts International. For additional information regarding our marketing arrangements with MGM Resorts International, see "*Related Party Transactions—MGM Grand Paradise International Marketing Agreement.*"

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

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

GAMING OPERATIONS

The Concession Contract requires that our casino and gaming areas be open seven days a week, every day of the year. Our casinos operate on a 24-hour basis. Our casinos' gaming activities are conducted through a number of gaming operations, including gaming floor, cage and treasury as well as security and surveillance operations. Our

casinos' gaming operations referred to herein include operations in all of areas that the VIP players and main floor players have access to, including gaming areas.

INTELLECTUAL PROPERTY

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

INFORMATION TECHNOLOGY

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

EMPLOYEES

As at March 31, 2024, the Group employed 12,345 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM Macau, MGM Cotai and shared services team members.

Most of our workforce has been recruited from Macau but we also employ experienced skilled labor, management staff and general line level staff recruited from outside Macau. The Macau Government has granted us permission to hire foreign workers subject to a quota. We believe that we will be able to continue to attract and retain a sufficient number of qualified individuals to operate the hotel and casino but there can be no assurance that this will be the case. See “*Risk Factors—Risks Relating to Our Business and Operations—A labor shortage in Macau hotels and other non-gaming Macau attractions could negatively impact our business.*”

COMPETITION

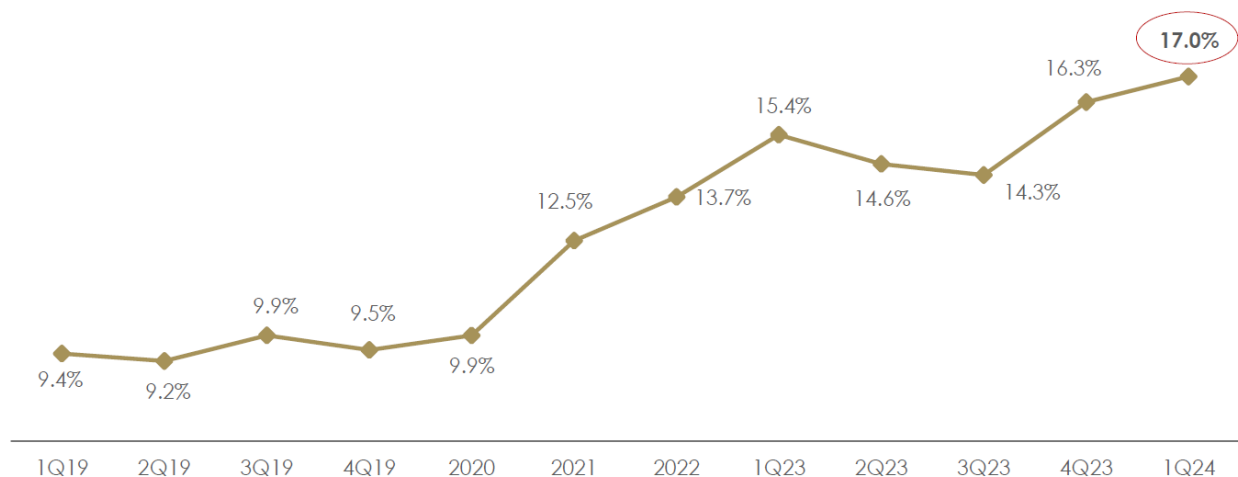
We operate in a highly competitive industry. Gaming in Macau is permitted as a government-sanctioned monopoly concession awarded to six Concessionaires. Our subsidiary, MGM Grand Paradise, is one of the six Concessionaires. Each Concessionaire can operate multiple casinos subject to the approval of the Macau Government.

The gaming operators in Macau currently consist of the six Concessionaires. As at March 31, 2024:

- MGM Grand Paradise, our subsidiary, operated two casinos, namely MGM Macau and MGM Cotai.
- SJM operated 13 casinos in Macau, including Lisboa, Grand Lisboa, Oceanus at Jai Alai, Grand Lisboa Palace and 9 satellite casinos. The 9 satellite casinos include Ponte 16, Casa Real, Landmark, Emperor Palace, Fortuna, Grandview, Kam Pek Paradise, L’Arc Macau and Legend Palace.
- Galaxy operated four casinos, namely StarWorld, Galaxy, Broadway and the City Club casinos, which include Waldo.
- Venetian Macau operated five casinos in Macau, namely The Venetian Macau, The Londoner Macau, The Parisian Macau, The Plaza Macau and Sands Macau.
- Wynn Resorts Macau operated two casinos, namely Wynn Macau and Wynn Palace.
- Melco Resorts Macau operated four casinos, namely Altira Macau, City of Dreams, Studio City and Grand Dragon. Melco Resorts Macau also operates Mocha Clubs.

As at March 31, 2024, there were 30 casinos in Macau. There are several development projects in Cotai that are expected to be completed in the coming years.

Our key competitors in Macau include the five other Concessionaires, including SJM, Galaxy, Wynn Resorts Macau, Venetian Macau and Melco Resorts Macau. Our overall gaming market share was 17.0% for the three months ended March 31, 2024 and 15.2%, 13.7% and 12.5% for the years ended December 31, 2023, 2022 and 2021, respectively. The chart below presents our overall gaming market share on an annual basis for 2020, 2021 and 2022 and a quarterly basis for 2019, 2023 and the first quarter of 2024.



Source: DICJ.

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

INSURANCE

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

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

ENVIRONMENTAL MATTERS

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

LEGAL COMPLIANCE AND PROCEEDINGS

The Group has obtained all necessary approvals, licenses and permits required to conduct its business operations in Macau. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

Legal Proceedings Related to Cash Deposit with Gaming Promoters

As at March 31, 2024, the Group was named as a defendant in legal proceedings filed in the Macau courts against gaming promoters by individuals who claimed to have placed cash deposits with gaming promoters who had operations at the Group’s properties and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely upon the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos.

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, with the Court of Final Appeal 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.

Legal Proceedings Related to Criminal Activities by a Gaming Promoter

On June 6, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Alvin Chau relating to side-betting in the Group's Sun City VIP Rooms, defrauding the Group and leading to lower gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found the majority of the 21 criminal defendants guilty and found that the Group is entitled to HK\$349.0 million in compensation. Following an appeal by certain of the defendants, in October 2023, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants.

On August 15, 2022, the Group filed a claim for losses against the defendants in criminal proceedings involving Levo Chan relating to side-betting in the Group's Tak Chun VIP Rooms, defrauding the Group and leading to lower gaming revenues and gaming tax payable by the Group. The Court of First Instance in the criminal proceedings found five of the nine defendants guilty and found that the Group is entitled to HK\$3.8 million in compensation. Following an appeal by certain of the defendants, in January 2024, the Court of the Second Instance released the verdict dismissing the compensation to MGM Grand Paradise and the other concessionaires. As of the date of this offering memorandum, the case is pending a definitive decision, including with respect to the award of compensation to MGM Grand Paradise, from the Court of Final Instance following appeals from the Prosecutor's office and certain defendants.

No contingent asset was recognized as the Group assessed that the possibility of recovering these losses is remote.

Legal Proceedings related to Construction Works Contracts

The Group has also been named as a defendant in legal proceedings filed in the Macau Court of First Instance by a contractor and by one of its sub-contractors, both claiming compensation for damages based on the alleged unlawful termination of two construction works contracts (contractor's claim) and on unpaid executed construction works (sub-contractor's claim). The Group intends to keep defending its position that it is not liable with respect to these claims. The Macau Court of First Instance declared, in the meantime, that the contractor, which is currently in bankruptcy proceedings, would have the proceedings continued by the receiver appointed with respect to that company. On January 16, 2020, the Group obtained an interim injunction to freeze the contractor's assets and on June 2, 2020, the Group filed its claim for credits against the contractor's insolvency estate. No final court decision with respect to this matter is expected in the near future.

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

REGULATION

General

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

Gaming Regulations

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

Each Concessionaire is required to engage a Managing Director who must be a permanent resident of Macau and the holder of at least 15% of the capital stock of the Concessionaire. Ms. Pansy Ho, the Managing Director of our subsidiary MGM Grand Paradise, currently meets the aforementioned requirements. Ms. Pansy Ho has a 15% voting interest in our subsidiary MGM Grand Paradise, but her economic interest is limited to MOP1.00. The appointment of a managing director and of any successor is ineffective without the approval of the Macau Government. All contracts placing the management of a Concessionaire’s casino operations with a third party also are ineffective without the approval of the Macau Government.

Concessionaires are subject to a special gaming tax of 35% of gross gaming revenue and must also make an annual contribution of 5% of gross gaming revenue (2% for promotion of public interests and 3% for social security, infrastructure and tourism). Concessionaires are also obligated to withhold tax, according to the rate in effect as set by the government, from any commissions paid to gaming promoters. The aforementioned contribution may be entirely or partially exempted by the Chief Executive, by virtue of the public interest, taking especially into account the gross gaming revenue generated by the expansion of the foreign customers sources by the Concessionaire.

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

The Macau Government has also enacted other gaming legislation, rules and policies. Further, it imposed policies, regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, the number of gaming tables that may be operated in Macau, location requirements for sites with gaming machine lounges, supply and requirements of gaming machines, equipment and systems, instruction in responsible gaming, restrictions on the utilization of mass market gaming tables for VIP operations, smoking in gaming areas and other matters. In addition, the Macau Government may consider enacting new regulations that may adversely affect our gaming operations. Our inability to address the requirements or restrictions imposed by the Macau Government under such legislation could adversely affect our gaming operations. See “*Risk Factors—Risks Relating to Our Business and Operations— Conducting business in Macau involves certain economic and political risks.*”

Gaming Promoters

In December 2021, the Group suspended VIP operations with its primary gaming promoters and subsequently terminated its contractual arrangements with such promoters. In addition, following the introduction of Macau Law No. 7/2022, which amended the Macau Gaming Law (Macau Law No. 16/2001), and the Gaming Activity Law (Law No. 16/2022), the Group has not had any revenue sharing arrangements with any gaming promoters. Accordingly, the contribution of VIP operations with gaming promoters to our casino revenue was significantly reduced.

The Gaming Activity Law, effective January 1, 2023, contains certain restrictions relating to Concessionaires, gaming promoters, collaborators and management companies. It imposes suitability and financial capacity verification for gaming promoters, collaborators and management companies, and requires the provision of a guarantee in the amount of MOP1,500,000 for each gaming promoter and management company and of MOP500,000 for each collaborator, for obtaining a gaming promotion license or authorization as a management company or collaborator. The Gaming Activity Law restricts gaming promotion activity to the gaming promoters licensed by the SEF, determining that gaming promoters be suitable corporate legal entities established in Macau with the exclusive object of gaming promotion, with a minimum share capital of MOP10,000,000, of which 50% must be held by Macau permanent residents of at least 21 years of age, with an exclusivity contract with one of the Concessionaires subject to a gaming commission. It sets out the form and minimum content of the gaming promotion contracts and prohibits gaming promoters (a) to resort to any persons or entities that are not its directors, employees or collaborators for gaming promotion activities, (b) to get a share, by any means, of the casino revenue obtained by the concessionaires, (c) to pay a commission to any of its collaborators by way of sharing any casino gaming revenue, (d) to cooperate with anyone who is prohibited from carrying out the activity of promoting games or being a collaborator, and (e) to deposit, by itself or through third parties, chips or funds of others. The gaming promoters' commission is legally capped at 1.25% of the amount bet (net rolling) whatever the calculation basis. Commissions include any advantages or gifts offered or provided in Macau or abroad, directly or indirectly, within the referred cap. The Gaming Activity Law further requires collaborators, who must also be of a minimum 21 years of age, to be previously authorized by the DICJ. Collaborators must sign a contract with at least one gaming promoter and are prohibited from (a) granting credit for gaming, and (b) depositing any gaming chips or funds. Concessionaires will be jointly liable for the unlawful acts of gaming promoters. This joint and several liability may be excluded when it is proven that the concessionaire has responsibly fulfilled its supervisory duty, taking into account, among other things, (a) the supervision mechanism established by the Concessionaire and its implementation; and (b) measures adopted by the Concessionaire to prevent the occurrence of illegal acts.

The Concession Regime

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.

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.

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 contributions, which are common to all concessionaires, including a special gaming tax of 35% of the gross gaming revenue, a fixed premium of MOP30.0 million (US\$3.7 million) per year, a variable premium depending upon the number of gaming tables and electric or mechanical gaming machines, and additional levies such as annual payments of 2% and 3% of the gross gaming revenue, which will be given to a public foundation for the promotion, development or study of cultural, social

economic, educational, scientific, academic, and charity activities and used for urban development and construction, promotion of tourism and social security, respectively.

As required by the Concession Contract, MGM Grand Paradise has provided to the Macau Government two bank guarantees totaling MOP700.4 million (equivalent to approximately HK\$680 million). 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.

MGM Grand Paradise may operate other gaming-related activities, provided that it receives prior approval from the Macau Government. If the Concession Contract is not extended or renewed upon its expiration on December 31, 2032, on that date all of its casino premises and gaming-related equipment would be automatically transferred to the Macau Government without compensation and we would cease to receive any revenues from such operations.

Beginning on January 1, 2031, the Macau Government may redeem the Concession by providing MGM Grand Paradise at least one year's prior notice. In the event the Macau Government exercises this redemption right, MGM Grand Paradise is entitled to fair compensation or indemnity. Pursuant to the Concession Contract, the amount of such compensation or indemnity will be determined based on the amount of gaming and non-gaming revenue generated by MGM Macau, excluding the convention and exhibition facilities, during the taxable year prior to the redemption, before deducting interest, depreciation and amortization, multiplied by the number of remaining years before expiration of the Concession. See "*Risk Factors—Risks Relating to Our Business and Operations—The Macau Government has the Right to terminate or redeem MGM Grand Paradise's concession and refuse to grant MGM Grand Paradise an extension of the Concession in 2032.*"

The Concession Contract requires, among other things:

(i) approval of the Macau Government for transfers of shares in MGM Grand Paradise, or of any rights over or inherent to such shares, including the grant of voting rights or other stockholders' rights to persons other than the original owners, as well as for the creation of any charge, lien or encumbrance on such shares;

(ii) approval of the Macau Government for transfers of shares, or of any rights over such shares, in any of our direct or indirect stockholders, provided that such shares or rights are directly or indirectly equivalent to an amount that is equal to or higher than 5.0% of MGM Grand Paradise's share capital; and

(iii) that the Macau Government be given notice of the creation of any encumbrance or the grant of voting rights or other stockholder's rights to persons other than the original owners on shares in any of the direct or indirect stockholders in MGM Grand Paradise, provided that such shares or rights are equivalent to an amount that is equal to or higher than 5.0% of MGM Grand Paradise's share capital.

The requirements in provisions (ii) and (iii) above will not apply, however, to securities listed as tradable on a stock exchange.

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

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

any fact that may be material to the appropriate qualification of any directors, executive staff in relevant positions in the casino or shareholders holding 5.0% or more of Macau Grand Paradise’s share capital.

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

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

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

MGM Grand Paradise has certain payment obligations under the Concession Contract and pursuant to Macau Gaming Law, which include payment of a special gaming tax, annual gaming premiums and contributions to a public foundation in Macau and to urban development, the promotion of tourism and social security. Pursuant to the Concession Contract, MGM Grand Paradise also agreed to a committed investment of MOP19.7 billion (US\$2.4 billion). The following table sets out the key terms and conditions of the Concession Contract.

Committed investment	MOP19.7 billion (US\$2.4 billion)
Term	to December 31, 2032
Special gaming tax	35% of gross gaming revenue
Annual gaming premium.....	MOP30.0 million (US\$3.7 million) per annum fixed premium
	MOP300,000 (US\$37,168) per annum per VIP gaming table
	MOP150,000 (US\$18,584) per annum per mass market gaming table
	MOP1,000 (US\$124) per annum per electric or mechanical gaming machine including slot machines

Special levies:

Contribution to a public foundation in Macau	2% of gross gaming revenue—for promotion, development or study of culture, society, economy, education, science and charity events in Macau
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Contribution to Macau Government	3% of gross gaming revenue—for urban development, tourism promotion and social security in Macau
Total	5% of gross gaming revenue
Share capital and net worth	Not less than MOP5.0 billion (US\$0.6 billion)

The Concession Contract may be terminated by mutual agreement between MGM Grand Paradise and the Macau Government.

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

- operation of casino games without permission or operation of business beyond the scope of the Concession;
- suspension of gaming operations without reasonable grounds for more than 7 (seven) consecutive days or more than 14 (fourteen) non-consecutive days within one calendar year;
- unauthorized total or partial transfer of gaming operations in violation of the relevant laws and administrative regulations governing the operation of casino games;
- failure to pay taxes, premiums, levies or other amounts payable to the Macau Government;
- refusal or failure to resume operations or failure to continue operations due to on-going serious disruption or organizational insufficiency;
- repeated failures in the implementation of supervision and inspection control or repeated failure to comply with decisions of the Macau Government, in particular, the DICJ instructions;
- systematic non-compliance with fundamental obligations stipulated under the concession regime;
- refusal or failure to provide or replenish the bank guarantee or surety in the Concession Contract within the prescribed period;
- bankruptcy or insolvency;
- fraudulent activity to the detriment of the public interest;
- serious violation of the rules applicable to the operation of casino games or causing harm to fairness of casino games; and
- non-fulfilment of the investment amount and criteria set out within the term set out by the SEF.

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

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

and, instead, we would rely on consultations and negotiations with the Macau Government to enable us to remedy any such default.

There are no renewals foreseen under the Concession Contract, which expires on December 31, 2032. The Macau Government may, if justified, exceptionally grant extensions up to a maximum of three years total, in accordance with the Gaming Law.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors

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

Name	Position	Age
Ms. Pansy Catilina Chiu King Ho.....	Chairperson and executive Director	61
Mr. William Joseph Hornbuckle.....	Co-Chairperson and executive Director	66
Mr. John M. McManus.....	Executive Director	57
Ms. Jeny Lau	Executive Director	65
Mr. Kenneth Xiaofeng Feng.....	Executive Director	53
Mr. Daniel J. Taylor	Non-executive Director	67
Ms. Ayesha Khanna Molino.....	Non-executive Director	43
Mr. Jonathan S. Halkyard.....	Non-executive Director	59
Ms. Sze Wan Patricia Lam.....	Independent Non-executive Director	57
Mr. Russell Francis Banham.....	Independent Non-executive Director	70
Mr. Simon Meng.....	Independent Non-executive Director	66
Mr. Chee Ming Liu.....	Independent Non-executive Director	73

The biography of each Director is set out below:

Executive Directors

Ms. Pansy Catilina Chiu King Ho, SBS, JP, is the Chairperson of the Company since May 2023. She is the Managing Director of MGM Grand Paradise Limited, a position which she has served since June 1, 2005, an executive Director and a member of the Remuneration Committee of the Company and 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 Chairperson and Managing Director of Shun Tak Holdings Limited, positions she has held since 2017 and 1999 respectively, the Vice-Chairperson and non-executive Director of Phoenix Media Investment (Holdings) Limited since 2021, and an independent non-executive director of China Southern Airlines Company Limited since 2023; these three companies are listed on the Main Board of the Hong Kong Stock Exchange Limited. In addition, she is the Chairperson of the Board of Directors of Estoril-Sol, SGPS, SA, a Portuguese listed gaming company, and the Vice Chairperson of the Board of Directors of Macau International Airport Company Limited. She was an independent non-executive Director of Sing Tao News Corporation Limited, which is listed on the Main Board of the Hong Kong Stock Exchange. In Hong Kong, Ms. Ho is the Chairperson of Hong Kong Federation of Women, a General Committee Member of The Hong Kong General Chamber of Commerce, a Director of Friends of Hong Kong Association Limited, a governor of Our Hong Kong Foundation Limited and an Executive Vice-president of The Federation of Hong Kong Beijing Organisation. In Mainland, Ms. Ho is a standing committee member of the National Committee of the 14th Chinese People’s Political Consultative Conference (“CPPCC”), a Vice Chairperson of All-China Federation of Industry and Commerce, a standing committee member of the All-China Women’s Federation, a standing committee member of the Beijing Municipal CPPCC, a Vice Chairperson of the International Mountain Tourism Alliance, the 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 since 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, the President of General Association of Macau Beijing Organization 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.

Mr. William Joseph Hornbuckle is an executive Director of the Company. He is also the Co-Chairperson of the Company since May 2023 and a Director of MGM Grand Paradise since November 16, 2009. Mr. Hornbuckle is the Chief Executive Officer and President of MGM Resorts International (“MGM Resorts”) since July 29, 2020 and he also serves as Director of MGM Resorts. Mr. Hornbuckle has served as President of MGM Resorts since 2012 and became Chief Operating Officer in 2019. Mr. Hornbuckle oversees all aspects of MGM Resorts’ strategy, operations and hospitality and gaming development projects. He leads MGM Resort’s global development efforts and its digital gaming strategy. Mr. Hornbuckle led the strategy and execution of MGM Resort’s sale of MGM Growth Properties to Vici Properties and the acquisition of the remaining share of CityCenter and of The Cosmopolitan of Las Vegas. He led MGM Resorts’ domestic and international expansion efforts, including the development of resorts in National Harbor, MD, and Macau and of T-Mobile Arena in Las Vegas. More recently, Mr. Hornbuckle oversaw MGM Resorts’ expansion of entertainment and sports betting through the creation of BetMGM. Additionally, he held the roles of Chief Design and Construction Officer and Chief Customer Development Officer. Mr. Hornbuckle has been with MGM Resorts for more than two decades, including time as the Chief Marketing Officer, where he led the creation and launch of the M life Rewards customer loyalty program. Mr. Hornbuckle’s previous positions with MGM Resorts include President and Chief Operating Officer of Mandalay Bay, Chief Operating Officer of MGM Resorts International-Europe and President and Chief Operating Officer of MGM Grand Las Vegas. Mr. Hornbuckle has played a key role in expanding Las Vegas’ entertainment and attractions. Mr. Hornbuckle is a board member and President of T-Mobile Arena (a joint venture with AEG) and helped bring Las Vegas its first professional sports team through the establishment of the NHL’s Golden Knights. In 2016, he was appointed to the Clark County Stadium Authority Board, which developed the Las Vegas NFL Stadium Project as part of a successful effort to attract an NFL team, the Raiders, to Las Vegas. He served on this board through 2021, and, during that time, he also helped bring the WNBA team, the Aces, to Las Vegas in 2017. Mr. Hornbuckle was President and Chief Operating Officer for Caesars Palace, Las Vegas; President and Chief Operating Officer of the Golden Nugget in Laughlin; Executive Vice President and Chief Operating Officer of Treasure Island and Vice President of Hotel Operations for The Mirage, which he opened in 1989. He was also Chairman of the Board of Directors for CityCenter JV (a joint venture with Dubai World) and currently serves as Chairman of the U.S. Travel and Tourism Advisory Board, which advises the U.S. Secretary of Commerce on policy, regulation, programs and issues that impact the travel and tourism industry in the United States. Mr. Hornbuckle serves on the Board of Trustees for Three Square Food Bank and the Board of Directors for the Fulfillment Fund. He is also the Founder of a local banking and financial services institution called GBank, where he remains a board member for its holding company, GBank Financial Holdings. Mr. Hornbuckle endowed a scholarship for students pursuing hospitality degrees at the University of Nevada, Las Vegas (“UNLV”). He holds a Bachelor of Science degree in Hotel Administration from UNLV.

Mr. John M. McManus is an executive Director and a member of the Nomination, Environmental, Social and 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.

Ms. Jeny Lau is an executive Director and a member of the Nomination, Environmental, Social and Governance Committee of the Company. She has been the Chief Operating Officer and Director of Grand Paradise Group (HK) Limited, a private family office entity, since 2015, overseeing all operations of this group. She was a member of the Compliance Committee of MGM China Holdings Limited from June 2021 to May 2023. Prior to

joining Grand Paradise Group, Ms. Lau was the Chief Operating Officer and Director of Phoenix Property Investors, a regional private equity real estate fund house, since 2009. She was in charge of all the finance and accounting, back-of-house operations, including fund administration and project financing. Before her role at Phoenix Property Investors, Ms. Lau was the Chief Financial Officer and Executive Director on the Board of SOCAM Development Limited (formerly known as Shui On Construction and Materials Limited) (Stock Code: 983), a construction and property development company, listed on The Stock Exchange of Hong Kong, with businesses in Hong Kong and China. Before that, Ms. Lau was the Director of Corporate Finance at Shun Tak Holdings Limited (Stock Code: 242), a conglomerate in property, hospitality and transportation, and listed on The Stock Exchange of Hong Kong. There she led and executed all corporate finance transactions including debt and equity fundraising activities. Before joining the Shun Tak Group, Ms. Lau was the Managing Director of Platinum Securities Company Limited and a Director of Platinum Holdings Company Limited, a regional investment bank. At Platinum, Ms. Lau supervised activities of the regional offices, led the execution of all capital market and advisory transactions. Prior to joining the Platinum Group, she was with Jardine Fleming Securities Limited (now merged into J.P. Morgan) where she executed regional debt and equity deals, M&A and advisory transactions. Prior to that Ms. Lau was with leading international accounting firms in both the United States and Hong Kong as well as major commercial banks in the United States. Ms. Lau was also an independent non-executive director at Tan Chong International Limited (Stock Code:693), a Hong Kong listed auto trading arm of Tan Chong Motors Holdings Berhad, a Malaysia- listed auto conglomerate, from 2003 till 2009. She was also appointed as committee member on the Audit Committee and Remuneration Committee of the board committees during that time. Ms. Lau holds a Bachelor of Science in Accounting degree and a Master of Science in Systems and Accountancy from University of Illinois at Chicago. She is a Certified Public Accountant (CPA) and holds professional memberships at American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute.

Mr. Kenneth Xiaofeng Feng serves as an executive Director of the Company and President and Director of MGM Grand Paradise Limited. Mr. Feng was appointed as non-executive Director of the Company on May 24, 2018 and as President, Strategic and Chief Financial Officer on June 22, 2020. He was re-designated as an executive Director of the Company and appointed as a Director of MGM Grand Paradise Limited on June 20, 2023. He was a member of the Audit Committee from May 24, 2018 to November 1, 2019. Mr. Feng has been employed by MGM Resorts International since 2001 in a variety of finance, advisory, strategic and development positions. Mr. Feng was appointed as Vice President – International Operations in 2007 and Senior Vice President of MGM Resorts International in 2009.

Non-Executive Directors

Mr. Daniel J. Taylor is a non-executive Director of the Company since March 26, 2020 and a member of the Remuneration Committee since May 28, 2020. He sits on the board of MGM Resorts International since 2007 and serves as a member of the Audit Committee, Human Capital and Compensation Committee and as Chair of the Nominating/Corporate Governance Committee. 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.

Ms. Ayesha Khanna Molino is a non-executive Director of the Company since August 6, 2020 and a member of the Audit Committee and of the Nomination, Environmental, Social and Governance Committee since November 5, 2020. Ms. Molino became President and Chief Operating Officer of Aria and Vdara in November 2023 and remained as the Senior Vice President for Public Affairs of MGM Resorts International, a position she has held since January 2017. Ms. Molino has brought significant policy experience to MGM Resorts International. Before

joining MGM Resorts International, Ms. Molino served as Chief Counsel and formerly as Policy Adviser to the retired U.S. Senator for the State of Nevada Harry Reid. Prior to her tenure with Senator Reid from October 2011 to December 2016, Ms. Molino served as international trade counsel on the U.S. Senate Finance Committee under Senator Max Baucus from 2007 to 2011 and previously worked as an attorney in the Office of General Counsel at the U.S. Department of Commerce from 2005 to 2007. Ms. Molino has also been a trustee of the Ford's Theater since July 2017. Ms. Molino graduated with a Bachelor of Arts in Economics, History and Religious Studies from University of California, Riverside and holds a Juris Doctor degree from the George Washington University Law School. She is also a member (currently inactive) of the Virginia Bar Association.

Mr. Jonathan S. Halkyard, 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 Advisory Committee of the International Center for Responsible Gaming.

Independent Non-Executive Directors

Ms. Sze Wan Patricia Lam is an independent non-executive Director, and a member of the Nomination, Environmental, Social and Governance Committee and of the Remuneration Committee 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 serves as an independent non-executive Director and a member of the Nomination Committee of Dickson Concepts (International) Limited since June 2023, and serves as an independent non-executive Director, member of the Nomination Committee and of Remuneration Committee of Hang Seng Bank since July 2022, both of which are companies listed on the Hong Kong Stock Exchange. She is currently a member of the Board of Governors of the Hang Seng University of Hong Kong. Ms. Lam is the co-founder and partner of Patti Wong & Associates. Ms. Lam retired from Sotheby's in December 2022 where she was the Senior International Chairperson. Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairperson of Sotheby's Asia in 2004. She was also appointed as Chairperson of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Mr. Russell Francis Banham is an independent non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination, Environmental, Social and 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 resigned from the Board of National Atomic Company Kazatomprom, effective from May 2023. He is also a member of the Audit and Risk Management Committee of the Queensland Audit Office. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a Partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant

experience in these sectors. In 2016, Mr. Banham completed the Company Directors' course at the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia.

Mr. Simon Meng is an independent non-executive Director, a member of the Audit Committee, of the Nomination, Environmental, Social and Governance Committee and of the Remuneration Committee of the Company since December 9, 2019. Mr. Meng was appointed as the Chairperson of the Nomination, Environmental, Social and Governance Committee on May 27, 2021. Mr. Meng is a visiting Professor of Zhejiang Normal University and a member of the International Advisory Board of the Shanghai Symphony Orchestra. He was an international partner in King & Wood Mallesons in Shanghai between April 1, 2021 and June 2023. 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 and is registered as “foreign lawyer” in Hong Kong. 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.

Mr. Chee Ming Liu is an independent non-executive Director, a member of the Audit Committee, of the Nomination, Environmental, Social and Governance Committee and of 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 serves as a Director of GDS Holdings Limited since December 4, 2023. Mr. Liu was appointed as an independent Director of STT Communication Limited since 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 2018, and as a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited from 2019 to 2023. 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.

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

Name of Director	Audit Committee	Remuneration Committee	Nomination, Environmental, Social and Governance Committee
Ms. Pansy Catilina Chiu King Ho.....	—	Member	—
Mr. John M. McManus	—	—	Member
Ms. Jeny Lau.....	—	—	Member
Mr. Daniel J. Taylor.....	—	Member	—
Ms. Ayesha Khanna Molino	Member	—	Member
Mr. Jonathan S. Halkyard	Member	—	—
Ms. Sze Wan Patricia Lam.....	—	Chairperson	Member
Mr. Russell Francis Banham.....	Chairperson	Member	Member
Mr. Simon Meng.....	Member	Member	Chairperson
Mr. Chee Ming Liu	Member	Member	Member

Our Senior Management

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

Mr. Kenneth Xiaofeng Feng is our President and Executive Director. For Mr. Feng's full biography, see "*Our Directors—Executive Directors.*"

Mr. Zhi Qi (Hubert) Wang is our President and Chief Operating Officer. Mr. Wang joined the Company as Chief Financial Officer in July 2011 and serves as President and Chief Operating Officer since June 2020. He currently oversees our gaming operations and marketing, 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.

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

Ms. Yuen Ying (Wendy) Yu is our Executive Vice President of 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).

Mr. Han Tian is our Executive 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.

Dr. Iwan Dietschi, 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.

Ms. Weng Ian (Vivian) Chan, is our Senior Vice President of Finance and Acting Chief Financial Officer. Ms. Chan has been with the Company since January 2009, leading the treasury and corporate finance functions. In August 2019, Ms. Chan has taken on expanded responsibilities to oversee strategic financial planning and analysis, budgeting, and capital projects investment. Prior to joining the Company, Ms. Chan was Director of Business Development and Head of Corporate Banking Department at Industrial and Commercial Bank of China (Macau) Limited, covering Macau gaming concessionaires. Ms. Chan holds a Bachelor of Arts degree in Business Administration, Summa Cum Laude, with concentrations in Finance and International Business from the University of Washington, Seattle.

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, and listed on the NYSE (NYSE: MGM). MGM Resorts International is our controlling Shareholder (with an interest in approximately 56% of the Company's issued share capital as of March 31, 2024), and Ms. Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in approximately 22% of our issued share capital as of the date of March 31, 2024).

Third Renewed Deed of Non-compete Undertakings

Each of MGM Resorts International and Ms. Pansy Ho entered into a Deed of Non-compete Undertakings with us on May 17, 2011 to maintain a delineation of the respective businesses of each party. On December 8, 2022, each of MGM Resorts International and Ms. Pansy Ho entered into the Third Renewed Deed of Non-Compete Undertakings with us 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 Concession. The terms of the Third Renewed Deed of Non-Compete Undertakings are substantially the same as the original Deed of Non-Compete Undertakings.

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

In the event that circumstances arise which amount to a breach by Ms. Pansy Ho of her obligations under the foregoing paragraph by virtue of the interests or activities of Shun Tak, Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), SJM or any of their respective subsidiaries, Ms. Pansy Ho shall have a period of 30 days to cure such breach, during which period she shall not be involved in the management or operation of our Group. Ms. Pansy Ho shall be deemed to have cured such breach if, during such period, either (i) she procures the disposal of such number of shares in us which reduces the aggregate direct and indirect shareholding of the PH Group in us to less than 15% of our then issued share capital or (ii) she procures that the interests or activities of Shun Tak, SJM or STDM and their respective subsidiaries no longer cause a breach or she procures the reduction of the direct and indirect interests of the PH Group in Shun Tak, SJM or STDM to a level which no longer causes a breach.

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

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

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

(ii) engage in internet gaming operations; and

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

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

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

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

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

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

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

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

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

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

(ii) the last day of the term of the Concession Contract as such term may be extended by agreement with the Macau Government, or the date of effective termination of the Concession Contract, if such concession is terminated by the Macau Government; or

(iii) in respect of either of the PH Group or the MGM Group, following the date upon which their shareholding represents less than 15% of our then issued share capital.

RELATED PARTY TRANSACTIONS

The following is a summary of material transactions that we have engaged in with our direct and indirect Shareholders, affiliates of our Shareholders and other related parties. We believe each of these arrangements, as described below, has been entered into on an arm's-length basis or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties. We believe that the related party transactions were conducted in the ordinary and usual course of the Company's business. For a further discussion of related party transactions, see Notes 31, 32 and 31 to our audited consolidated financial statements as of and for the years ended December 31, 2023, 2022 and 2021, respectively, and Note 24 to our unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2024, included elsewhere in this offering memorandum.

Related Party Transactions

During the three months ended March 31, 2024 and the years ended December 31, 2023, 2022 and 2021, the Group engaged in transactions with MGM Resorts International, Ms. Pansy Ho and their respective affiliates described below.

MGM Grand Paradise International Marketing Agreement

On March 31, 2023, we entered into the MGM Grand Paradise International Marketing Agreement with MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and MGM Grand Paradise (the "International Marketing Agreement"). The International Marketing Agreement became effective from April 1, 2023, replacing the Sixth Renewed MGM Marketing Agreement, which was terminated effective as of the same date. The purpose of the International Marketing Agreement is to invest in growing revenue from overseas markets and expand our overseas sales network and resources by leveraging the existing MGM Marketing Offices operated by MGM Resorts International. The International Marketing Agreement provides for a shared expenses model, whereby the parties should pay their respective share of the MGM Group Expenses, subject to a reimbursement mechanism in relation to revenue generated for the MGM Properties. The terms of the International Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

The changes brought about by the International Marketing Agreement include establishing additional leadership roles in Macau and a Macau-based sales and service support team, as well as introducing new sales incentive plans. We expect that the International Marketing Agreement will enable us, among other things, to (i) onboard new hires in overseas markets to grow our sales resources by making use of MGM Resorts International's existing marketing offices and processes; (ii) establish an international sales network in a more cost-effective manner and (iii) drive a greater volume of business to both the Macau Group and MGM Group.

International Marketing Budget, Expenses and Reimbursement

Under the International Marketing Agreement, the MGM Group and the Macau Group are required to, on or before January 1 of each calendar year, agree a budget (the "International Marketing Budget") taking into account the sales and marketing plan, as well as the expansion plans of all the Marketing Offices. The International Marketing Budget shall include the projected MGM Group Expenses and the Macau Group Expenses and shall be reviewed and approved on an annual basis by a member of the senior management team from each of the Macau Group and the MGM Group appointed as designated representative by each group, respectively, prior to the discussion of the International Marketing Budget.

The Macau Group shall be initially responsible for the MGM Group Expenses in accordance with the International Marketing Budget in consideration for the provision of referral services by the MGM Group to the Macau Group. The Macau Group shall also be responsible for the Macau Group Expenses in accordance with the International Marketing Budget and upon the relevant establishment of the Macau Marketing Offices; provided that the relevant costs shall be reimbursed by MGM Group proportionately in accordance with the International Marketing Agreement.

The MGM Group and Macau Group agree to share the costs of the Marketing Offices by reference to the provision of referrals to the MGM Properties by the Marketing Offices. The Macau Group shall be entitled to receive a reimbursement from the MGM Group for (i) a portion of the MGM Group Expenses (“the MGM Group Reimbursable Amount”) and (ii) a portion of the Macau Group Expenses (the “Macau Group Reimbursable Amount”) for each Marketing Office. Such MGM Group Reimbursable Amount and Macau Group Reimbursable Amount shall be calculated by reference to the proportion of the total revenue generated by each group’s Marketing Offices which is attributable to referrals to the MGM Properties by way of marketing activities undertaken by such group’s Marketing Offices.

The total amount of the MGM Group Expenses payable by the Macau Group in respect of the MGM Marketing Offices for the year ended December 31, 2023 was subject to an annual cap of HK\$64 million and for the years ending December 31, 2024 and 2025 is subject to an annual cap of HK\$82 million and HK\$113 million, respectively (the “MGM Group Annual Cap”).

The MGM Group Annual Cap was determined by reference to, amongst others, (i) the holistic assessment of operational costs to support the running of the MGM Marketing Offices as an essential part of the international marketing offices network to support the Macau Group’s expansion plan; (ii) the amount to be paid to properly compensate for the services of the employees of the MGM Marketing Offices who can contribute to the referrals to Macau Properties; (iii) sufficient additional hiring capacity to address the expected growth of the Macau Group’s business through referrals by the MGM Marketing Offices and (iv) the post-pandemic re-opening of Macau whereby infrastructure developments are facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential customers.

The total aggregate amount of the MGM Group Reimbursable Amount and the Macau Group Reimbursable Amount (the “Total Reimbursable Amount”), payable by the MGM Group to the Macau Group, for the year ended December 31, 2023 was subject to an annual cap of HK\$24 million and for the years ending December 31, 2024 and 2025 is subject to an annual cap of HK\$29 million and HK\$38 million, respectively (the “Macau Group Annual Cap”).

The Macau Group Annual Cap was determined by reference to, amongst others, (i) the estimation of the Total Reimbursable Amount based on the expected total revenue generated to the Macau Properties by the Marketing Offices; (ii) the fair proportion of cost-sharing under the new structure of international Marketing Offices network; and (iii) the expected revenue generated by referrals to the MGM Properties.

The aggregate total consideration paid to the MGM Group by our Group and the aggregate total consideration paid to our Group by the MGM Group pursuant to the International Marketing Agreement were HK\$14.2 million (approximately US\$1.8 million) and HK\$6.3 million (approximately US\$0.8 million), respectively, for the three months ended March 31, 2024, which fell within the annual caps of HK\$82 million and HK\$29 million, respectively, and HK\$39.8 million and HK\$16.4 million, respectively, for the year ended December 31, 2023, which fell within the annual caps of HK\$64.0 million and HK\$24.0 million, respectively.

MGM Marketing Agreement

Prior to entering into the International Marketing Agreement, our marketing arrangements were governed by the MGM Marketing Agreement. The purpose of the MGM Marketing Agreement was 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. The marketing fees payable under the MGM Marketing Agreement were 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 related party transactions contemplated under (a) the Fourth Renewed MGM Marketing Agreement were HK\$22.0 million and HK\$12.0 million for the period from January 7, 2021 to December 31, 2021, and January 1, 2022 to June 26, 2022, respectively, (b) the Fifth Renewed MGM Marketing Agreement was HK\$9.0 million for the period from June 26, 2022 to December 31, 2022 and (c) the Sixth Renewed MGM Marketing Agreement was HK\$65.0 million for the year ended December 31, 2023.

For the years ended December 31, 2023, 2022 and 2021, the aggregate total consideration paid to the MGM Group by our Group pursuant to the MGM Marketing Agreement was HK\$1.2 million (approximately US\$0.2 million), HK\$1.2 million and HK\$3.4 million, which fell within the annual caps of HK\$65.0 million for the year ended December 31, 2023, HK\$12.0 million for the period from January 1, 2022 to June 26, 2022, HK\$9.0 million for the period from June 26, 2022 to December 31, 2022, and HK\$22.0 million for the period from January 7, 2021 to December 31, 2021, respectively.

Development Agreement

MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and MGM China entered into the Development Agreement on May 17, 2011. As the term of the Development Agreement expired on December 31, 2013, the parties entered into the First Renewed Development Agreement, effective January 1, 2014, which superseded the Development Agreement in its entirety. Effective January 1, 2017, the parties replaced and renewed the First Renewed Development Agreement with the Second Renewed Development Agreement, which had a term of the three years, ending on December 31, 2019. Upon the expiry of the term of the Second Renewed Development Agreement on December 31, 2019, the parties entered into the Third Renewed Development Agreement on December 27, 2019 to replace and renew the Second Renewed Development Agreement for a term of three years, commencing on January 1, 2020.

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.

Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Fourth Renewed Development Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The major purpose of the Fourth Renewed Development Agreement is that, through the development services provided, we will have access to the expertise of MGM Resorts International and NCE (a company wholly owned by Ms. Pansy Ho) in the design, construction, management and operation of high quality casino projects. The terms of the Fourth Renewed Development Agreement were arrived at after arm's length negotiations between the relevant parties.

Pursuant to the Fourth Renewed Development Agreement, we have agreed to appoint MGM Branding, and MGM Branding has agreed to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects. MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE has severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the 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 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 upon, amongst others, the potential projects that we may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

The Group is entitled to terminate the appointment of MGM Branding as the provider of development services if it fails to comply with its obligations to provide the services or if MGM Branding or any member of the MGM Group (excluding our Group) is involved in an insolvency or bankruptcy proceeding. MGM Branding is entitled to terminate the provision of development services if the Group fails to comply with its obligations under the Fourth Renewed Development Agreement, for thirty days following notice and opportunity to cure, including the payment of the development fee or if any member of our Group is involved in an insolvency or bankruptcy proceeding.

The annual cap for each project contemplated under the Fourth Renewed Development Agreement for the year ended December 31, 2023 was, and for each of the years ending December 31, 2024 and 2025 is, US\$15.0 million.

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

No consideration was paid by the Group to MGM Branding for the three months ended March 31, 2024 and for the years ended December 31, 2023, 2022 and 2021.

Master Service Agreement and Related Arrangements

Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2010. As the term of the Master Service Agreement expired on December 31, 2013, the parties entered into the First Renewed Master Service Agreement, effective January 1, 2014, which renewed the Master Service Agreement. Effective January 1, 2017, the parties replaced and renewed the First Renewed Master Service Agreement with the Second Renewed Master Service Agreement. As the term of the Second Renewed Master Service Agreement expired on December 31, 2019, the parties entered into the Third Renewed Master Service Agreement on December 27, 2019 to replace and renew the Second Renewed Master Service Agreement for a term of three years, with effect from January 1, 2020. 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. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Fourth Renewed Master Service Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The purpose of the Fourth Renewed Master Service Agreement is to provide a framework for the provision of products and services between the Group and the Shun Tak Group. The Fourth Renewed Master Service Agreement and the existing transactions continue to enable the Group to foster its hospitality-related business in Macau and to enhance its overall revenue. The terms of the Fourth Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties.

The services and products provided or to be provided by the Shun Tak Group include the sale of cash vouchers and the provision of laundry 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 and intercompany rates to the Shun Tak Group.

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length negotiations between the parties and by reference to the prevailing market price. Existing agreements entered into under the Master Service Agreement, the First Renewed Master Service Agreement, 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. 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.

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

The annual caps on amounts payable 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 year ended December 31, 2023 were, and for each of the years ending December 31, 2024 and 2025 are, HK\$180.0 million and HK\$2.5 million, respectively.

The annual caps on amounts payable by the Group to the Shun Tak Group under the Fourth Renewed Master Service Agreement were based upon factors including (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 based upon factors including (i) historical amounts of revenue 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.

For the three months ended March 31, 2024 and the years ended December 31, 2023, 2022 and 2021, the aggregate total consideration payable by the Group to the Shun Tak Group was HK\$30.2 million (approximately US\$3.9 million), HK\$70.3 million (approximately US\$9.0 million), HK\$22.0 million and HK\$39.5 million, respectively, which were within the annual caps for the years ended December 31, 2024, 2023, 2022 and 2021 of HK\$180 million, HK\$180 million, HK\$250 million and HK\$250 million, respectively. The aggregate total consideration payable by the Shun Tak Group to the Group for the three months ended March 31, 2024 and the years ended December 31, 2023, 2022 and 2021 was HK\$7 thousand (approximately US\$0.9 thousand), HK\$27 thousand (approximately US\$3.5 thousand), HK\$20 thousand and HK\$20 thousand, respectively, which fell within the annual cap of HK\$2.5 million for each of the years ended December 31, 2024, 2023, 2022 and 2021.

Branding Agreement

The Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the Branding Agreement on May 17, 2011, pursuant to which the Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries. As the terms of the Branding Agreement expired on March 31, 2020, the parties entered into the First Renewed Branding Agreement on September 30, 2019 to replace and renew the Branding Agreement and into the Second Renewed Branding Agreement on June 26, 2022 to further extend the Branding Agreement to December 31, 2022. On December 8, 2022, the parties entered into the Third Renewed Branding Agreement for a term of three years, commencing on January 1, 2023 and ending on December 31, 2025.

Pursuant to the Third Renewed Branding Agreement, the Company agrees to pay MGM Branding license fees in consideration of the license granted to the Company to use certain trademarks owned by MGM Resorts International and its subsidiaries. Such license is only granted for use in Hong Kong, Macau, mainland China and Taiwan. The Company has agreed to pay MGM Branding monthly license fees calculated on a basis equal to 1.75% of the Company's consolidated gross monthly revenues (determined in accordance with IFRS), subject to the annual caps shown below. 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.

On December 8, 2022, MGM Resorts International licensed certain MGM trademarks owned by MGM Resorts International and its subsidiaries (the "Subject Marks") to MRIH under the second renewed trademark license agreement (the "Second Renewed License"), which in turn, on December 8, 2022, sub-licensed the Subject Marks to MGM Branding under the second renewed sublicense agreement (the "Second Renewed Sublicense"). MGM Branding has in turn sublicensed the Subject Marks to the Company pursuant to the Third Renewed Branding Agreement. 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 annual cap 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 year ended December 31, 2023 was US\$55.6 million and for the years ending December 31, 2024 and 2025 is US\$57.6 million and US\$60.0 million, respectively, and the cap for any such other projects has been set at US\$10.0 million for the initial financial year for each such project, which amount will increase each year by 20%.

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 for the two years ended December 31, 2020 and 2021, and the nine months ended September 30, 2022 under the First Renewed Branding Agreement and Second 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 during the term of the Third Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

Pursuant to the Third Renewed Branding Agreement, the license fees for MGM Macau and MGM Cotai paid by the Group for the three months ended March 31, 2024 and the year ended December 31, 2023 amounted to HK\$144.5 million (approximately US\$18.5 million) and HK\$432.0 million (approximately US\$55.2 million), respectively, which were within the annual caps of US\$57.6 million and US\$55.6 million for the year ending December 31, 2024 and the year ended December 31, 2023, respectively. Pursuant to the First Renewed Branding Agreement and the Second Renewed Branding Agreement, the license fees for MGM Macau and MGM Cotai paid by the Group for the years ended December 31, 2022 and 2021 amounted to HK\$92.2 million (approximately US\$11.8 million) and HK\$164.7 million, respectively, which were within the aggregate caps of US\$45.6 million for the period from January 1, 2022 to June 26, 2022 and of US\$45.6 million for the period from June 26, 2022 to December 31, 2022, and the annual caps for the year ended December 31, 2021 of US\$88.2 million.

Consultancy Services Agreement

On January 13, 2021, MGM Grand Paradise and Occasions entered into the Consultancy Services Agreement, which sets out the principal framework upon which any of Occasions or its subsidiaries or associated companies (collectively, the "Occasions Group") may provide services to any member of the Group from time to time, for a term commencing from January 13, 2021 and ending on December 31, 2023. As the Consultancy Services Agreement expired on December 31, 2023, MGM Grand Paradise and the Occasions Group entered into the Renewed Consultancy Service Agreement on November 24, 2023 to renew the Consultancy Services Agreement for a term of three years, for a term commencing from January 1, 2024 and ending on December 31, 2026.

Occasions is a comprehensive integrated communications group, with offices in Macau, Hong Kong, Beijing and Shanghai. It has been providing services to the Group since the opening of the first property in Macau and has an in-depth understanding of MGM's brand positioning, operation, business model, culture, management and team to devise appropriate brand strategies. Since September 2020, Ms. Pansy Ho has indirectly held 50% of the issued share capital of Occasions, making Occasions an associate of Ms. Pansy Ho and a related party of the Company.

The services being provided and to be provided by any member of Occasions Group to any member of the Group from time to time pursuant to the Renewed Consultancy Services Agreement include project management and client servicing and reporting; brand consultancy and marketing; public relations and media relations; key opinion leaders, celebrities and VIP customer relationship building; social media campaign creative and execution; new and current partnership, co-brand opportunities identification and collaboration (brands, tenants, art, retail space, restaurants, spectacle or theatre); campaign activations; retail marketing; and casino marketing.

Each category of services shall be provided by the Occasions Group to the Group in accordance with the terms of the Renewed Consultancy Services Agreement and be subject to the subsequent agreement of the terms and conditions determined after arm's length negotiations in relation to the provision of each particular product or service and by reference to the prevailing market prices. The agreements shall be recorded in writing for a fixed term of not more than three years and set out the basis of the calculation of payments to be made. The provision of any product or service by the Occasions Group to the Group shall, unless otherwise specifically agreed by the parties in writing, be on a mutually non-exclusive basis.

For the three months ended March 31, 2024, the aggregate total fees paid by the Group to the Occasions Group in respect of the services rendered under the Renewed Consultancy Services Agreement were approximately HK\$32.8 million (approximately US\$4.2 million). For the years ended December 31, 2023, 2022 and 2021, the aggregate total fees paid by the Group to the Occasions Group in respect of the services rendered under the Consultancy Services Agreement were approximately HK\$126.3 million, HK\$39.4 million and HK\$32.2 million, respectively.

The annual caps for the related party 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 2022 and 2023, respectively. The annual caps under the Consultancy Services Agreement were determined by reference to, among other things, (i) the historical fees paid by the Group to the Occasions Group in respect of the services for the two years ended December 31, 2018 and 2019 and the eleven months ended November 30, 2020; and (ii) the anticipated much increased demand for the services as a result of the expected market relaunch and the preparation of the concession renewal retender.

The annual caps for the related party transactions contemplated under the Renewed Consultancy Services Agreement are HK\$250 million for each of the three years ending December 31, 2024, 2025 and 2026. The annual caps under the Renewed Consultancy Services Agreement were determined with 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, 2021, 2022 and the nine months ended September 30, 2023; (ii) the increase in demand for the Services due to the increase in visitation numbers following the easing of travel restrictions in Macau in January 2023 and worldwide, as well as, the positive macroeconomic improvements; (iii) the forecasts on the continued increase in visitation numbers in the upcoming years; and (iv) the undertakings made by MGM Grand Paradise to the Macau Government to implement the investment projects, including in gaming and non-gaming aspects, pursuant to the Concession Contract.

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\$5.87 billion) with a final maturity date on November 10, 2024. The Company cancelled all of its HK\$5.87 billion unutilized commitment under the MGM Resorts International Revolving Credit Facility, effective from March 20, 2024. The commitment fee due for the period from June 29, 2023 to March 20, 2024, is payable in the quarter ending on March 31, 2025, as provided in the June 29, 2023 Amendment. See “*Description of Other Indebtedness – MGM Resorts International Revolving Credit Facility.*”

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

Existing Notes

On May 16, 2019, the Company issued the 2024 Notes and the Existing 2026 Notes. The net proceeds from the issuance were used to pay down outstanding borrowings under the Senior Secured Credit Facility. Interest on the Existing 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019. On May 15, 2024, the 2024 Notes and all accrued and unpaid interest were repaid in full.

On June 18, 2020, the Company issued the Existing 2025 Notes. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the Existing 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

On March 31, 2021, the Company issued the Existing 2027 Notes. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the Existing 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

The Existing Notes are general unsecured obligations of the Company. The Existing Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The Existing Notes are subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing such debt and rank senior to all of the Company's future subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the Existing Notes.

The Existing 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee. The Existing 2025 Notes were issued pursuant to an indenture, dated June 18, 2020, between the Company and Wilmington Savings Fund Society, FSB, as trustee. The Existing 2027 Notes were issued pursuant to an indenture, dated March 31, 2021, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The Existing Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

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 the Revolving Credit Facility in an aggregate amount of HK\$9.75 billion (approximately US\$1,245.9 million), with a final maturity date of May 15, 2026. The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to repay a portion of the amount outstanding under the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and for ongoing working capital needs and general corporate purposes of the Group. On June 30, 2023, the Company extended the final maturity date of the Revolving Credit Facility for an additional two years from May 15, 2024 to May 15, 2026 and reintroduced the maximum leverage ratio and the minimum interest coverage ratio covenants, which had previously been waived through the maturity date, with effect from March 31, 2025.

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 Revolving Credit Facility in an aggregate amount of HK\$2.34 billion (approximately US\$299.0 million), with a final maturity date of May 15, 2024 and an option to increase the

amount of the facility to up to HK\$3.90 billion (approximately US\$498.3 million), subject to certain conditions. On June 29, 2020, the Company increased the available undrawn amount under the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion (approximately US\$398.7 million). On June 30, 2023, the Company extended the final maturity date of the Second Revolving Credit Facility for an additional two years from May 15, 2024 to May 15, 2026, amended the Company's option to increase the amount of the facility to HK\$5.85 billion (approximately US\$747.5 million), subject to certain conditions, and reintroduced the maximum leverage ratio and the minimum interest coverage ratio covenants, which had previously been waived through the maturity date, with effect from March 31, 2025. During the year ended December 31, 2023, the Company further increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$1.48 billion to HK\$4.60 billion (approximately US\$587.8 million).

The Second Revolving Credit Facility is available for drawdown to and including the date falling one month prior to the final maturity date of May 15, 2026, subject to satisfaction of conditions precedent. The proceeds of the Second Revolving Credit Facility are expected to be used for ongoing working capital needs and general corporate purposes of the Group.

As at March 31, 2024, the Group had total available undrawn unsecured credit facilities of HK\$12.05 billion (approximately US\$1,539.8 million).

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%), based on the Company's leverage ratio. As at March 31, 2024, HK\$7.45 billion (approximately US\$952.0 million) of the Revolving Credit Facility was undrawn and HK\$4.60 billion (approximately US\$587.8 million) of the Second Revolving Credit Facility was undrawn and available for utilization up to May 2026. Each drawdown under the Revolving Credit Facility is to be repaid in full no later than May 15, 2026. As at March 31, 2024, the Group paid interest at HIBOR plus 2.50% per annum.

General Covenants

The Revolving Credit Facility and the Second Revolving Credit Facility contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

Under the terms of the original Revolving Credit Facility and the original Second Revolving Credit Facility, the leverage ratio was required to be no greater than 4.5 to 1.0 and the Group was required to maintain an interest coverage ratio of no less than 2.5 to 1.0, in each case, at each quarter end. Due to the impact of the COVID-19 pandemic, the Company entered into a number of amendments between 2020 and 2022 pursuant to which the financial covenants under the Revolving Credit Facility and the Second Revolving Credit Facility were waived through the maturity date of each facility. In connection with the extension of the final maturity date of the Revolving Credit Facility and the Second Revolving Credit Facility to May 15, 2026, the maximum leverage ratio and the minimum interest coverage ratio covenants were reintroduced with effect from March 31, 2025.

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
Each accounting date commencing from and including March 31, 2023 to and including December 31, 2024	Not Applicable	Not Applicable
March 31, 2025.....	2.50:1.00	5.50:1.00
June 30, 2025.....	2.50:1.00	5.25:1.00
September 30, 2025	2.50:1.00	5.00:1.00

December 31, 2025.....	2.50:1.00	4.75:1.00
March 31, 2026.....	2.50:1.00	4.50:1.00

Compliance with Covenants

The Company complied with the general covenants under the Revolving Credit Facility and the Second Revolving Credit Facility for the years ended December 31, 2023, 2022 and 2021 and the three months ended March 31, 2024.

Cancellations

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility 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.

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 MGM Resorts International agreed to make available to the Company an unsecured revolving credit facility of US\$750 million (equivalent to approximately HK\$5.87 billion) with a final maturity date on November 10, 2024. The Company cancelled the entire HK\$5.87 billion unutilized commitment under the MGM Resorts International Revolving Credit Facility, effective from March 20, 2024.

Under the terms of the MGM Resorts International Revolving Credit Facility, the Company is required to pay a commitment fee on undrawn amounts under the facility at a rate based on the lower of the commitment fee rate in respect of the Revolving Credit Facility and the Second Revolving Credit Facility and any future revolving credit facilities.

The MGM Resorts International Revolving Credit Facility was amended on June 29, 2023 so that no payment of any financial costs, including interest payment and commitment fee, and no principal repayment shall be made by the Company to the lender under the MGM Resorts International Revolving Credit Facility, up to the end of the financial covenants waiver period under the existing Unsecured Credit Facilities, on December 31, 2024. The commitment fee due for the period from June 29, 2023 to March 20, 2024, which fee is based on the lower of the commitment fee rate in respect of the Revolving Credit Facility and the Second Revolving Credit Facility and any future revolving credit facilities, is payable in the quarter ending on March 31, 2025.

DESCRIPTION OF NOTES

In this description, the “Company” refers to MGM China Holdings Limited and not to any of its subsidiaries. You can find the definitions of certain other terms used in this description under the subheading “*Certain Definitions*” below.

The Company will issue Senior Notes due 2031 (the “Notes”) under an indenture (as may be amended or supplemented from time to time, the “**Indenture**”) between the Company and Wilmington Savings Fund Society, FSB, as trustee (the “**Trustee**”), in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under, incorporate or include, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. Holders of Notes will not be entitled to any registration rights. See “*Transfer Restrictions*.”

The terms of the Notes will include those stated in the Indenture. The following description is a summary of the material provisions of the Indenture and the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be available as set forth below under “*Additional Information*.”

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes

General Terms. The Notes:

- will be senior notes;
- will be redeemable at our option prior to maturity as described in “*Optional Redemption*,” “*Gaming Redemption*” and “*Redemption for Tax Reasons*,” below; and
- will not be redeemable at the option of the holder, except pursuant to a repurchase offer upon the occurrence of a Change of Control Triggering Event or a Special Put Option Triggering Event, and will not have any provision for sinking funds.

Ranking. The Notes:

- will be general unsecured obligations of the Company;
- will rank *pari passu* in right of payment with all existing and future senior Indebtedness of the Company, including the Existing Notes and outstanding obligations under our Revolving Credit Facilities;
- will be effectively subordinated to all of the Company’s existing and future secured Indebtedness to the extent of the value of the collateral securing such Indebtedness;
- will be effectively senior in right of payment to the obligations of the Company with respect to any existing and future subordinated Indebtedness and any related guarantees thereon; and
- will be structurally subordinated to all existing and future obligations of the Company’s subsidiaries.

None of the Company’s Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of the Company’s Subsidiaries, the Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Principal, Maturity and Interest

The Company will issue US\$500,000,000 in an aggregate principal amount of Notes in this offering. The Company may issue additional Notes under the Indenture (the “**Additional Notes**”) from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture; *provided that*, if any issuance of Additional Notes is not fungible with the Notes for United States federal income tax purposes, such Additional Notes shall have different CUSIP and other identifying numbers than any previously issued Notes but shall otherwise be treated as a single class with all other Notes issued under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this “*Description of Notes*,” references to the Notes include any Additional Notes actually issued. The Company will issue the Notes in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess of US\$200,000. The Notes will mature on June 26, 2031.

Interest on the Notes will accrue at the rate of 7.125% per annum and is payable semi-annually in arrears on June 26 and December 26, with the first interest payment date being December 26, 2024. Interest on overdue principal and interest will accrue at a rate that is 1.0% higher than the then-applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding June 11 and December 11.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of 12 30-day months.

Methods of Receiving Payments on the Notes

All payments on the Notes will be made by wire transfer by the paying agent and registrar unless the Company elects to make interest payments by check mailed to the holders of the Notes at their addresses set forth in the register of holders.

Paying Agent and Registrar for the Notes

Wilmington Savings Fund Society, FSB will initially act as paying agent and registrar with respect to the Notes. The Company may change the paying agents and the registrars without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any Note selected for redemption. Also, the Company will not be required to transfer or exchange any Note for a period of 15 days before the transmittal of a notice of redemption of Notes to be redeemed.

Additional Amounts

All payments by or on behalf of the Company or the surviving entity described under the caption “—*Certain Covenants— Merger, Consolidation or Sale of Assets*” (the “**Surviving Person**”) under or with respect to (including any principal of, and premium (if any) and interest on) the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (“**Taxes**”) imposed or levied by or within any jurisdiction in which the Company or the Surviving Person is organized, resident or doing business for tax purposes or any jurisdiction from or through which payment is made (including the jurisdiction of any paying agent), or, in each case, any political subdivision or taxing authority thereof or therein (each, as applicable, a “**Relevant Jurisdiction**”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

In the event that any such withholding or deduction is so required, the Company or the Surviving Person, as the case may be, will make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate governmental authority as required by applicable law and pay such additional amounts (“**Additional Amounts**”) as will result in receipt of such amounts that would have been received had no such withholding or deduction been required; *provided that* no Additional Amounts will be payable with respect to any Note:

(1) for or on account of:

(a) any Taxes that would not have been imposed but for:

- (i) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possession of power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership, or a corporation) of such Note, as the case may be, and the Relevant Jurisdiction, including without limitation, such holder or beneficial owner being or having been a citizen, domiciliary or resident of such Relevant Jurisdiction, being or having been treated as a resident of such Relevant Jurisdiction, being or having been present or engaged in a trade or business in such Relevant Jurisdiction or having or having had a permanent establishment in such Relevant Jurisdiction, other than any connection arising from the mere receipt, ownership, holding or disposition of the Notes or the receipt of payments thereunder or merely by reason of the exercise or enforcement of rights under any Notes;
- (ii) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, or premium (if any) or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
- (iii) the failure of the holder or beneficial owner of such Note to comply with a timely request of the Company or the Surviving Person addressed to such holder or beneficial owner to provide information or other evidence concerning such holder’s or beneficial owner’s nationality, residence, identity or connection with the Relevant Jurisdiction if such information or other evidence is required by applicable law to obtain an exemption from, or reduction in the rate of, Tax; or
- (iv) the presentation of any Note for payment by or on behalf of a holder of Notes who would have been able, without unreasonable cost, effort or delay, to avoid such withholding or deduction by presenting the relevant Note to another paying agent;

(b) any estate, inheritance, gift, sales, transfer, capital gains, personal property or similar Tax or any excise Tax imposed on the transfer of Notes;

(c) any Taxes that are payable other than by withholding or deduction from payments of principal of, or premium (if any) or interest on the Note;

(d) any tax, duty, assessment or other governmental charge which is required to be deducted or withheld under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any amended or successor versions of such Sections (“**FATCA**”), any regulations or other guidance thereunder, or any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(e) any combination of Taxes referred to in the preceding clauses (a), (b), (c) and (d); or

- (2) with respect to any payment of the principal of, or premium (if any) or interest on, such Note to or for the account of a fiduciary, partnership, limited liability company or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to that fiduciary, or a partner or member of that partnership or an interest holder in that limited liability company or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member, interest holder or beneficial owner held directly the Note with respect to which such payment was made.

In addition to the foregoing, the Company and the Surviving Person will pay and indemnify the holder for any present or future stamp, issue, registration, court, property, transfer or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes (including without limitation, interest and penalties with respect thereto) levied by any Relevant Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture or any other document or instrument referred to therein.

If the Company or the Surviving Person, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Company or the Surviving Person, as the case may be, will deliver to the Trustee on a date that is at least three business days prior to the date of that payment (unless the obligation to pay Additional Amounts arises, or the Company or the Surviving Person becomes aware of such obligation, after the third business day prior to that payment date, in which case the Company or the Surviving Person, as the case may be, shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the paying agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary and shall not be responsible for the calculation of any Additional Amounts. Upon request, the Company or the Surviving Person will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Company or the Surviving Person will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Company or the Surviving Person will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. Upon request, the Trustee will make available to holders copies of those receipts or other documentation, as the case may be.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Company is organized, resident or doing business for tax purposes or any jurisdiction from or through which payment is made.

Optional Redemption

At any time prior to June 26, 2027, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes issued under the Indenture at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (1) at least 65% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding the Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 60 days of the date of the closing of such Equity Offering.

At any time prior to June 26, 2027, the Company may on any one or more occasions redeem all or part of the Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to (but excluding) the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of 12 30-day months) at the Adjusted Treasury Rate, plus 50 basis points, plus, in either of the above cases, accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of redemption on the Notes to be redeemed.

Except pursuant to the preceding paragraphs and as set forth under “—*Gaming Redemption*” and “—*Redemption for Tax Reasons*,” the Notes will not be redeemable at the Company’s option prior to June 26, 2027.

On or after June 26, 2027, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable date of redemption, if redeemed during the 12-month period beginning on June 26 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2027.....	103.563%
2028.....	101.781%
2029 and thereafter.....	100.000%

“**Adjusted Treasury Rate**” means, with respect to any redemption date:

- the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life (as defined below), yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or
- if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Adjusted Treasury Rate shall be calculated on the third Business Day preceding the redemption date or, in the case of a satisfaction and discharge or a defeasance, on the third Business Day prior to the date on which the Company deposits the amount required under the Indenture

“**Comparable Treasury Issue**” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such securities (“**Remaining Life**”).

“Comparable Treasury Price” means (1) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Equity Offering” means any public sale or private issuance of Capital Stock (other than Disqualified Stock) of (1) the Company or (2) a direct or indirect parent of the Company to the extent the net proceeds from such sale or issuance are contributed in cash to the common equity capital of the Company (in each case other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Company).

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Company.

“Reference Treasury Dealer” means any primary U.S. Government securities dealer in New York City selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date or, in the case of a satisfaction and discharge or a defeasance, on the third Business Day prior to the date on which the Company deposits the amount required under the Indenture.

Any such redemption and notice as set forth in the preceding paragraphs may, at the discretion of the Company, be subject to the satisfaction of one or more conditions precedent. If such redemption is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company’s discretion, the redemption date may be delayed until such time (*provided*, however, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as so delayed. The Company shall provide written notice of the delay of such date of redemption or the rescission of such notice of redemption (and rescission and cancellation of the redemption of the Notes) to the Trustee no later than 10:00 a.m. Eastern Time (subject to DTC procedures) on the date of redemption or the date of redemption as so delayed. Upon receipt of such notice of the delay of such date of redemption or the rescission of such notice of redemption, such date of redemption shall be automatically delayed or such notice of redemption shall be automatically rescinded, as applicable, and the redemption of the Notes shall be automatically delayed or rescinded and cancelled, as applicable, as provided in such notice. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company’s obligations with respect to such redemption may be performed by another Person.

In connection with any tender offer or other offer to purchase for all of the Notes, other than a Change of Control Offer, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Company, or any third party making such tender offer in lieu of the Company, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Company or such third party will have the right, upon not less than 10 nor more than 60 days’ notice following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In connection with a discharge or defeasance of the Company’s obligations under the Indenture, the Company may deliver a notice of redemption more than 60 days in advance of the date of redemption. See “—*Satisfaction and Discharge.*”

Gaming Redemption

Notwithstanding any other provision hereof, if any Gaming Authority requires a holder or beneficial owner of Notes to be licensed, qualified or found suitable under any applicable Gaming Law and the holder or beneficial owner (1) fails to apply for a license, qualification or finding of suitability within 30 days after being requested to do so (or such lesser period as required by the Gaming Authority) or (2) is notified by a Gaming Authority that it will not be licensed, qualified or found suitable, the Company will have the right, at its option, to:

- (1) require the holder or beneficial owner to dispose of its Notes within 30 days (or such lesser period as required by the Gaming Authority) following the earlier of:
 - (a) the termination of the period described above for the holder or beneficial owner to apply for a license, qualification or finding of suitability if the holder fails to apply for a license, qualification or finding of suitability during such period; or
 - (b) the receipt of the notice from the Gaming Authority that the holder or beneficial owner will not be licensed, qualified or found suitable by the Gaming Authority; or
- (2) redeem the Notes of the holder or beneficial owner at a redemption price equal to:
 - (a) the price required by applicable law or by order of any Gaming Authority; or
 - (b) the lesser of:
 - (i) the principal amount of the Notes; and
 - (ii) the price that the holder or beneficial owner paid for the Notes,

in either case, together with accrued and unpaid interest on the Notes to (but excluding) the earlier of (1) the date of redemption or such earlier date as is required by the Gaming Authority or (2) the date of the finding of unsuitability by the Gaming Authority, which may be less than 30 days following the notice of redemption.

Immediately upon a determination by a Gaming Authority that a holder or beneficial owner of Notes will not be licensed, qualified or found suitable, the holder or beneficial owner will not have any further rights with respect to the Notes to:

- (1) exercise, directly or indirectly, through any Person, any right conferred by the Notes; or
- (2) receive any interest or any other distribution or payment with respect to the Notes, or any remuneration in any form from the Company for services rendered or otherwise, except the redemption price of the Notes described in this section.

The Company is not required to pay or reimburse any holder or beneficial owner of Notes who is required to apply for such license, qualification or finding of suitability for the costs relating thereto. Those expenses will be the obligation of the holder or beneficial owner.

Redemption for Tax Reasons

The Notes may be redeemed, at the option of the Company or the Surviving Person, in whole but not in part, upon giving not less than 10 days' nor more than 60 days' notice to the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in, or amendment to, an existing official position, or the stating in writing of an official position, regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (collectively, a “**Change in Tax Law**”),

which change, amendment, application or interpretation is proposed and becomes effective or, in the case of an official position, is announced, on or after the date of the Indenture (or, if the Relevant Jurisdiction became a Relevant Jurisdiction on a later date, such later date), the Company or the Surviving Person, as the case may be, is, or on the next interest payment date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Company or the Surviving Person, as the case may be, taking reasonable measures available to it; *provided that* changing the jurisdiction of incorporation of the Company, the Surviving Person, or any Subsidiary shall not be considered a reasonable measure; and *provided, further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Company or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the transmittal of any notice of redemption of the Notes pursuant to the foregoing, the Company or the Surviving Person, as the case may be, will deliver to the Trustee:

- (1) an Officer’s Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or the Surviving Person, as the case may be, taking reasonable measures available to it; and
- (2) an opinion of counsel of recognized international standing to the effect that the requirement to pay such Additional Amounts is the result of a Change in Tax Law.

The Trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders of the Notes.

Any Notes that are redeemed will be canceled.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Open Market Purchases and Cancellation of Notes

The Company or any Subsidiary may purchase any of the Notes in the open market or by tender or by any other means at any price, as long as such acquisition does not otherwise violate the terms of the Indenture, as the case may be. All Notes purchased or otherwise redeemed by the Company will be canceled and any Notes purchased or otherwise redeemed by the Company or any Subsidiary will not be reissued or resold to any Person other than the Company or a Subsidiary.

Repurchase at the Option of Holders

Change of Control

If a Change of Control Triggering Event occurs, each holder of the Notes will have the right to require the Company to repurchase all or any part (equal to US\$200,000 or an integral multiple of US\$1,000 in excess of US\$200,000) of that holder’s Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment (the “**Change of Control Payment**”) in cash equal

to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to (but excluding) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full as described under “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*.”

Within ten days following any Change of Control Triggering Event, the Company will transmit a notice to each holder of the Notes with a copy to the Trustee describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase Notes on the date (the “**Change of Control Payment Date**”) specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is transmitted, pursuant to the procedures required by the Indenture and described in such notice.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

On the Change of Control Payment Date, the Company will, with respect to the Notes, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer’s Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

A Change of Control Offer may be made in advance of a Change of Control Triggering Event, and conditioned upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw Notes in a Change of Control Offer and the Company, or any third party making such an offer in lieu of the Company as described below, purchases all of such Notes properly tendered and not withdrawn by such holders, the Company or such third party will have the right, upon not less than 10 days’ nor more than 60 days’ prior notice, provided that such notice is given not more than 30 days following such repurchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase on a date specified in such notice (the “**Second Change of Control Payment Date**”) and at a price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest on the Notes repurchased to, but excluding, the Second Change of Control Payment Date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Company will not be required to make a Change of Control Offer with respect to the Notes upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer

made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (2) a notice of redemption has been given pursuant to the Indenture as described above under the captions “—*Optional Redemption*” or “—*Redemption for Tax Reasons*,” pursuant to which the Company has exercised its right to redeem the Notes in full, unless and until there is a default in payment of the applicable redemption price. The definition of “Change of Control” includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” under New York law, which governs the Indenture, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries, taken as a whole, to another Person or group may be uncertain.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Change of Control Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control Triggering Event may cause a default under these other agreements, even if the Change of Control Triggering Event itself does not. In the event a Change of Control Triggering Event occurs at a time when the Company is prohibited from purchasing the Notes, the Company could seek the consent of its senior lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will breach the terms of such borrowings by purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company’s ability to pay cash to the holders of Notes upon a repurchase as well as its ability to refinance any borrowings from senior lenders may be limited by the Company’s then existing financial resources. See “*Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon the occurrence of certain events.*”

Special Put Option

If a Special Put Option Triggering Event occurs, each holder of the Notes will have the right to require the Company to repurchase all or any part of such holder’s Notes pursuant to a Special Put Option Offer (as defined below) on the terms set forth in the Indenture. In the Special Put Option Offer, the Company will offer to purchase the Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full as described under “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*.”

Within ten days following the occurrence of a Special Put Option Triggering Event, except to the extent that the Company has exercised its right to redeem the Notes in full by delivery of a notice of redemption as described under “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*,” the Company shall mail a notice (a “**Special Put Option Offer**”) to each holder of the Notes with a copy to the Trustee and the paying agent stating:

- (1) that a Special Put Option Triggering Event has occurred and that such holder has the right to require the Company to repurchase such holder’s Notes at a repurchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);
- (2) the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed); and
- (3) the instructions determined by the Company, consistent with this covenant, that a holder must follow in order to have its Notes repurchased.

On the date of repurchase pursuant to a Special Put Option Offer, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Special Put Option Offer;
- (2) deposit with the paying agent an amount equal to the repurchase price, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but not including, the date of repurchase (the “**Special Put Option Payment**”), in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee, the Notes properly accepted together with an Officer’s Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly mail to each holder of Notes properly tendered the Special Put Option Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any.

The provisions described above that require the Company to make a Special Put Option Offer following a Special Put Option Triggering Event will cease to be of effect upon the repayment in full of the Existing Notes or, if earlier, at such time as each provision equivalent to the Special Put Option Offer applicable in respect of each series of Existing Notes ceases to be of effect. For so long as the Special Put Option Offer applies, the provisions described above that require the Company to make a Special Put Option Offer following a Special Put Option Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Special Put Option Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a termination, rescission or expiration of any Gaming License held by the Company and its Subsidiaries.

The Company will not be required to make a Special Put Option Offer with respect to the Notes upon a Special Put Option Triggering Event if (1) a third party makes the Special Put Option Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Special Put Option Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Special Put Option Offer, or (2) a notice of redemption has been given in accordance with the terms of the Indenture, as described above under the caption “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*,” pursuant to which the Company has exercised its right to redeem the Notes in full, unless and until there is a default in payment of the applicable redemption price.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

Notes repurchased by the Company pursuant to a Special Put Option Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of Notes issued and outstanding.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Special Put Option Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Special Put Option Triggering Event may cause a default under these other agreements, even if the Special Put Option Triggering Event itself does not. In the event a Special Put Option Triggering Event occurs at a time when the Company is prohibited from purchasing the Notes, the Company could seek the consent of its senior lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will breach the terms of such borrowings by purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company’s ability to pay cash to the holders of Notes upon a repurchase as well as its

ability to refinance any borrowings from senior lenders may be limited by the Company's then existing financial resources. See "*Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon the occurrence of certain events.*"

Compliance with Securities Laws

To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control or Special Put Option provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these provisions of the Indenture by virtue of such compliance.

Selection and Notice

If fewer than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a pro rata basis, unless otherwise required by law or applicable stock exchange or DTC or other depository requirements. No Notes of US\$200,000 or less can be redeemed or purchased in part. However, if all of the Notes of a holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such holder, even if less than US\$200,000, will be redeemed or purchased.

Notices of redemption or purchase will be delivered at least 10 but not more than 60 days before the redemption or purchase date to each holder of Notes to be redeemed or purchased at its registered address, except that redemption or purchase notices may be delivered more than 60 days prior to a redemption or purchase date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, and that no minimum notice period is required for a redemption as described under "*—Gaming Redemption.*"

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of a Note upon cancellation of the original Note; *provided* that the unredeemed portion of the Notes has a minimum denomination of \$200,000. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Certain Covenants

Merger, Consolidation or Sale of Assets

As long as any Notes are outstanding, the Company will not, directly or indirectly, (1) consolidate or merge with or into another Person (whether or not the Company is the surviving entity) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either (a) the Company is the surviving entity or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of Hong Kong, Macau, Singapore, the Cayman Islands, the British Virgin Islands, Bermuda, the Isle of Man, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all the Obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture; and
- (3) immediately after such transaction, no Default or Event of Default shall have occurred and is continuing.

For the avoidance of doubt, a pledge, mortgage, charge, lien, encumbrance, hypothecation or grant of any other security interest on an asset or property shall not be considered as a sale, assignment, transfer, conveyance or disposal of such asset or property.

Reports

- (1) If at any time the Notes are outstanding and the ordinary shares of the Company are not listed on an internationally recognized stock exchange, the Company will file with the Trustee:
 - (a) within 120 days after the end of each fiscal year, an annual report in a form substantially similar to the Company's annual report for the year ended December 31, 2023 filed with The Stock Exchange of Hong Kong Stock Limited (the "HKSE"), including (A) a "Management Discussion and Analysis" of financial condition and results of operations and (B) consolidated financial statements (including statements of comprehensive income, financial position, changes in equity and cash flows) prepared in accordance with IFRS and audited by an internationally recognized firm of independent accountants; and
 - (b) within 90 days after the end of the second quarter of each fiscal year, a semi-annual report in a form substantially similar to the Company's interim report for the six months ended June 30, 2023 filed with the HKSE, including (A) a "Management Discussion and Analysis" of financial condition and results of operations and (B) half-year condensed consolidated financial statements (including statements of comprehensive income, financial position, changes in equity and cash flows) prepared in accordance with IFRS and reviewed pursuant to Hong Kong Standard on Review Engagements 2410 (or any equivalent or successor provision) by an internationally recognized firm of independent accountants.
- (2) If at any time Notes are outstanding and the common stock of MGM Resorts is not listed on the New York Stock Exchange or another internationally recognized stock exchange, the Company will file with the Trustee, within 45 days after the end of the first and third quarters of each fiscal year, an unaudited quarterly condensed consolidated income statement of the Company prepared in accordance with IFRS.
- (3) If the Company is required to file any reports under paragraphs (1) or (2) above, the Company will also:
 - (a) issue a press release to an internationally recognized wire service no fewer than three business days prior to the first public disclosure of each such report, announcing the date on which such report will become publicly available and directing noteholders, prospective investors, broker-dealers and securities analysts to contact the investor relations office of the Company to obtain copies of such report; and
 - (b) maintain a website to which noteholders, prospective investors, broker-dealers and securities analysts are given access and to which the reports and press releases required by paragraphs (1), (2) and 3(a) above are posted within the time periods required.
- (4) During any period in which the Company is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company shall provide to (i) any holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of any holder or beneficial owner of a Note.
- (5) The filing requirements specified in paragraphs (1) and (2) above will be deemed satisfied if the specified materials are available on the EDGAR system of the SEC, on the website of HKSE and/or on the Company's website within the applicable time period specified above (provided that if posted to a secure internet portal, the Company will separately electronically deliver such reports to the Trustee).
- (6) Delivery of the reports, information and documents described in this "Reports" covenant to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive

knowledge or notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officer's Certificate). The Trustee shall have no responsibility to determine if reports have been provided to holders or filed on the EDGAR system of the SEC or posted on any website or other online data system or to examine such reports, information, documents and other reports to ensure compliance with the provision of the Indenture or to determine if the Company has complied with the obligations set forth in paragraph (4) above.

Events of Default and Remedies

Each of the following is an "**Event of Default**" with respect to the Notes:

- (1) default for 30 days in the payment when due of interest on the Notes;
- (2) default in the payment when due (at maturity, upon redemption, repurchase or otherwise) of the principal of, or premium, if any, on the Notes;
- (3) failure by the Company:
 - (a) to comply with any payment obligations (including, without limitation, obligations as to the timing or amount of such payments) described under the caption "**—Repurchase at the Option of Holders—Change of Control**" or "**—Repurchase at the Option of Holders—Special Put Option;**" or
 - (b) to comply with the provisions described under the caption "**—Certain Covenants—Merger, Consolidation or Sale of Assets;**"
- (4) failure by the Company for 60 days after receipt of written notice from the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture not identified in clauses (1), (2) or (3) above;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries), whether such Indebtedness or Guarantee existed on the date of the Indenture, or is created after the date of the Indenture, if that default results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates US\$75.0 million or more (or the Dollar Equivalent thereof), if such acceleration is not annulled within 30 days after written notice as provided in the Indenture;
- (6) failure by the Company or any of its Significant Subsidiaries to pay final non-appealable judgments (not paid or covered by insurance as to which the relevant insurance company has not denied responsibility) rendered against the Company or any Significant Subsidiary aggregating in excess of US\$75.0 million (or the Dollar Equivalent thereof), which judgments are not paid, bonded, discharged or stayed for a period of 60 days; or
- (7) certain events of bankruptcy or insolvency described in the Indenture.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; *provided* that no such declaration may be made with respect to any action taken, and reported publicly or to Holders, more than two years prior to such declaration.

Any notice of Default under clauses (3), (4), (5) or (6) of the first paragraph of this section, notice of acceleration with respect to an Event of Default under clauses (3), (4), (5) or (6) of the first paragraph of this section, instruction to the Trustee to provide a notice of Default under clauses (3), (4), (5) or (6) of the first paragraph of this section, notice of acceleration with respect to an Event of Default under clauses (3), (4), (5) or (6) of the first paragraph of this section or instruction to the Trustee to take any other action with respect to an alleged Default or Event of Default under clauses (3), (4), (5) or (6) of the first paragraph of this section (a “**Noteholder Direction**”) provided by any one or more Holders (other than a Regulated Bank) (each, a “**Directing Holder**”) must be accompanied by a written representation from each such Holder delivered to the Company and the Trustee that such Holder is not (or, in the case such Holder is DTC or DTC’s nominee, that such Holder is being instructed solely by beneficial owners that are not) Net Short (each, a “**Position Representation**”), which representation, in the case of a Noteholder Direction relating to delivery of a notice of Default shall be deemed a continuing representation until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. In addition, each Directing Holder is deemed, at the time of providing a Noteholder Direction, to covenant to provide the Company with such other information as the Company may reasonably request from time to time in order to verify the accuracy of such Directing Holder’s Position Representation within five Business Days of request therefor (a “**Verification Covenant**”). The Trustee shall have no duty to obtain from any Noteholder any information requested by the Company in order to verify the accuracy of such Noteholder’s Position Representation or to provide such information to the Company. In any case in which the Holder is DTC or DTC’s nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of DTC or DTC’s nominee and DTC shall be entitled to conclusively rely on such Position Representation and Verification Covenant in delivering its direction to the Trustee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Company determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Company provides to the Trustee an Officer’s Certificate certifying that the Company has (i) a good faith reasonable basis to believe that one or more Directing Holders were at any relevant time in breach of their Position Representation or their Verification Covenant and (ii) initiated proceedings in a court of competent jurisdiction seeking a determination that such Directing Holders were, at such time, in breach of their Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Default shall be automatically stayed and the cure period with respect to such Event of Default shall be automatically reinstated and any remedy stayed pending a final and nonappealable determination of a court of competent jurisdiction on such matter. If such Officer’s Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Company provides to the Trustee an Officer’s Certificate stating that (i) such Directing Holders have satisfied their Verification Covenant or (ii) such Directing Holders have failed to satisfy its Verification Covenant, and during such time the cure period with respect to any Default shall be automatically stayed and the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically reinstated and any remedy stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder’s participation in such Noteholder Direction being disregarded; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void ab initio (other than any indemnity such Holder may have offered or provided to the Trustee), with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default. If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder’s participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Company (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer’s Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Notwithstanding anything in the preceding two paragraphs to the contrary, any Noteholder Direction delivered to the Trustee during the pendency of an Event of Default as the result of a bankruptcy or similar proceeding shall

not require compliance with the foregoing paragraphs. In addition, for the avoidance of doubt, the foregoing paragraphs shall not apply to any Holder that is a Regulated Bank. Each Holder by accepting a Note acknowledges and agrees that the Trustee shall not be liable to any person for acting or refraining to act in accordance with (i) the foregoing provisions, (ii) any Noteholder Direction, (iii) any Officer's Certificate or (iv) its duties under the Indenture, as the Trustee may determine in its sole discretion. The Trustee shall not have any obligation (i) to monitor, investigate, verify or otherwise determine if a Holder has a Net Short position, (ii) investigate the accuracy or authenticity of any Position Representation, (iii) inquire if the Company will seek action to determine if a Directing Holder has breached its Position Representation, (iv) enforce any Verification Covenant, (v) monitor any court proceedings undertaken in connection therewith, (vi) monitor or investigate whether any Default or Event of Default has been publicly reported or (vii) otherwise make any calculations, investigations or determinations with respect to any Derivative Instruments, Net Short position, Long Derivative Instrument, Short Derivative Instrument or otherwise.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of the Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability, claim or expense. Except to enforce the right to receive payment of principal, interest or premium, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee written notice that an Event of Default is continuing and, if such Event of Default is in respect of clause (3), (4), (5) or (6) of the first paragraph of this section, such Holder is not in breach of a Position Representation or Verification Covenant;
- (2) holders, or in the case of clauses (3), (4), (5) or (6) of the first paragraph of this section, Directing Holders that are not in breach of a Position Representation or Verification Covenant, of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability, claim or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator, organizer, equity holder or member of the Company, as such, will have any liability for any Obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such Obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the United States federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of its Obligations discharged with respect to the outstanding Notes (“**Legal Defeasance**”) except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Company’s Obligations with respect to the Notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee and the Company’s Obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture (“**Covenant Defeasance**”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption “—*Events of Default and Remedies*” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee or its designee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public auditors (in the case of non-callable Government Securities), to pay the principal of, or interest and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to such Trustee confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to such Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which the Company is bound;
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which any such Person is bound;
- (6) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel to the effect that, assuming no intervening bankruptcy of the Company between the date of deposit and the 183rd day following the deposit and assuming that no holder of Notes is an “insider” of the Company under applicable bankruptcy law, after the 183rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally;
- (7) the Company must deliver to the Trustee an Officer’s Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (8) the Company must deliver to the Trustee an Officer’s Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture and the Notes may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of holders of at least 90% in aggregate principal amount of the then outstanding Notes (including Additional Notes), an amendment, supplement or waiver may not:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption “—*Repurchase at the Option of Holders—Change of Control*”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate

principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “—*Repurchase at the Option of Holders—Change of Control*”); or
- (8) make any change in the preceding amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of Certificated Notes (*provided that* the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (3) to provide for the assumption of the Company’s Obligations under the Notes in the case of a merger or consolidation or sale of all or substantially all of the Company’s assets, as applicable, in accordance with the Indenture;
- (4) to make any change that would provide any additional rights or benefits to the holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such holder;
- (5) to conform the text of the Indenture or the Notes to any provision of this “*Description of Notes*” to the extent that such provision in this “*Description of Notes*” was intended to be a verbatim recitation of a provision of the Indenture or the Notes, which intent may be evidenced by an Officer’s Certificate to that effect;
- (6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture;
- (7) to evidence and provide for the acceptance of appointment by a successor Trustee;
- (8) to comply with the procedures of DTC, Euroclear or Clearstream;
- (9) to allow a Person to Guarantee the Company’s Obligations under the Indenture and the Notes by executing a supplemental indenture with respect to the Notes (or to release any such Person from such a Guarantee as provided or permitted by the terms of the Indenture and such Guarantee);
- (10) other than with respect to matters listed in the preceding paragraph, to comply with requirements of applicable Gaming Laws or to provide for requirements imposed by applicable Gaming Authorities; or
- (11) to provide for the Notes to become secured (or to release such security as permitted by the Indenture and the applicable security documents).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
 - (b) all Notes that have not been delivered to the Trustee for cancellation will become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee or its designee as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public auditors (in the case of non-callable Government Securities), without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal and premium, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which the Company is bound;
- (3) the Company has paid or caused to be paid all sums payable by the Company under the Indenture; and
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the Trustee becomes a creditor of the Company, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions. However, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person would exercise under the circumstances in the conduct of his/her own affairs.

Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of the Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability, claim or expense.

Indemnification for Judgment Currency

The obligations of the Company to any holder of the Notes or the Trustee under the Indenture or the Notes will, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than U.S. dollars, be discharged only to the extent that on the day following receipt by such party of any amount in the Judgment Currency, such party may in accordance with normal banking procedures purchase U.S. dollars with the Judgment Currency.

If the amount of U.S. dollars so purchased is less than the amount originally to be paid to such party in U.S. dollars, the Company agrees as a separate obligation and notwithstanding such judgment, to the extent permitted by applicable law, to pay the difference, and, if the amount of U.S. dollars so purchased exceeds the amount originally to be paid to such party, such party agrees to pay to or for the account of such payor such excess; provided that such party shall not have any obligation to pay any such excess as long as an Event of Default has occurred and is continuing, in which case such excess may be applied by such party to such obligations.

Governing Law, Consent to Jurisdiction and Service of Process

The Indenture and the Notes provide, with certain exceptions, for the application of the internal laws of the State of New York. The Company will irrevocably submit to the jurisdiction of any New York state or United States federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the Indenture or the Notes and (ii) arising under any United States federal or state securities laws. The Company will appoint Corporation Service Company as its agent for service of process in any such action or proceeding.

Enforceability of Judgments

Since substantially all of the assets of the Company and its Subsidiaries are outside the United States, any judgment obtained in the United States against the Company, including judgments with respect to the payment of principal, premium, interest and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge by writing to MGM China Holdings Limited, Avenida Dr. Sun Yat Sen, Edificio MGM MACAU NAPE, Macau, Attention: Antonio Menano, Company Secretary and Executive Vice President of Legal & General Counsel.

Book-Entry, Delivery and Form

The Notes are being offered and sold to qualified institutional buyers (“**Rule 144A Notes**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”). The Notes also may be offered and sold in offshore transactions (“**Regulation S Notes**”) in reliance on Regulation S under the Securities Act (“**Regulation S**”). Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess of US\$200,000. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Rule 144A Global Notes**”). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (“**DTC**”), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “**Restricted Period**”), beneficial interests in the Regulation S Global Notes may be held only through the Euroclear System (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—*Exchanges between Regulation S Notes and Rule 144A Notes.*”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be

exchanged for definitive Notes in registered certificated form (“**Certificated Notes**”) except in the limited circumstances described below. See “—*Exchange of Global Notes for Certificated Notes.*” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “*Transfer Restrictions.*” Regulation S Notes will also bear the legend as described under “*Transfer Restrictions.*” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “**Participants**”) and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “**Indirect Participants**”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) that are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Clearstream Banking, S.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the

DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or “holders” thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC’s records or any Participant’s or Indirect Participant’s records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC’s records or any Participant’s or Indirect Participant’s records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “*Transfer Restrictions*,” transfers between the Participants will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the relevant Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC

reserves the right to exchange the relevant Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the Trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depository;
- (2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or
- (3) if DTC or a successor depository so requests following a Default or Event of Default with respect to the applicable series of Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legends referred to in "Transfer Restrictions," unless such legends are not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Transfer Restrictions."

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a Person:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

- (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Company will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, and interest, if any), by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Company will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Approved Commercial Bank” means a commercial bank with a consolidated combined capital and surplus of at least \$5,000,000,000.

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time.

“Board of Directors” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the Person or Persons who are the managing member, members or managers or any controlling committee or managing members or managers thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“Business Day” means any day other than a Legal Holiday.

“Capital Stock” means:

- (1) in the case of a corporation, corporate stock or shares;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests (whether general or limited); and
- (4) any other interests or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Change of Control” means the occurrence of any of the following:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than to MGM Resorts or a Related Party thereof;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company or any successor thereto;
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as defined in clause (1) above), other than MGM Resorts and any of its Related Parties becomes the Beneficial Owner, directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company, measured by voting power rather than number of Equity Interests; or
- (4) the first day on which the Company ceases to own, directly or indirectly, at least 60% of the outstanding Equity Interests of (and at least a 60% economic interest in) the Concessionaire.

“**Change of Control Offer**” has the meaning assigned to that term in the Indenture.

“**Change of Control Triggering Event**” means the occurrence of a Change of Control and, if the Notes are rated by any two Rating Agencies, a Ratings Event.

“**Concessionaire**” means MGM Grand Paradise Limited, a private company limited by shares (“*sociedade anónima*”) incorporated under the laws of Macau.

“**Default**” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**Derivative Instrument**” means, with respect to a Person, any contract, instrument or other right to receive payment or delivery of cash or other assets to which such Person or any Affiliate of such Person that is acting in concert with such Person in connection with such Person’s investment in the Notes (other than a Regulated Bank or Screened Affiliate) is a party (whether or not requiring further performance by such Person), the value and/or cash flows of which (or any material portion thereof) are materially affected by the value and/or performance of the Notes and/or the creditworthiness of the Company (the “**Performance References**”).

“**Disqualified Stock**” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature.

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“**Equity Interests**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**Existing Notes**” means, collectively, the Company’s outstanding 5.25% senior notes due 2025, 5.875% senior notes due 2026 and 4.75% senior notes due 2027.

“**Fair Market Value**” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by (1) an appropriate officer of the Company, in the case of any value equal to or less than US\$25.0 million (or the Dollar Equivalent thereof) or (2) the Board of Directors of the Company, in the event of any value greater than US\$25.0 million (or the Dollar Equivalent thereof), in each case, unless otherwise provided in the Indenture.

“**Fitch**” means Fitch Ratings, Inc. or any successor to its statistical rating business, except that any reference to a particular rating by Fitch shall be deemed to be a reference to the corresponding rating by any such successor.

“**Gaming Authority**” means any agency, authority, board, bureau, commission, department, office or instrumentality of any nature whatsoever of any national or foreign government, any state, province or city or other political subdivision or otherwise, whether on the date of the Indenture or thereafter in existence, including the Government of the Macau Special Administrative Region and any other applicable gaming regulatory authority or agency, in each case, with authority to regulate the sale or distribution of liquor or any gaming operation (or proposed gaming operation) owned, managed or operated by the Company or its Affiliates, including the Concessionaire.

“**Gaming Law**” means the gaming laws, rules, regulations or ordinances of any jurisdiction or jurisdictions to which MGM Resorts, the Company or any of their respective Affiliates, including the Concessionaire, is, or may be, at any time subject.

“**Gaming License**” means the license, concession, subconcession or other authorization from any Government Authority which authorizes, permits, concedes or allows the Company or any of its Subsidiaries, at the relevant time, to own or manage casino or gaming areas or operate casino games of fortune and chance.

“**Government Securities**” means securities that are:

- (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or
- (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; which, in either case, are not callable or redeemable at the option of the issuer thereof, and will include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Security or a specific payment of principal of or interest on any such Government Security held by such custodian for the account of the holder of such depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Security or the specific payment of principal of or interest on the Government Security evidenced by such depository receipt.

“**Guarantee**” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“**Hedging Obligations**” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates and/or commodity prices.

“**Holder**” or “**holder**” means any registered holder, from time to time, of the Notes. Only registered holders will have any rights under the Indenture.

“**IFRS**” means International Financial Reporting Standards as in effect from time to time.

“**Indebtedness**” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;

- (4) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (5) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term “**Indebtedness**” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness;
- (3) in the case of a Guarantee of Indebtedness, the maximum amount of the Indebtedness guaranteed under such Guarantee; and
- (4) in the case of Indebtedness of others secured by a Lien on any asset of the specified Person, the lesser of:
 - (a) the face amount of such Indebtedness (plus, in the case of any letter of credit or similar instrument, the amount of any reimbursement obligations in respect thereof), and
 - (b) the Fair Market Value of the asset(s) subject to such Lien.

Notwithstanding anything contained in the Indenture to the contrary, any obligation of the Company incurred in the ordinary course of business in respect of casino chips or similar instruments shall not constitute “**Indebtedness**” for any purpose under the Indenture.

“**Investment Grade**” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating categories of Moody’s), a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P), a rating of BBB- or better by Fitch (or its equivalent under any successor rating categories of Fitch) or the equivalent Investment Grade credit rating from any additional Rating Agency or Rating Agencies selected by the Company, as applicable.

“**Issue Date**” means the date on which the Notes (other than any Additional Notes) are originally issued.

“**Legal Holiday**” means a Saturday, a Sunday or a day on which banking institutions in New York, New York, Hong Kong, Macau or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

“**Lien**” means, with respect to any asset, (i) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, (ii) any lease in the nature thereof or (iii) any agreement to deliver a security interest in any asset.

“**Long Derivative Instrument**” means a Derivative Instrument (i) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with positive changes to the Performance References and/or (ii) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with negative changes to the Performance References.

“**MGM Resorts**” means MGM Resorts International, a Delaware corporation.

“**Moody’s**” means Moody’s Investors Service, Inc., or any successor to its statistical rating business, except that any reference to a particular rating by Moody’s will be deemed to be a reference to the corresponding rating by any such successor.

“**Net Short**” means, with respect to a Holder or beneficial owner, as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of the (x) the value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case where a Failure to Pay or Bankruptcy Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Company immediately prior to such date of determination.

“**Obligations**” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness (including, without limitation, interest accruing at the then applicable rate provided in such documentation after the maturity of such Indebtedness and interest accruing at the then applicable rate provided in such documentation after the filing of a petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any debtor under such documentation, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding).

“**Officer**” means the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, Treasurer or Secretary of the Company, or any Director of the Board of the Company or any Person acting in that capacity.

“**Officer’s Certificate**” means a certificate signed, on behalf of the Company by an Officer of the Company, that meets the requirements set forth in the Indenture.

“**Person**” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“**Rating Agencies**” means (a) each of Moody’s, S&P and Fitch and (b) if any of Moody’s, S&P or Fitch ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company (as certified by a resolution of the Company’s Board of Directors) as a replacement agency for Moody’s, S&P or Fitch, or each of them, as the case may be.

“**Rating Date**” means the date that is 60 days prior to the earlier of (a) a Change of Control or (b) public notice of the occurrence of a Change of Control or the intention by the Company to effect a Change of Control.

“**Ratings Event**” means, with respect to the Notes, on, or within 60 days after, the earlier of (a) the occurrence of a Change of Control and (b) the first public notice of the Company’s intention to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies on such 60th day; *provided*, that no such extension shall occur if any of the Rating Agencies rates the Notes with an Investment Grade rating that is not subject to review for possible downgrade on such 60th day), one of the following shall occur: (1) if the Notes are rated by one or more Rating Agencies on the Rating Date as Investment Grade, the Notes are rated below an Investment Grade rating by each of the Rating Agencies, or (2) if the Notes are rated below Investment Grade by any two or more Rating Agencies on the Rating Date, a downgrade by one or more gradations (including gradations within ratings categories as well as between rating categories) or withdrawal of the rating of the Notes by any of the Rating Agencies has occurred.

“**Related Party**” means any Affiliates of MGM Resorts and any Person acting solely in the capacity of an underwriter (as such term is defined under Section 2(a)(11) of the Securities Act) in connection with a bona fide public or private offering of the Company’s Capital Stock.

“Regulated Bank” means an Approved Commercial Bank that is (i) a U.S. depository institution the deposits of which are insured by the Federal Deposit Insurance Corporation; (ii) a corporation organized under section 25A of the U.S. Federal Reserve Act of 1913; (iii) a branch, agency or commercial lending company of a foreign bank operating pursuant to approval by and under the supervision of the Board of Governors under 12 CFR part 211; (iv) a non-U.S. branch of a foreign bank managed and controlled by a U.S. branch referred to in clause (iii); or (v) any other U.S. or non-U.S. depository institution or any branch, agency or similar office thereof supervised by a bank regulatory authority in any jurisdiction.

“Revolving Credit Facilities” means the Revolving Credit Facility and the Second Revolving Credit Facility.

“Revolving Credit Facility” means the Company’s unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility agreement dated August 12, 2019 between, among others, the Company and Bank of America, National Association, as amended, restated and modified from time to time.

“S&P” means Standard & Poor’s Ratings Group or any successor to its statistical rating business, except that any reference to a particular rating by S&P shall be deemed to be a reference to the corresponding rating by any such successor.

“Screened Affiliate” means any Affiliate of a Holder or, if the Holder is DTC, or DTC’s nominee, of a beneficial owner, (i) that makes investment decisions independently from such Holder or beneficial owner and any other Affiliate of such Holder that is not a Screened Affiliate, (ii) that has in place customary information screens between it and such Holder or beneficial owner and any other Affiliate of such Holder or beneficial owner that is not a Screened Affiliate and such screens prohibit the sharing of information with respect to the Company or its Subsidiaries, (iii) whose investment policies are not directed by such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holder in connection with its investment in the Notes and (iv) whose investment decisions are not influenced by the investment decisions of such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holders or beneficial owners in connection with its investment in the Notes.

“Second Revolving Credit Facility” means the Company’s second unsecured revolving credit facility, which is made available to the Company pursuant to the revolving credit facility dated May 26, 2020 between, among others, the Company and certain lenders, as amended, restated and modified from time to time.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Short Derivative Instrument” means a Derivative Instrument (i) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with positive changes to the Performance References and/or (ii) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with negative changes to the Performance References.

“Significant Subsidiary” means any Subsidiary that (a) contributed at least 10% of the Company’s and its Subsidiaries’ total consolidated income from continuing operations before income taxes and extraordinary items for the most recently ended fiscal year of the Company or (b) owned at least 10% of Total Assets as of the last day of the most recently ended fiscal year of the Company.

“Special Put Option Triggering Event” means:

- (1) any event after which none of the Company or any Subsidiary of the Company has such licenses, concessions, subconcessions or other permits or authorizations as are necessary for the Company and its Subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as the Company and its Subsidiaries are entitled to at the Issue Date, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole; or

- (2) the termination, rescission, revocation or modification of any Gaming License which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any Gaming License; *provided* that such renewal, tender or other process results in the granting or renewal of the relevant Gaming License.

“**Subsidiary**” means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof); or
- (3) any limited liability company (a) the manager or managing member of which is such Person or a Subsidiary of such Person or (b) the only members of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“**Total Assets**” means at any date, the total assets of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with IFRS.

“**Voting Stock**” of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the Notes, but does not purport to be a complete analysis of all potential tax considerations. The discussion addresses only persons that purchase Notes in the original offering, hold the Notes as capital assets within the meaning of Section 1221 of the Code and, in the case of U.S. Holders (as defined below), use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, passive foreign investment companies, controlled foreign corporations, real estate investment trusts, corporations that accumulated earnings to avoid U.S. federal income tax, partnerships or other pass-through entities and investors in such entities, U.S. expatriates, dealers in securities or currencies, traders who elect to mark their investment to market, persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an “applicable financial statement,” U.S. Holders that hold the Notes through non-U.S. brokers, and persons holding the Notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or non-U.S. taxes, or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws, the Medicare tax on net investment income or any alternative minimum tax). This discussion is based upon the Code, U.S. Treasury regulations issued thereunder and judicial and administrative interpretations thereof, each as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been, or are expected to be, sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, THE CAYMAN ISLANDS, HONG KONG AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, “U.S. Holder” means the beneficial owner of a Note that for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States,
- a corporation organized in or under the laws of the United States or any political subdivision thereof,
- a trust subject to the control of one or more United States persons and the primary supervision of a U.S. court or that has validly elected to be treated as a United States person, or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

“Non-U.S. Holder” means a person that is a beneficial owner of a Note other than a U.S. Holder.

The treatment of partners in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that owns Notes may depend on the status of such partners and the status and activities of the partnership and such persons should consult their own tax advisors about the consequences of an investment in the Notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Company may be required to make payments on a Note that would change the yield of the Note. See “*Description of Notes—Optional Redemption,*” “*—Gaming Redemption,*” “*—Redemption for Tax Reasons,*” “*—Special Put Option,*” and “*—Repurchase at the Option of Holders—Change of Control.*” These obligations may implicate the provisions of Treasury regulations relating to contingent payment debt instruments (“CPDIs”). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are “remote or incidental” or certain other circumstances apply. The Company intends to take the position that the Notes are not CPDIs. Our determination that

the Notes are not subject to the CPDI regulations is binding on a holder, unless such holder discloses its contrary position in the manner required by applicable Treasury regulations. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a holder may be required to accrue income on the Notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of the contingency. If the Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

U.S. Holders

Interest

Stated interest paid to a U.S. Holder, and any Additional Amounts with respect to withholding tax on the Notes (including the amount of tax withheld from payments of interest and any Additional Amounts), will be includible in the U.S. Holder's gross income as ordinary interest income at the time such interest and Additional Amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which, if not previously included in such U.S. Holder's income, will be taxable as ordinary interest income as discussed above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be equal to the amount that the U.S. Holder paid for the Note. Any such gain or loss generally will be U.S. source capital gain or loss and generally will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to interest and Additional Amounts received in respect of the Notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the Notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net income basis with respect to interest and Additional Amounts received in respect of the Notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the Notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of interest (including Additional Amounts) on the Notes, and to proceeds from the sale, exchange or other taxable disposition (including redemption) of the Notes, to a U.S. Holder. Backup withholding may be required on reportable payments if the holder fails to furnish its correct

taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of Notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld, provided the required information is furnished to the IRS in a timely manner.

“Specified Foreign Financial Asset” Reporting

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The Notes generally are expected to constitute “specified foreign financial assets” unless they are held in accounts maintained by certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CAYMAN ISLANDS AND HONG KONG STAMP DUTY TAX CONSIDERATIONS

Prospective investors should consult their professional advisers regarding the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes unless the Notes or documents to which the Company is a party in relation to the issue of the Notes are executed in, or brought into, the Cayman Islands or produced before the Cayman Islands Courts.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act (1999 Revision). In accordance with the provision of section 6 of the Tax Concessions Act (1999 Revision), the Governor in Cabinet undertook with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (1999 Revision).
- These concessions shall be for a period of 20 years from July 20, 2010, being the date of the undertaking.

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

Hong Kong

No Hong Kong stamp duty is payable on any issue, sale or purchase or other disposal of debentures, loan stocks, funds, bonds or notes (i) which are denominated in a currency other than Hong Kong dollars (provided that such debentures, loan stocks, funds, bonds or notes are not redeemable in Hong Kong dollars and may not at the option of any person be redeemed in Hong Kong dollars) or (ii) the register of holders of which is maintained outside of Hong Kong. Therefore, the issue, sale or purchase or other disposal of the Notes will not be subject to Hong Kong stamp duty.

PLAN OF DISTRIBUTION

BofA Securities, Inc. and Deutsche Bank AG, Singapore Branch are acting as Representatives of each of the Initial Purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of the Notes (US\$)
BofA Securities, Inc.	85,000,000
Deutsche Bank AG, Singapore Branch	80,000,000
Bank of China Limited, Macau Branch ⁴	80,000,000
Industrial and Commercial Bank of China (Macau) Limited.....	70,000,000
Bank of Communications Co., Ltd. Macau Branch	60,000,000
Banco Nacional Ultramarino, S.A.....	30,000,000
SMBC Nikko Securities America, Inc.	15,000,000
UBS AG Hong Kong Branch ⁵	15,000,000
Banco Comercial de Macau, S.A.	10,000,000
Barclays Capital Inc.	10,000,000
BNP Paribas ⁶	10,000,000
J.P. Morgan Securities (Asia Pacific) Limited	10,000,000
Scotia Capital (USA) Inc.....	10,000,000
Banco Comercial Português S.A., Macau Branch.....	5,000,000
CBRE Capital Advisors, Inc.	5,000,000
China Construction Bank Corporation Macau Branch.....	5,000,000
Total	US\$500,000,000

If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

Commissions and Discounts

The Representatives have advised us that the Initial Purchasers propose initially to offer the Notes at the issue prices set forth on the cover page of this offering memorandum. After the initial offering, the offering prices or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Notes Have Not Been And Are Not Being Registered

The Notes have not been and will not be registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning

⁴ Bank of China Limited, Macau Branch is a branch of Bank of China Limited, a joint stock limited company incorporated in the People's Republic of China.

⁵ UBS AG is incorporated in Switzerland with limited liability

⁶ BNP Paribas is a public limited company (société anonyme) incorporated in France. The liability of its members is limited.

of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under “*Transfer Restrictions.*”

Listing

The Company will seek a listing of the Notes on the Hong Kong Stock Exchange and has received a confirmation from the Hong Kong Stock Exchange of the eligibility of a listing of the Notes by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange. The Notes will be new securities for which there is no existing market. We have been advised by certain of the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about June 26, 2024, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the U.S. Exchange Act, as amended, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next four business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the day of pricing or the next four business days should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, during the period starting from the date of this offering memorandum and ending on the date that the Notes are delivered to investors, without first obtaining the prior written consent of the Representatives, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of our debt securities or securities exchangeable for or convertible into our debt securities, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Short Positions

In connection with this offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition,

neither we nor any of the Initial Purchasers make any representation that the Representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Conflicts of Interest

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Furthermore, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge or are likely to hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the Initial Purchasers, namely, BofA Securities, Inc., Deutsche Bank AG, Singapore Branch, BNP Paribas⁷, Banco Nacional Ultramarino, S.A., Bank of China Limited, Macau Branch⁸, Bank of Communications Co., Ltd. Macau Branch, Barclays Capital Inc., Industrial and Commercial Bank of China (Macau) Limited, J.P. Morgan Securities (Asia Pacific) Limited, Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc. and China Construction Bank Corporation Macau Branch, or their affiliates are lenders under the Revolving Credit Facility and, accordingly, may receive a portion of the net proceeds of this offering through any repayment of borrowings under the Revolving Credit Facility. Certain of the Initial Purchasers, namely Banco Comercial de Macau, S.A., Banco Comercial Português S.A., Macau Branch, Banco Nacional Ultramarino, S.A., Bank of China Limited, Macau Branch⁹, Bank of Communications Co., Ltd. Macau Branch and Industrial and Commercial Bank of China (Macau) Limited, or their affiliates, are lenders under the Second Revolving Credit Facility. See “*Description of Other Material Indebtedness.*”

In connection with the offering of the Notes, each of the Initial Purchasers and their respective affiliates may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account the Notes and any other securities of the Company or related investments and may offer or sell such Notes, other securities or other investments otherwise than in connection with this offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No Material Adverse Change

Other than has disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since March 31, 2024 that is material in the context of the issue of the Notes.

⁷ BNP Paribas is a public limited company (société anonyme) incorporated in France. The liability of its members is limited.

⁸ Bank of China Limited, Macau Branch is a branch of Bank of China Limited, a joint stock limited company incorporated in the People’s Republic of China.

⁹ Bank of China Limited, Macau Branch is a branch of Bank of China Limited, a joint stock limited company incorporated in the People’s Republic of China.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes and the Data Privacy Notice may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of Wilmington Savings Fund Society, FSB, or any successor paying agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of Wilmington Savings Fund Society, FSB, or any successor paying agent.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Joint Bookrunners accordingly.

CMIs are informed that, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this Offering Memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Bookrunners in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Joint Bookrunner(s) (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: bofa_dcm_syndicate_pb_orders@bofa.com and NeoLeo.DB@list.db.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Bookrunners may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Bookrunner with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Bookrunners that it is not a Sanctions Restricted Person. A “Sanctions Restricted Person” means an individual or entity (a “Person”): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “SSI List”), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “EU Annexes”), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security (“BIS”) under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled “Addressing the Threat from Securities Investments that Finance Certain Companies of the People’s Republic of China” (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled “Addressing the threat from Securities Investments that Finance Chinese Military Companies;” or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory,

including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic, Luhansk People's Republic, Zaporizhzhia or Kherson. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Selling Restrictions

General

No action has been or will be taken by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any jurisdiction except in compliance with any applicable rules and regulations of such jurisdiction.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or their respective affiliates on behalf of us in such jurisdiction.

United Kingdom

Each Initial Purchaser has agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the "FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Macau

The Notes may not be offered, sold or delivered to members of the public in Macau.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. Each Initial Purchaser has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any EEA Retail Investor in the European Economic Area ("EEA"). For the purposes of this provision:

- (1) the expression "EEA Retail Investor" means a person who is one (or more) of the following:
 - (A) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II");
 - (B) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (C) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended, the "EU Prospectus Regulation"); and
- (2) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any UK Retail Investor in the United Kingdom (“UK”). For the purposes of this provision:

- (1) the expression “UK Retail Investor” means a person who is one (or more) of the following:
 - (A) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”);
 - (B) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
 - (C) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA; and
- (2) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of UK law by virtue of the EUWA (including any statutory instruments made pursuant to the EUWA) (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes, or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notification under Section 309B(1)(c) of the SFA – In connection with this offering, the classification of the Notes offered or sold under this offering are “prescribed capital markets” products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the “FIEA.” The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any

corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of notes offered (which we collectively refer to herein as the “Restricted Notes”) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

- (1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S.
- (2) The purchaser understands that the Restricted Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that such Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) to us, (ii) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iv) to an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) that, prior to such transfer, furnishes to the trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes and, if such transfer is in respect of an aggregate principal amount of notes less than \$250,000, an opinion of counsel acceptable to the Issuer that such transfer is in compliance with the Securities Act, (v) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (vi) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (vi) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in clause (A) above.
- (3) The purchaser understands that the Restricted Notes will, unless otherwise agreed to by us and the holder thereof, bear a legend substantially to the following effect (which we refer to as the “Restricted Notes Legend”):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE ISSUER, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (IV) TO AN “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE

FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (VI) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (VI) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE.

Each purchaser of notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect (which we refer to as the “Regulation S Legend”):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Indenture that the transfer of any such Restricted Notes have been made in accordance with Rule 904 under the Securities Act. We understand that under current market practices settlement of the transfer of any such notes may be effected through the facilities of DTC, but that prior to the 40th day after the later of the commencement of this offering and the last original issue date of the Notes, any such transfer may only occur through the facilities of Euroclear and/or Clearstream, Luxembourg.

Each purchaser of the Notes will be deemed to have represented and agreed as follows:

- (1) (x) either: (A) the purchaser is not a “Plan” (which term includes (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended, or “ERISA,” (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code), or to provisions under applicable Federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (which we refer to as “Similar Laws”) and (iii) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements and it is not purchasing the Notes on behalf of, or with the “plan assets” of, any Plan; or (B) the purchaser’s purchase, holding and subsequent disposition of the Notes either (i) are not a prohibited transaction under ERISA or the Code and are otherwise permissible under all applicable Similar Laws or (ii) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws and (y) it will not sell or transfer such Notes other than to a purchaser that is deemed to make the same representations and warranties; and
- (2) the purchaser will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants.

Each purchaser of Notes acknowledges that neither we nor the initial purchasers nor any person representing us or the initial purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained or incorporated by reference in this offering memorandum. Each purchaser of Notes represents that it is relying only on this offering memorandum in making its investment decision with respect to the

Notes. Each purchaser of Notes agrees that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase Notes.

Each purchaser understands that no action has been taken in any jurisdiction by us or the initial purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of Notes will be subject to the selling restrictions set forth herein.

Each purchaser of Notes acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. Each purchaser of Notes agrees that if any of the acknowledgments, representations or agreements it is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify us and the initial purchasers. If any purchaser is purchasing any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser agrees that it will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes, if then applicable.

LEGAL MATTERS

We are being represented by Milbank LLP with respect to certain matters of United States federal and New York laws, by Herbert Smith Freehills with respect to certain matters of Hong Kong law and by MdME Lawyers with respect to certain matters of Macau law. Certain legal matters as to Cayman Islands law will be passed upon for us by Walkers (Hong Kong). Certain legal matters with respect to legal matters of United States federal and New York law in connection with this offering will be passed upon for the Initial Purchasers by White & Case. Certain legal matters as to Macau law will be passed upon for the Initial Purchasers by Henrique Saldanha—Advogados & Notários and certain legal matters as to Cayman Islands law will be passed upon for the Initial Purchasers by Maples and Calder (Hong Kong) LLP.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of and for the fiscal years ended December 31, 2023, 2022 and 2021 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu, independent auditors, as stated in their report appearing herein.

Our unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2024 and 2023 included in this offering memorandum have been reviewed by Deloitte Touch Tohmatsu independent auditors, as stated in their report appearing herein.

With respect to the unaudited condensed consolidated financial statements for the three months ended March 31, 2024 and 2023 included in this offering memorandum, the independent auditors have reported that they applied limited procedures in accordance with the standards established by the Hong Kong Institute of Certified Public Accountants. However, their separate review report included in this offering memorandum states that they did not audit and they do not express an opinion on the condensed consolidated financial statements for the three months ended March 31, 2024 and 2023. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The offices of Deloitte Touche Tohmatsu are located at One Pacific Place, 88 Queensway, Hong Kong.

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

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MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

Condensed Consolidated Financial Statements
For the three months ended March 31, 2024

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED**

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 26, which comprise the condensed consolidated statement of financial position as of March 31, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and certain explanatory notes. The condensed consolidated financial statements has been prepared solely for the purpose of inclusion in the offering memorandum to be issued by the Company in connection with the proposed offering of notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 1, 2024

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	<u>NOTES</u>	Three months ended March 31	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Operating revenue	4	8,258,300	4,840,690
OPERATING COSTS AND EXPENSES			
Gaming taxes and levies		(3,740,574)	(2,086,345)
Inventories consumed		(263,913)	(153,232)
Staff costs	5	(1,107,814)	(862,180)
(Loss allowance)/reversal of loss allowance on trade receivables, net		(17,842)	6,251
Other expenses and losses	6	(874,222)	(487,920)
Depreciation and amortization	7	(461,415)	(491,243)
		<u>(6,465,780)</u>	<u>(4,074,669)</u>
Operating profit		1,792,520	766,021
Interest income		19,458	33,001
Finance costs	8	(433,600)	(505,075)
Net foreign currency loss		(43,338)	(138,831)
Profit before tax		1,335,040	155,116
Income tax expense	9	(16,294)	(3,832)
Profit for the period attributable to owners of the Company		<u>1,318,746</u>	<u>151,284</u>
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>(1,772)</u>	<u>1,827</u>
Total comprehensive income for the period attributable to owners of the Company		<u>1,316,974</u>	<u>153,111</u>
Earnings per Share – Basic	11	<u>HK34.7 cents</u>	<u>HK4.0 cents</u>
Earnings per Share – Diluted	11	<u>HK34.5 cents</u>	<u>HK4.0 cents</u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2024

	<u>NOTES</u>	At March 31 2024 HK\$'000 (unaudited)	At December 31 2023 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	12	20,116,893	20,394,577
Right-of-use assets	13	1,210,746	1,191,161
Gaming concession right	14	1,547,031	1,591,232
Other assets	15	266,130	126,841
Prepayments, deposits and other receivables		167,505	54,889
Pledged bank deposits	21	680,000	680,000
Total non-current assets		<u>23,988,305</u>	<u>24,038,700</u>
Current assets			
Inventories		205,281	188,153
Trade receivables	16	483,499	594,473
Prepayments, deposits and other receivables		175,563	120,606
Amounts due from related companies	24	6,834	7,386
Cash and cash equivalents		4,866,997	4,231,986
Total current assets		<u>5,738,174</u>	<u>5,142,604</u>
TOTAL ASSETS		<u><u>29,726,479</u></u>	<u><u>29,181,304</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT MARCH 31, 2024

	<u>NOTES</u>	At March 31 <u>2024</u> HK\$'000 (unaudited)	At December 31 <u>2023</u> HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	17	3,802,272	3,800,000
Reserves and accumulated losses		(4,210,442)	(5,127,220)
TOTAL DEFICIT		<u>(408,170)</u>	<u>(1,327,220)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	17,706,577	18,248,369
Lease liabilities		180,316	168,362
Payables and accrued charges	19	74,344	59,107
Gaming concession right payable	14	1,599,717	1,672,696
Amounts due to related companies		-	29,940
Total non-current liabilities		<u>19,560,954</u>	<u>20,178,474</u>
Current liabilities			
Borrowings	18	5,866,623	5,850,362
Lease liabilities		49,242	30,756
Payables and accrued charges	19	4,047,877	4,294,707
Gaming concession right payable	14	57,767	54,868
Dividend payable	10	395,200	-
Amounts due to related companies	24	94,669	53,197
Income tax payable		62,317	46,160
Total current liabilities		<u>10,573,695</u>	<u>10,330,050</u>
TOTAL LIABILITIES		<u>30,134,649</u>	<u>30,508,524</u>
TOTAL EQUITY AND LIABILITIES		<u>29,726,479</u>	<u>29,181,304</u>

The condensed consolidated financial statements on pages 2 to 26 were approved and authorized for issue by the Board of Directors on May 1, 2024 and are signed on its behalf by:

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

William Joseph Hornbuckle
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	Share capital	Treasury shares	Shares held for Restricted Stock Unit Plan	Share premium	Capital redemption reserve	Share-based payment reserve	Equity reserve	Other reserves	Currency translation reserve	Accumulated losses	Reserves and accumulated losses total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At December 31, 2023 and January 1, 2024 (audited)	3,800,000	-	-	10,398,723	26,655	372,182	293,725	(13,130,421)	(4,617)	(3,083,467)	(5,127,220)	(1,327,220)
Profit for the period	-	-	-	-	-	-	-	-	-	1,318,746	1,318,746	1,318,746
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,772)	-	(1,772)	(1,772)
Total comprehensive (loss)/income	-	-	-	-	-	-	-	-	(1,772)	1,318,746	1,316,974	1,316,974
Transfer to legal reserve ⁽¹⁾	-	-	-	-	-	-	-	357,250	-	(357,250)	-	-
Exercise of share options	2,272	-	-	21,932	-	(6,249)	-	-	-	-	15,683	17,955
Share repurchases	-	(30,453)	-	-	-	-	-	-	-	-	(30,453)	(30,453)
Forfeiture of share options	-	-	-	-	-	(5,884)	-	-	-	5,884	-	-
Share repurchase for Restricted Stock Unit Plan	-	-	(4,029)	-	-	-	-	-	-	-	(4,029)	(4,029)
Recognition of share-based payments	-	-	-	-	-	13,803	-	-	-	-	13,803	13,803
Dividend declared	-	-	-	-	-	-	-	-	-	(395,200)	(395,200)	(395,200)
At March 31, 2024 (unaudited)	3,802,272	(30,453)	(4,029)	10,420,655	26,655	373,852	293,725	(12,773,171)	(6,389)	(2,511,287)	(4,210,442)	(408,170)
At December 31, 2022 and January 1, 2023 (audited)	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)
Profit for the period	-	-	-	-	-	-	-	-	-	151,284	151,284	151,284
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,827	-	1,827	1,827
Total comprehensive income	-	-	-	-	-	-	-	-	1,827	151,284	153,111	153,111
Exercise of share options	10	-	-	120	-	(32)	-	-	-	-	88	98
Share repurchase and cancellation	-	-	-	-	-	-	-	-	-	-	-	-
- repurchases and cancellation of Shares	(10)	-	-	(84)	-	-	-	-	-	-	(84)	(94)
- transfer	-	-	-	-	10	-	-	-	-	(10)	-	-
Forfeiture of share options	-	-	-	-	-	(2,591)	-	-	-	2,591	-	-
Recognition of share-based payments	-	-	-	-	-	12,328	-	-	-	-	12,328	12,328
At March 31, 2023 (unaudited)	3,800,000	-	-	10,409,045	23,718	460,042	293,725	(13,130,819)	(1,167)	(5,685,522)	(7,630,978)	(3,830,978)

⁽¹⁾ On March 29, 2024, an amount of MOP368.0 million (equivalent to approximately HK\$357.3 million) was transferred from MGM Grand Paradise's retained earnings to legal reserve. This reserve is not distributable to the Shareholders.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	<u>NOTES</u>	Three months ended March 31	
		<u>2024</u>	<u>2023</u>
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	20	<u>1,935,781</u>	<u>1,796,836</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(120,348)	(47,173)
Purchase of other assets		(248,157)	(60,437)
Proceeds from disposal of property and equipment		73	5
Withdrawal of pledged bank deposits		-	<u>291,262</u>
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		<u>(368,432)</u>	<u>183,657</u>
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities		3,550,000	-
Repayments of credit facilities		(4,150,000)	(4,600,000)
Payments of lease liabilities		(6,188)	(4,569)
Interest paid		(254,614)	(352,628)
Payment of gaming concession right payable	14	(53,873)	(56,680)
Proceeds from exercise of share options		18,493	100
Payments on repurchase of Shares		<u>(34,482)</u>	<u>(94)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(930,664)</u>	<u>(5,013,871)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		636,685	(3,033,378)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4,231,986	6,706,591
Effect of foreign exchange rate changes, net		<u>(1,674)</u>	<u>1,804</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by cash and cash equivalents		<u><u>4,866,997</u></u>	<u><u>3,675,017</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The condensed consolidated financial statements are prepared solely for inclusion in the offering memorandum to be issued by the Company in connection with the proposed offering of notes.

As at March 31, 2024, the Group had a net current liability position of HK\$4,835.5 million (December 31, 2023: HK\$5,187.4 million) as the final maturity date of one tranche of the unsecured senior note indebtedness is May 15, 2024 (refer Note 18) which falls due within twelve months from the end of the reporting period. However, the Group had total cash and cash equivalents of HK\$4.87 billion as at March 31, 2024 (December 31, 2023: HK\$4.23 billion), and access to approximately HK\$12.05 billion of available undrawn credit facilities under its Unsecured Credit Facilities. Given the Group's liquidity position as at March 31, 2024, significantly improved financial performance and estimated cash flows for the twelve months ending March 31, 2025, the Group believes it is able to meet its financial obligations as they fall due for the twelve months from the end of the reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2024 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2023.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Application of amendments to IFRS

In the current period, the Group has applied, for the first time, the following amendments to IFRS:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

3. 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 before finance costs, income tax expense, depreciation and amortization, loss on disposal/write-off of property and equipment, interest income, net foreign currency difference, share-based payments and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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3. SEGMENT INFORMATION - continued

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

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	2,504,691	1,412,866
Share-based payments	(15,202)	(12,328)
Corporate expenses	(219,929)	(142,560)
Loss on disposal/write-off of property and equipment	(15,625)	(714)
Depreciation and amortization	(461,415)	(491,243)
Operating profit	1,792,520	766,021
Interest income	19,458	33,001
Finance costs	(433,600)	(505,075)
Net foreign currency loss	(43,338)	(138,831)
Profit before tax	1,335,040	155,116
Income tax expense	(16,294)	(3,832)
Profit for the period attributable to owners of the Company	<u>1,318,746</u>	<u>151,284</u>

Almost all of the non-current assets of the Group are located in Macau.

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4. OPERATING REVENUE

Operating revenue comprises:

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino	7,194,955	4,352,214
Hotel rooms	494,370	231,181
Food and beverage	487,761	216,532
Retail and other	81,214	40,763
	<u>8,258,300</u>	<u>4,840,690</u>

5. STAFF COSTS

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and discretionary and performance related incentive payments	862,293	679,037
Retirement benefits scheme contributions	29,595	26,152
Share-based payments	15,187	12,274
Other benefits	200,739	144,717
	<u>1,107,814</u>	<u>862,180</u>

6. OTHER EXPENSES AND LOSSES

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	394,827	163,036
License fees (Note 24)	144,520	84,712
Other support services	99,225	64,292
Repairs and maintenance	72,728	59,485
Utilities and fuel	59,532	54,938
Auditor's remuneration	2,401	2,177
Loss on disposal/write-off of property and equipment	15,625	714
Other	85,364	58,566
	<u>874,222</u>	<u>487,920</u>

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7. DEPRECIATION AND AMORTIZATION

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation in respect of:		
- Property and equipment	399,632	431,252
- Right-of-use assets	16,976	14,617
Amortization in respect of:		
- Gaming concession right	44,201	44,201
- Other assets	606	1,173
	<u>461,415</u>	<u>491,243</u>

8. FINANCE COSTS

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on unsecured senior notes	285,775	285,849
Interest on unsecured credit facilities	62,540	139,682
Interest on gaming concession right payable	32,667	33,589
Amortization of debt finance costs	33,128	26,190
Standby charges on MGM Resorts International Revolving Credit Facility	13,026	14,673
Interest on lease liabilities	3,642	3,203
Bank fees, charges and other	2,822	1,889
Total finance costs	<u>433,600</u>	<u>505,075</u>

9. INCOME TAX EXPENSE

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Payment in lieu of Macau Complementary Tax on dividends	16,070	3,699
Mainland China Income Tax	197	133
Hong Kong Profit Tax	27	-
	<u>16,294</u>	<u>3,832</u>
Income tax expense	<u>16,294</u>	<u>3,832</u>

Pursuant to approval notices issued by the Macau Government, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for profits generated from gaming operations for the period from January 1, 2017 to December 31, 2022, the date upon which the Sub-Concession Contract expired. On March 30, 2023, MGM Grand Paradise applied for exemption for the term of the Concession from January 1, 2023 to December 31, 2032. Pursuant to the approval notice 19/2024 issued by the Macau Government dated January 29, 2024, this exemption was granted for the period from January 1, 2023 to December 31, 2027. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to 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 periods.

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 the extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise was required to pay 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 January 2023, the Macau Government confirmed to MGM Grand Paradise the terms of the extended tax concession arrangement, which required MGM Grand Paradise to pay 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. In February 2024, MGM Grand Paradise finalized a tax concession arrangement with the Macau Government for the years ended/ending December 31, 2023 to December 31, 2025, which requires MGM Grand Paradise to make annual payment based on a pre-determined rate in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. The amount for the year ended December 31, 2023 is approximately MOP47.4 million (equivalent to approximately HK\$46.0 million) and the amount for the three months ended March 31, 2024 is approximately MOP16.6 million (equivalent to approximately HK\$16.1 million). 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 periods. 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%.

10. DIVIDENDS

The Board did not recommend an interim dividend payment for the six months ended June 30, 2023.

On March 21, 2024, a special dividend of HK\$0.104 per Share, amounting to approximately HK\$395.2 million in aggregate, was declared by the Directors of the Company. This dividend was paid to Shareholders on April 23, 2024.

On March 21, 2024, a final dividend of HK\$0.243 per Share, amounting to approximately HK\$923.4 million in aggregate for the year ended December 31, 2023, has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	(unaudited)	(unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	<u>1,318,746</u>	<u>151,284</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,801,265	3,800,006
Number of dilutive potential Shares arising from exercise of share options ('000)	<u>18,854</u>	<u>13,054</u>
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<u>3,820,119</u>	<u>3,813,060</u>
Earnings per Share – Basic	<u>HK34.7 cents</u>	<u>HK4.0 cents</u>
Earnings per Share – Diluted	<u>HK34.5 cents</u>	<u>HK4.0 cents</u>

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12. PROPERTY AND EQUIPMENT

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Carrying amount at January 1	20,394,577	21,690,904
Additions	137,681	378,625
Adjustment upon finalization of costs	-	(10,072)
Disposal/write-off	(15,698)	(20,795)
Depreciation	(399,632)	(1,644,094)
Foreign exchange difference	(35)	9
Carrying amount at March 31/December 31	<u>20,116,893</u>	<u>20,394,577</u>

13. RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which 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 generally have lease terms between 1 to 5 years.

Information about leases for which the Group is a lessee is presented below.

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Leasehold land	1,129,338	1,138,424
Buildings	25,851	7,393
Equipment and others	55,557	45,344
	<u>1,210,746</u>	<u>1,191,161</u>

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14. GAMING CONCESSION

Movement of the intangible asset recognized is as follows:

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Carrying amount at January 1	1,591,232	-
Addition	-	1,768,036
Amortization	(44,201)	(176,804)
Carrying amount at March 31/December 31	<u>1,547,031</u>	<u>1,591,232</u>

Gaming concession right payable included in the condensed consolidated statement of financial position is as follows:

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Current gaming concession right payable	57,767	54,868
Non-current gaming concession right payable	1,599,717	1,672,696
	<u>1,657,484</u>	<u>1,727,564</u>

15. OTHER ASSETS

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Show production costs	261,770	125,344
Operating equipment	4,360	1,497
	<u>266,130</u>	<u>126,841</u>

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16. TRADE RECEIVABLES

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Trade receivables	731,587	824,187
Less: Loss allowance	<u>(248,088)</u>	<u>(229,714)</u>
	<u>483,499</u>	<u>594,473</u>

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 28 days to VIP gaming customers and 30 days on issuance of markers to gaming promoters.

Trade receivables are unsecured and non-interest bearing.

Trade receivables from hotel customers are not significant at the end of the reporting period.

17. SHARE CAPITAL

	<u>Notes</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Issued and fully paid			
At December 31, 2022 and January 1, 2023 (audited)		3,800,000,001	3,800,000,001
Share options exercised		10,400	10,400
Share repurchase and cancellation	(i)	<u>(10,400)</u>	<u>(10,400)</u>
At March 31, 2023 (unaudited)		3,800,000,001	3,800,000,001
At December 31, 2023 and January 1, 2024 (audited)		3,800,000,001	3,800,000,001
Share options exercised	(ii)	2,271,800	2,271,800
At March 31, 2024 (unaudited)		<u>3,802,271,801</u>	<u>3,802,271,801</u>

(i) During the three months ended March 31, 2023: 10,400 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$0.1 million and cancelled.

(ii) During the three months ended March 31, 2024: 2,271,800 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$30.5 million. The 2,271,800 Shares were cancelled on April 8, 2024.

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18. BORROWINGS

At March 31, 2024, the Group's unsecured borrowings included senior notes and credit facilities.

	At <u>March 31, 2024</u> HK\$'000 (unaudited)	At <u>December 31, 2023</u> HK\$'000 (audited)
Unsecured senior notes repayable:		
Within one year	5,869,125	5,857,800
Over one year but not exceeding two years	3,912,750	3,905,200
Over two years but not exceeding three years	11,738,250	5,857,800
Over three years but not exceeding four years	-	5,857,800
	<u>21,520,125</u>	<u>21,478,600</u>
Less: Debt finance costs	(89,769)	(104,261)
	<u>21,430,356</u>	<u>21,374,339</u>
Unsecured credit facilities repayable:		
Over two years but not exceeding three years	2,300,000	2,900,000
	<u>2,300,000</u>	<u>2,900,000</u>
Less: Debt finance costs	(157,156)	(175,608)
	<u>2,142,844</u>	<u>2,724,392</u>
The Group's borrowings are classified as:		
Current	5,866,623	5,850,362
Non-current	17,706,577	18,248,369
	<u>23,573,200</u>	<u>24,098,731</u>

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.

18. BORROWINGS – continued

Unsecured Senior Notes - continued

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, if any, 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.

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. The proceeds of the Revolving Credit Facility were used to repay a portion of amounts outstanding under the Senior Secured Credit Facility, ongoing working capital needs and general corporate purposes of the Group.

18. 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 credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

On June 30, 2023, the Company entered into amendments of the Revolving Credit Facility and the Second Revolving Credit Facility which extended the final maturity date from May 15, 2024 to May 15, 2026.

Under the Amended Second Revolving Credit Facility, the Company's option to increase the amount of the facility was amended on June 30, 2023 to HK\$5.85 billion subject to certain conditions. In addition, among the conditions precedent documents required for the purpose of requesting a loan, evidence that the Revolving Credit Facility has been fully drawn will no longer be required under the Amended Second Revolving Credit Facility. During the year ended December 31, 2023, the Company increased the available credit facilities of the Amended Second Revolving Credit Facility by HK\$1.48 billion to HK\$4.60 billion.

As at March 31, 2024, HK\$12.05 billion (December 31, 2023: HK\$11.45 billion) of the Unsecured Credit Facilities were undrawn and available for utilization.

Principal and Interest

The Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility bear interest at a floating 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 March 31, 2024, HK\$2.30 billion of the Amended Revolving Credit Facility was drawn. HK\$7.45 billion of the Amended Revolving Credit Facility and HK\$4.60 billion of the Amended 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, 2026. Each drawdown is to be repaid in full no later than May 15, 2026. As at March 31, 2024, the Group paid interest a HIBOR plus 2.50% per annum (March 31, 2023: HIBOR plus 2.75% per annum).

18. BORROWINGS – continued

Unsecured Credit Facilities – continued

General Covenants

The Amended Revolving Credit Facility and the Amended 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 was not less than 2.50 to 1.

Due to the impact of the COVID-19 pandemic, the Company entered into a number of amendments between the year 2020 and the year 2022 to provide a waiver of its financial covenants under the Revolving Credit Facility and the Second Revolving Credit Facility.

The financial covenants were further amended under the Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility on June 30, 2023 to cover the extended maturity period which waived the financial covenants from each quarter ended on and after March 31, 2023 through December 31, 2024.

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

Accounting Date	Interest Coverage Ratio	Leverage Ratio
Each quarter ended on and after March 31, 2023 through December 31, 2024	Not Applicable	Not Applicable
March 31, 2025	2.50:1.00	5.50:1.00
June 30, 2025	2.50:1.00	5.25:1.00
September 30, 2025	2.50:1.00	5.00:1.00
December 31, 2025	2.50:1.00	4.75:1.00
March 31, 2026	2.50:1.00	4.50:1.00

18. BORROWINGS – continued

Unsecured Credit Facilities - continued

Compliance with Covenants

The Group has complied with the general covenants under the Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility for the three months ended March 31, 2024.

Security and Guarantees

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

MGM Resorts International Revolving Credit Facility

On November 10, 2022, the Company entered into an agreement with MGM Resorts International as lender 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\$5.87 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 is based on the lower of the commitment fee rate from the Unsecured Credit Facilities and any future revolving credit facilities.

The MGM Resorts International Revolving Credit Facility was amended on June 29, 2023, (the “Amendment Effective Date”) so that no payment of any financial costs, including interest payment and commitment fee, and no principal repayment shall be made by the Company to the lender under the MGM Resorts International Revolving Credit Facility, up to the end of the financial covenants waiver period under the existing Unsecured Credit Facilities, on December 31, 2024 (the “June 29, 2023 Amendment”).

The Company cancelled the whole HK\$5.87 billion unutilized commitment under the MGM Resorts International Revolving Credit Facility, effective from March 20, 2024 (the “Effective Date of Cancellation”). The commitment fee due for the period from the Amendment Effective Date to the Effective Date of Cancellation amounted to HK\$43.0 million is payable in the quarter ending on March 31, 2025, as provided in the June 29, 2023 Amendment.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

19. PAYABLES AND ACCRUED CHARGES

	At <u>March 31, 2024</u>	At <u>December 31, 2023</u>
	HK\$'000 (unaudited)	HK\$'000 (audited)
Gaming taxes payables	1,166,982	1,255,070
Customer advances and other ⁽¹⁾	942,075	953,354
Accrued staff costs	499,847	764,039
Outstanding chips liabilities ⁽¹⁾	395,749	433,328
Interest payable	369,802	222,947
Other payables and accrued charges	314,557	349,043
Loyalty programs liabilities ⁽¹⁾	206,864	191,888
Construction payables and accruals	102,373	87,286
Trade payables	101,886	76,447
Construction retention payable	13,073	10,395
Other casino liabilities	9,013	10,017
	<u>4,122,221</u>	<u>4,353,814</u>
Current	4,047,877	4,294,707
Non-current	74,344	59,107
	<u>4,122,221</u>	<u>4,353,814</u>

⁽¹⁾ These balances represent the Group's main types of liabilities associated with contracts with customers. These liabilities are generally expected to be recognized as revenue or redeemed for cash within one year of being purchased, earned or deposited.

20. NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash generated from operating activities is as follows:

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Operating cash flows before movements in working capital	2,297,795	1,257,332
(Decrease)/increase in payables and accrued charges	(398,386)	604,734
Other changes in working capital	17,102	(102,186)
Cash generated from operations	1,916,511	1,759,880
Income tax paid	(134)	(7,747)
Interest received	19,404	44,703
Net cash generated from operating activities	<u>1,935,781</u>	<u>1,796,836</u>

21. GUARANTEES

As at March 31, 2024, the Group has given bank guarantees totaling HK\$978.7 million (December 31, 2023: HK\$978.7 million) to certain parties including:

- HK\$970.9 million (December 31, 2023: HK\$970.9 million) was issued in favor of the Macau Government as required in the Concession Contract;
- HK\$4.0 million (December 31, 2023: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements;
- HK\$0.6 million (December 31, 2023: 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 (December 31, 2023: HK\$3.2 million) was issued in favor of certain vendors.

As at March 31, 2024 and December 31, 2023, pledged bank deposits of MOP700.4 million (equivalent to HK\$680 million) were provided in relation to bank guarantees provided to the Macau Government for the Concession Contract as mentioned above.

22. LEGAL PROCEEDINGS

The Group was named as a defendant in legal proceedings filed in the Macau courts against gaming promoters by individuals who claimed to have placed deposits with gaming promoters who had operations at the Group's properties and the gaming promoters failed to honor the withdrawal of such deposits. The Group was sued in these proceedings based solely upon the joint liability of the concessionaire for the actions and conduct of the gaming promoters carried out at the Group's casino premises.

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, management considers that such litigation and claims will not have a significant impact on the results of operations, financial position and cash flows of the Group.

23. CAPITAL COMMITMENTS

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

	<u>At</u> <u>March 31, 2024</u> HK\$'000 (unaudited)	<u>At</u> <u>December 31, 2023</u> HK\$'000 (audited)
Contracted but not accounted for	<u>510,317</u>	<u>464,191</u>

24. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in Note 21, 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 ultimate 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) The amounts due to related companies includes:

	At <u>March 31,</u> <u>2024</u> HK\$'000 (unaudited)	At <u>December 31,</u> <u>2023</u> HK\$'000 (audited)
Company jointly-owned by Shareholders	47,085	47,745
Ultimate holding company of the Company	43,715	31,084
Companies in which one of the Directors of the Company has non-controlling beneficial interests	2,119	4,308
Companies in which one of the Directors of the Company has joint controlling beneficial interests	1,750	-
	<u>94,669</u>	<u>83,137</u>

The amounts are unsecured, non-interest bearing and repayable on demand, except for the standby charges on MGM Resorts International Revolving Credit Facility of HK\$43.0 million (December 31, 2023: HK\$29.9 million) payable in the quarter ending on March 31, 2025, refer to Note 18 for details.

24. RELATED PARTY TRANSACTIONS – continued

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

<u>Related parties</u>	<u>Type of transaction</u>	<u>Three months ended March 31</u>	
		<u>2024</u> HK\$'000 (unaudited)	<u>2023</u> HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses related to laundry services, accommodation and others	30,169	8,164
	Income related to accommodation and other	7	8
Ultimate holding company and its subsidiaries	Marketing referral fees	-	1,075
	Payment for operating cost of marketing offices	14,173	-
	Reimbursement for operating cost of marketing offices	(6,255)	-
	Finance cost ⁽¹⁾	13,026	14,673
Company jointly-owned by Shareholders	License fee ⁽²⁾	144,520	84,712
Companies in which one of the Directors of the Company has joint controlling beneficial interests	Consultancy fee ⁽³⁾	32,773	22,548

⁽¹⁾ The amount represents the standby charges on MGM Resorts International Revolving Credit Facility - refer to Note 18.

⁽²⁾ Pursuant to the Third 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\$55.6 million (equivalent to approximately HK\$435.2 million) for the year ended December 31, 2023 and US\$57.6 million (equivalent to approximately HK\$450.4 million) for the year ending December 31, 2024.

24. RELATED PARTY TRANSACTIONS – continued

(b) – continued

- ⁽³⁾ Pursuant to the Consultancy Services Agreement and the Renewed Consultancy Services Agreement entered between MGM Grand Paradise and Occasions, a comprehensive integrated communications group, which set 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, subject to annual caps of HK\$130 million for the year ended December 31, 2023 and HK\$250 million for the year ending December 31, 2024.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Three months ended March 31	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits ⁽¹⁾	41,802	35,692
Other long-term benefits ⁽¹⁾	12,398	11,816
Post-employment benefits	536	430
Share-based payments	7,022	4,657
	<u>61,758</u>	<u>52,595</u>

- ⁽¹⁾ On August 21, 2022, 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. During the term of the Services Agreement (same as the term of the Gaming Concession), Ms. Pansy Ho will receive remuneration of US\$8 million (equivalent to approximately HK\$62 million) per annum accounted for as short term benefits and incentive payments based upon MGM Grand Paradise's performance up to an aggregate total amount of US\$95 million (equivalent to approximately HK\$741 million) accounted for as other long-term benefits for the term set out in the Services Agreement.

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

Condensed Consolidated Financial Statements
For the three months ended March 31, 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED**

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 31, which comprise the condensed consolidated statement of financial position as of March 31, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and certain explanatory notes. The condensed consolidated financial statements has been prepared solely for the purpose of inclusion in the offering memorandum to be issued by the Company in connection with the proposed offering of notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 14, 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	<u>NOTES</u>	Three months ended March 31	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	4,352,214	1,803,728
Other revenue	4	488,476	290,048
		<u>4,840,690</u>	<u>2,093,776</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes and levies		(2,086,345)	(905,377)
Inventories consumed		(153,232)	(110,593)
Staff costs	5	(862,180)	(792,449)
Reversal of loss allowance/(loss allowance) on trade receivables, net		6,251	(23,041)
Other expenses and losses	6	(487,920)	(299,791)
Depreciation and amortization	7	(491,243)	(527,795)
		<u>(4,074,669)</u>	<u>(2,659,046)</u>
Operating profit/(loss)		766,021	(565,270)
Interest income		33,001	893
Finance costs	8	(505,075)	(363,495)
Net foreign currency loss		(138,831)	(97,684)
Profit/(loss) before tax		155,116	(1,025,556)
Income tax expense	9	(3,832)	(3,948)
Profit/(loss) for the period attributable to owners of the Company		<u>151,284</u>	<u>(1,029,504)</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		1,827	687
Total comprehensive income/(loss) for the period attributable to owners of the Company		<u>153,111</u>	<u>(1,028,817)</u>
Earnings/(loss) per Share – Basic	11	<u>HK4.0 cents</u>	<u>(HK27.1 cents)</u>
Earnings/(loss) per Share – Diluted	11	<u>HK4.0 cents</u>	<u>(HK27.1 cents)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2023

	<u>NOTES</u>	At March 31 2023 HK\$'000 (unaudited)	At December 31 2022 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	12	21,292,009	21,690,904
Right-of-use assets	13	1,208,484	1,223,065
Gaming concession right	14	1,723,835	-
Other assets		121,198	61,092
Prepayments, deposits and other receivables		32,652	29,330
Pledged bank deposits	20	680,000	971,262
Total non-current assets		<u>25,058,178</u>	<u>23,975,653</u>
Current assets			
Inventories		153,970	160,021
Trade receivables	15	316,899	239,522
Prepayments, deposits and other receivables		171,423	127,553
Amounts due from related companies	23	330	156
Cash and cash equivalents		3,675,017	6,706,591
Total current assets		<u>4,317,639</u>	<u>7,233,843</u>
TOTAL ASSETS		<u>29,375,817</u>	<u>31,209,496</u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT MARCH 31, 2023

	<u>NOTES</u>	At March 31 <u>2023</u> HK\$'000 (unaudited)	At December 31 <u>2022</u> HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	16	3,800,000	3,800,000
Reserves and accumulated losses		<u>(7,630,978)</u>	<u>(7,796,421)</u>
TOTAL DEFICIT		<u>(3,830,978)</u>	<u>(3,996,421)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	28,282,940	32,725,136
Lease liabilities		171,453	170,759
Payables and accrued charges	18	17,735	6,520
Gaming concession right payable	14	<u>1,659,366</u>	<u>-</u>
Total non-current liabilities		<u>30,131,494</u>	<u>32,902,415</u>
Current liabilities			
Lease liabilities		15,789	21,078
Payables and accrued charges	18	2,969,885	2,252,202
Gaming concession right payable	14	51,990	-
Amounts due to related companies	23	33,805	22,474
Income tax payable		<u>3,832</u>	<u>7,748</u>
Total current liabilities		<u>3,075,301</u>	<u>2,303,502</u>
TOTAL LIABILITIES		<u>33,206,795</u>	<u>35,205,917</u>
TOTAL EQUITY AND LIABILITIES		<u><u>29,375,817</u></u>	<u><u>31,209,496</u></u>

The condensed consolidated financial statements on pages 2 to 31 were approved and authorized for issue by the Board of Directors on May 14, 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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserve	(Accumulated losses)/ retained earnings	Reserves and (accumulated losses)/retained earnings total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At December 31, 2022 and January 1, 2023 (audited)	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)
Profit for the period	-	-	-	-	-	-	-	151,284	151,284	151,284
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,827	-	1,827	1,827
Total comprehensive income	-	-	-	-	-	-	1,827	151,284	153,111	153,111
Exercise of share options	10	120	-	(32)	-	-	-	-	88	98
Share repurchase and cancellation - repurchases and cancellation of Shares	(10)	(84)	-	-	-	-	-	-	(84)	(94)
- transfer	-	-	10	-	-	-	-	(10)	-	-
Forfeiture of share options	-	-	-	(2,591)	-	-	-	2,591	-	-
Recognition of share-based payments	-	-	-	12,328	-	-	-	-	12,328	12,328
At March 31, 2023 (unaudited)	3,800,000	10,409,045	23,718	460,042	293,725	(13,130,819)	(1,167)	(5,685,522)	(7,630,978)	(3,830,978)
At December 31, 2021 and January 1, 2022 (audited)	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 period	-	-	-	-	-	-	-	(1,029,504)	(1,029,504)	(1,029,504)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	687	-	687	687
Total comprehensive income/(loss)	-	-	-	-	-	-	687	(1,029,504)	(1,028,817)	(1,028,817)
Forfeiture of share options	-	-	-	(13,771)	-	-	-	13,771	-	-
Recognition of share-based payments	-	-	-	11,707	-	-	-	-	11,707	11,707
At March 31, 2022 (unaudited)	3,800,000	10,409,009	23,708	443,618	293,725	(13,131,327)	5,465	(1,664,392)	(3,620,194)	179,806

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	<u>NOTES</u>	Three months ended March 31	
		<u>2023</u> HK\$'000 (unaudited)	<u>2022</u> HK\$'000 (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	19	<u>1,796,836</u>	<u>(696,139)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(47,173)	(69,481)
Purchase of other assets		(60,437)	(43,904)
Proceeds from disposal of property and equipment and other assets		5	12
Withdrawal of pledged bank deposits		<u>291,262</u>	<u>-</u>
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		<u>183,657</u>	<u>(113,373)</u>
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	17	-	450,000
Repayments of credit facilities	17	(4,600,000)	(200,000)
Payments of debt finance costs		-	(10,500)
Payments of lease liabilities		(4,569)	(5,152)
Interest paid		(352,628)	(280,889)
Payment of gaming concession right payable	14	(56,680)	-
Proceeds from exercise of share options		100	-
Payments on repurchase of Shares		<u>(94)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(5,013,871)</u>	<u>(46,541)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,033,378)	(856,053)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6,706,591	3,112,020
Effect of foreign exchange rate changes, net		<u>1,804</u>	<u>665</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by cash and cash equivalents		<u><u>3,675,017</u></u>	<u><u>2,256,632</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

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

Financial Impact of the COVID-19 Pandemic

In early 2020, the rapid spread of a respiratory illness caused by COVID-19 led to certain actions taken by the Chinese Government, the Macau Government and many countries around the world to attempt to mitigate the spread of the virus, such as travel and entry restrictions, mandatory quarantine measures, nucleic acid testing requirement and suspension of casino operations from time to time. Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during 2022 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 the Group's gross gaming revenue increased 132.2% to HK\$5.2 billion in the first quarter of 2023, as compared to the first quarter of 2022.

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.

1. GENERAL - continued

Gaming Concession - continued

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. 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. The condensed consolidated financial statements are prepared solely for inclusion in the offering memorandum to be issued by the Company in connection with the proposed offering of notes.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2023 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2022. The accounting policy adopted with effect from 1 January 2023 related to the financial impacts of certain contractual payments related to the gaming concession is disclosed in Note 14.

Application of new and amendments to IFRS

In the current period, the Group has applied, for the first time, the following amendments to IFRS:

IFRS 17	Insurance Contracts and the related Amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

Although the Group had a deficiency in shareholders' equity of HK\$3,831.0 million as at March 31, 2023 (December 31, 2022: HK\$3,996.4 million), 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. The Group had total cash and cash equivalents of HK\$3.68 billion (December 31, 2022: HK\$6.71 billion), and access to approximately HK\$5.97 billion and HK\$5.89 billion of available undrawn credit facilities under its Unsecured Credit Facilities and MGM Resorts International Revolving Credit Facility respectively as at March 31, 2023.

3. 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.

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3. SEGMENT INFORMATION - continued

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to profit/(loss) for the period attributable to owners of the Company:

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	1,412,866	45,746
Share-based payments	(12,328)	(11,707)
Corporate expenses	(142,560)	(69,671)
Pre-opening costs	-	(108)
Loss on disposal/write-off of property and equipment and other assets	(714)	(1,735)
Depreciation and amortization	<u>(491,243)</u>	<u>(527,795)</u>
Operating profit/(loss)	766,021	(565,270)
Interest income	33,001	893
Finance costs	(505,075)	(363,495)
Net foreign currency loss	<u>(138,831)</u>	<u>(97,684)</u>
Profit/(loss) before tax	155,116	(1,025,556)
Income tax expense	<u>(3,832)</u>	<u>(3,948)</u>
Profit/(loss) for the period attributable to owners of the Company	<u>151,284</u>	<u>(1,029,504)</u>

Almost all of the non-current assets of the Group are located in Macau.

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4. 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:

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor gross table games win	4,102,758	1,867,536
VIP gross table games win	746,790	176,660
Slot machine gross win	348,042	194,273
	<hr/>	<hr/>
Gross casino revenue	5,197,590	2,238,469
Commissions, complimentaries and other incentives	(845,376)	(434,741)
	<hr/>	<hr/>
	<u>4,352,214</u>	<u>1,803,728</u>

Other revenue comprises:

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	231,181	122,274
Food and beverage	216,532	136,089
Retail and other	40,763	31,685
	<hr/>	<hr/>
	<u>488,476</u>	<u>290,048</u>

5. STAFF COSTS

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and discretionary and performance related incentive payments	679,037	621,858
Retirement benefits scheme contributions	26,152	24,796
Share-based payments	12,274	11,582
Other benefits	144,717	134,213
	<hr/>	<hr/>
	<u>862,180</u>	<u>792,449</u>

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6. OTHER EXPENSES AND LOSSES

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	163,036	108,875
License fees (Note 23)	84,712	36,641
Other support services	64,292	47,871
Repairs and maintenance	59,485	60,193
Utilities and fuel	54,938	52,414
Auditor's remuneration	2,177	2,102
Loss on disposal/write-off of property and equipment and other assets	714	1,735
Other ⁽¹⁾	58,566	(10,040)
	<u>487,920</u>	<u>299,791</u>

⁽¹⁾ Other expenses for the period ended March 31, 2022 includes a reversal of provisions of HK\$60.6 million, as result of the final settlement of certain litigation related to the Group's joint liability with gaming promoters.

7. DEPRECIATION AND AMORTIZATION

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation in respect of:		
- Property and equipment	431,252	485,613
- Right-of-use assets	14,617	17,334
Amortization in respect of:		
- Gaming concession right	44,201	-
- Sub-concession premium	-	23,529
- Other assets	1,173	1,319
	<u>491,243</u>	<u>527,795</u>

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8. FINANCE COSTS

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on unsecured senior notes	285,849	285,063
Interest on unsecured credit facilities	139,682	45,054
Interest on gaming concession right payable	33,589	-
Amortization of debt finance costs	26,190	24,888
Standby charges on MGM Resorts International Revolving Credit Facility (Note 17)	14,673	-
Interest on lease liabilities	3,203	3,225
Bank fees and other charges	1,889	5,265
Total finance costs	<u>505,075</u>	<u>363,495</u>

9. INCOME TAX EXPENSE

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	3,699	3,673
Mainland China Income Tax	133	275
Income tax expense	<u>3,832</u>	<u>3,948</u>

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 (as amended by the Sub-Concession Further Extension Contract) expired. 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 periods. On March 30, 2023, MGM Grand Paradise applied for the exemption for the term of the Concession from January 1, 2023 to December 31, 2032, which is subject to the approval by the Macau Government. MGM Grand Paradise calculated the income tax provision by estimating the statutory tax rate expected to be applied to the operating results for the period.

9. INCOME TAX EXPENSE - continued

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to 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 January 2023, the Macau Government confirmed to MGM Grand Paradise the terms of the extended tax concession arrangement, which required MGM Grand Paradise 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. This arrangement will be reviewed after the above application for extension of Macau Complementary Tax for income generated from gaming operations has been approved by the Macau Government.

Hong Kong Profits Tax is calculated at the maximum rate of 16.5% of the estimated assessable profit for the current and prior periods. 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%.

10. DIVIDENDS

The Board did not recommend any dividend payment for the year ended December 31, 2022.

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11. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per Share is based upon the following:

	Three months ended March 31	
	<u>2023</u>	<u>2022</u>
	(unaudited)	(unaudited)
Profit/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000)	151,284	(1,029,504)
	<u>151,284</u>	<u>(1,029,504)</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings/(loss) per Share ('000)	3,800,006	3,800,000
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	13,054	-
	<u>13,054</u>	<u>-</u>
Weighted average number of Shares for the purpose of diluted earnings/(loss) per Share ('000)	3,813,060	3,800,000
	<u>3,813,060</u>	<u>3,800,000</u>
Earnings/(loss) per Share – Basic	HK4.0 cents	(HK27.1 cents)
	<u>HK4.0 cents</u>	<u>(HK27.1 cents)</u>
Earnings/(loss) per Share – Diluted	HK4.0 cents	(HK27.1 cents)
	<u>HK4.0 cents</u>	<u>(HK27.1 cents)</u>

- ⁽¹⁾ The computation of diluted loss per share for the three months ended March 31, 2022 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

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12. PROPERTY AND EQUIPMENT

	At <u>March 31, 2023</u> HK\$'000 (unaudited)	At <u>December 31, 2022</u> HK\$'000 (audited)
Carrying amount at January 1	21,690,904	23,397,105
Additions	33,070	186,474
Adjustment upon finalization of costs	-	(8,118)
Disposal/write-off	(719)	(13,303)
Depreciation	(431,252)	(1,871,175)
Foreign exchange difference	6	(79)
Carrying amount at March 31/December 31	<u>21,292,009</u>	<u>21,690,904</u>

13. RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which 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 generally have lease terms between 2 to 5 years.

Information about leases for which the Group is a lessee is presented below.

	At <u>March 31, 2023</u> HK\$'000 (unaudited)	At <u>December 31, 2022</u> HK\$'000 (audited)
Leasehold land	1,183,259	1,192,499
Buildings	9,466	13,056
Equipment and others	15,759	17,510
	<u>1,208,484</u>	<u>1,223,065</u>

14. GAMING CONCESSION

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 type and 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.

- iii) 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.

The minimum future payments described above represent in-substance consideration for the Concession Contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations. An intangible asset was initially recognized at January 1, 2023 equivalent to the net present value of the minimum future payments, with a corresponding amount recognized as a financial liability. This intangible asset will be amortized on a straight-line basis over its estimated useful life, which is the Concession period ending on December 31, 2032. The minimum future payments of the variable premium associated with the intangible asset was determined using the approved number of gaming tables at the minimum rate per gaming table and the approved number of electric or mechanical gaming machines. Any difference between future actual payments made and the minimum payments initially recognized will be expensed as incurred.

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14. GAMING CONCESSION – continued

Movement of the intangible asset recognized is as follows:

	HK\$'000 (unaudited)
Granted at January 1, 2023 – initial recognition	1,768,036
Amortization	<u>(44,201)</u>
Carrying amount at March 31, 2023	<u><u>1,723,835</u></u>

Gaming concession right payable included in the consolidated statement of financial position is as follows:

	At <u>March 31, 2023</u> HK\$'000 (unaudited)
Current gaming concession right payable	51,990
Non-current gaming concession right payable	<u>1,659,366</u>
	<u><u>1,711,356</u></u>

In addition to the above payments, MGM Grand Paradise is required to pay special gaming tax and additional levies on gross gaming revenues as listed below:

- i) special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.
- ii) 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.

14. GAMING CONCESSION – continued

- iii) 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.

The special gaming tax and additional levies are expensed as incurred. In relation to the minimum annual gross gaming revenue described above, based upon the approved number of gaming tables and gaming machines in operation, the Group is obligated to make minimum annual payments of approximately MOP2.02 billion (equivalent to approximately HK\$1.96 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.

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15. TRADE RECEIVABLES

	At <u>March 31, 2023</u> HK\$'000 (unaudited)	At <u>December 31, 2022</u> HK\$'000 (audited)
Trade receivables	514,683	441,412
Less: Loss allowance	<u>(197,784)</u>	<u>(201,890)</u>
	<u>316,899</u>	<u>239,522</u>

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.

Trade receivables from hotel customers are not significant at the end of the reporting period.

16. SHARE CAPITAL

	<u>Notes</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Issued and fully paid			
At December 31, 2021 and January 1, 2022 (audited) and March 31, 2022 (unaudited)		<u>3,800,000,001</u>	<u>3,800,000,001</u>
At December 31, 2022 and January 1, 2023 (audited)		3,800,000,001	3,800,000,001
Share options exercised		10,400	10,400
Share repurchase and cancellation	(i)	<u>(10,400)</u>	<u>(10,400)</u>
At March 31, 2023 (unaudited)		<u>3,800,000,001</u>	<u>3,800,000,001</u>

- (i) During the three months ended March 31, 2023: 10,400 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$0.1 million (three months ended March 31, 2022: no repurchase).

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17. BORROWINGS

At March 31, 2023, the Group's unsecured borrowings included senior notes and credit facilities.

	At March 31, 2023	At December 31, 2022
	HK\$'000 (unaudited)	HK\$'000 (audited)
Unsecured senior notes repayable:		
Over one year but not exceeding two years	5,887,350	5,851,200
Over two years but not exceeding three years	3,924,900	3,900,800
Over three years but not exceeding four years	11,774,700	5,851,200
Over four years but not exceeding five years	-	5,851,200
	<u>21,586,950</u>	<u>21,454,400</u>
Less: Debt finance costs	(147,783)	(160,725)
	<u>21,439,167</u>	<u>21,293,675</u>
Unsecured credit facilities repayable:		
Over one year but not exceeding two years	6,900,000	11,500,000
Less: Debt finance costs	(56,227)	(68,539)
	<u>6,843,773</u>	<u>11,431,461</u>
Current	-	-
Non-current	28,282,940	32,725,136
	<u>28,282,940</u>	<u>32,725,136</u>

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.

17. BORROWINGS – continued

Unsecured Senior Notes - continued

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.

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.

17. **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.

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 March 31, 2023, the Group had total available undrawn unsecured credit facilities of HK\$5.97 billion.

17. BORROWINGS – continued

Unsecured Credit Facilities - continued

Principal and Interest

The Revolving Credit Facility and the Second Revolving Credit Facility bear interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio.

As at March 31, 2023, HK\$6.90 billion of the Revolving Credit Facility was drawn. HK\$2.85 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at March 31, 2023, the Group paid interest at HIBOR plus 2.75% per annum (March 31, 2022: HIBOR plus 2.75% per annum).

General Covenants

The Revolving Credit Facility and the Second Revolving Credit Facility contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Revolving Credit Facility 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.

17. 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.

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility and the Second Revolving Credit Facility for the three months ended March 31, 2023 and the year ended December 31, 2022.

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).

17. BORROWINGS – continued

Unsecured Credit Facilities – continued

Events of Default

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

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\$5.89 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 March 31, 2023, the MGM Resorts International Revolving Credit Facility of HK\$5.89 billion was undrawn and available for utilization and a commitment fee rate of 1% has been applied.

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

18. PAYABLES AND ACCRUED CHARGES

	At <u>March 31, 2023</u> HK\$'000 (unaudited)	At <u>December 31, 2022</u> HK\$'000 (audited)
Customer advances and other ⁽¹⁾	831,290	679,004
Gaming taxes payables	753,720	226,163
Other payables and accrued charges	593,787	401,596
Outstanding chips liabilities ⁽¹⁾	288,293	226,656
Accrued staff costs	254,994	496,210
Loyalty programs liabilities ⁽¹⁾	141,973	129,535
Trade payables	48,189	14,381
Construction payables and accruals	47,491	50,039
Construction retention payable	21,388	31,119
Other casino liabilities	6,495	4,019
	<u>2,987,620</u>	<u>2,258,722</u>
Current	2,969,885	2,252,202
Non-current	17,735	6,520
	<u>2,987,620</u>	<u>2,258,722</u>

⁽¹⁾ These balances represent the Group's main types of liabilities associated with contracts with customers. These liabilities are generally expected to be recognized as revenue or redeemed for cash within one year of being purchased, earned or deposited.

19. NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash generated from/(used in) operating activities is as follows:

	Three months ended March 31	
	<u>2023</u> HK\$'000 (unaudited)	<u>2022</u> HK\$'000 (unaudited)
Operating cash flows before movements in working capital	1,257,332	(5,559)
Increase/(decrease) in payables and accrued charges	604,734	(601,314)
Other changes in working capital	(102,186)	(75,462)
Cash generated from/(used in) operations	1,759,880	(682,335)
Income tax paid	(7,747)	(14,660)
Interest received	44,703	856
Net cash generated from/(used in) operating activities	<u>1,796,836</u>	<u>(696,139)</u>

20. GUARANTEES

As at March 31, 2023, the Group has given bank guarantees totaling HK\$978.7 million (December 31, 2022: HK\$1,153.5 million) to certain parties including:

- HK\$970.9 million was issued in favor of the Macau Government as required in the Concession Contract (December 31, 2022: HK\$1,145.7 million was required in the Sub-Concession Further Extension Contract, which were cancelled in January 2023);
- HK\$4.0 million (December 31, 2022: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements;
- HK\$0.6 million (December 31, 2022: 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 (December 31, 2022: HK\$3.2 million) was issued in favor of certain vendors.

As at December 31, 2022, 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 as mentioned above. In March 2023, the pledge for the bank deposit of MOP300 million (equivalent to HK\$291 million) was released. The Group has applied to its bank to amend the terms of the remaining bank guarantee of MOP700 million (equivalent to HK\$680 million) to an unsecured guarantee which will release the remaining pledged bank deposit. The application is subject to approval and the pledge has not been released at the date of approval of these condensed consolidated financial statements.

21. LEGAL PROCEEDINGS

a) 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 gaming promoters by individuals who claimed to have placed cash deposits with gaming promoters who had operations at the Group's properties and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in proceedings based solely upon the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos.

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.

21. LEGAL PROCEEDINGS – continued

b) Legal proceedings related to criminal activities by a gaming promoter

In 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.

22. CAPITAL COMMITMENTS

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

	<u>At</u> <u>March 31, 2023</u> HK\$'000 (unaudited)	<u>At</u> <u>December 31, 2022</u> HK\$'000 (audited)
Contracted but not accounted for	<u>350,412</u>	<u>373,120</u>

23. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in Note 20, 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\$0.6 million (December 31, 2022: HK\$2.9 million), company jointly-owned by Shareholders amounting to HK\$30.0 million (December 31, 2022: HK\$9.2 million), and the ultimate holding company of the Company amounting to HK\$3.2 million (December 31, 2022: HK\$10.4 million). The amounts are unsecured, non-interest bearing and repayable on demand.

23. RELATED PARTY TRANSACTIONS – continued

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

<u>Related parties</u>	<u>Type of transaction</u>	<u>Three months ended March 31</u>	
		<u>2023</u>	<u>2022</u>
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Laundry services	5,723	5,110
Ultimate holding company	Marketing referral fees	1,075	641
	Finance cost ⁽¹⁾	14,673	-
Company jointly-owned by Shareholders	License fee ⁽²⁾	84,712	36,641
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	Consultancy fee ⁽³⁾	22,548	15,343

⁽¹⁾ The amount represents the standby charges on MGM Resorts International Revolving Credit Facility - refer to Note 17.

⁽²⁾ Pursuant to the First Renewed Branding Agreement, Second Renewed Branding Agreement and Third 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\$55.6 million (equivalent to approximately HK\$435.8 million) for the year ended December 31, 2023.

⁽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\$130 million for the year ending December 31, 2023.

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.

23. RELATED PARTY TRANSACTIONS – continued

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Three months ended March 31	
	<u>2023</u> HK\$'000 (unaudited)	<u>2022</u> HK\$'000 (unaudited)
Short term benefits ⁽¹⁾	35,692	19,133
Other long-term benefits ⁽¹⁾	11,816	-
Post-employment benefits	430	429
Share-based payments	4,657	4,384
	<u>52,595</u>	<u>23,946</u>

- ⁽¹⁾ On August 21, 2022, 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 accounted for as short term benefits and incentive payments up to an aggregate total amount of US\$95 million (equivalent to approximately HK\$741 million) accounted for as other long-term benefits for the term set out in the Services Agreement.

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values, with the exception of the Group's senior notes.

The estimated fair value of the Group's senior notes as at March 31, 2023 was approximately HK\$20.4 billion (December 31, 2022: HK\$20.0 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).

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

Consolidated Financial Statements
For the year ended December 31, 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 85, which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information and other explanatory information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Gaming concession of MGM Grand Paradise Limited <p>We have identified the recognition of gaming concession right of HK\$1,768.0 million and a corresponding amount of gaming concession right payable as of January 1, 2023 as a key audit matter due to the critical judgment and estimate involved in the determination of the minimum future payments and its net present value by the Group's management.</p> <p>As disclosed in note 1 to the consolidated financial statements, gaming in Macau is administered by the Macau Government through concessions awarded to six different concessionaires from January 1, 2023 up to December 31, 2032. On December 16, 2022, MGM Grand Paradise Limited ("MGM Grand Paradise"), a subsidiary of the Company, 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 to operate casino games of chance in Macau for a duration of 10 years starting from January 1, 2023.</p> <p>As disclosed in note 17 to the consolidated financial statements, MGM Grand Paradise is required to pay (i) a fixed annual premium; (ii) a variable premium depending upon the type and the number of gaming tables and electric or mechanical gaming machines, including slot machines; and (iii) an annual amount determined by square meters of the casino areas and the average price index in Macau for the term of the gaming concession. These minimum future payments represent in-substance consideration for the concession contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations.</p>	<p>Our procedures in relation to the recognition of gaming concession right and a corresponding amount of gaming concession right payable for the gaming concession of MGM Grand Paradise included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the process over internal controls of the Group's management in the determination of the minimum future payments, and the amount of initial recognition of gaming concession right and corresponding gaming concession right payable;• Inspecting the concession contract and other underlying agreements related to the gaming concession granted to MGM Grand Paradise;• Evaluating the reasonableness of the judgment and estimate of Group's management regarding the application of accounting standards in the determination of gaming concession right and corresponding gaming concession right payable with the involvement of our internal subject matter experts; and• Involving our internal valuation specialists to assess the appropriateness of the discount rate used by the Group's management in the determination of the net present value of the minimum future payments.

Loss allowance of trade receivables

We have identified the loss allowance of trade receivables, of approximately HK\$229.7 million as at December 31, 2023 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.

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.

The Group has recognized impairment losses on trade receivables of approximately HK\$39.2 million for the year ended December 31, 2023.

Our procedures in relation to the loss allowance of trade receivables included:

- 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 relating to the financial standing of the individual debtors;
- Assessing the appropriateness of the management's basis and judgment in determining the estimated loss rates applied in each category of non-credit-impaired debtors in the provision matrix under the expected credit loss model; and
- Testing the accuracy of the aging analysis of non-credit-impaired debtors used by the management to develop the provision matrix, by testing the age of the trade receivables as at December 31, 2023, on a sample basis, against the relevant market 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lau Kai Hung.

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong
 March 21, 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Operating revenue	6	24,684,210	5,268,569
OPERATING COSTS AND EXPENSES			
Gaming taxes and levies	17	(10,809,256)	(2,303,302)
Inventories consumed		(787,777)	(332,234)
Staff costs	7	(3,957,777)	(3,053,018)
Loss allowance on trade receivables, net		(39,212)	(50,614)
Other expenses and losses	8	(2,656,599)	(1,105,336)
Depreciation and amortization	9	(1,886,103)	(2,033,607)
		<u>(20,136,724)</u>	<u>(8,878,111)</u>
Operating profit/(loss)		4,547,486	(3,609,542)
Interest income		83,020	71,705
Finance costs	10	(1,913,522)	(1,665,261)
Net foreign currency loss		(31,945)	(13,072)
Profit/(loss) before tax		2,685,039	(5,216,170)
Income tax expense	11	(46,735)	(15,741)
Profit/(loss) for the year attributable to owners of the Company		<u>2,638,304</u>	<u>(5,231,911)</u>
Other comprehensive loss:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>(1,623)</u>	<u>(7,772)</u>
Total comprehensive income/(loss) for the year attributable to owners of the Company		<u>2,636,681</u>	<u>(5,239,683)</u>
Earnings/(loss) per Share – Basic	14	<u>HK69.4 cents</u>	<u>(HK137.7 cents)</u>
Earnings/(loss) per Share – Diluted	14	<u>HK69.2 cents</u>	<u>(HK137.7 cents)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	20,394,577	21,690,904
Right-of-use assets	16	1,191,161	1,223,065
Gaming concession right	17	1,591,232	-
Other assets	18	126,841	61,092
Prepayments, deposits and other receivables		54,889	29,330
Pledged bank deposits	20	680,000	971,262
Total non-current assets		<u>24,038,700</u>	<u>23,975,653</u>
Current assets			
Inventories		188,153	160,021
Trade receivables	19	594,473	239,522
Prepayments, deposits and other receivables		120,606	127,553
Amounts due from related companies	31	7,386	156
Cash and cash equivalents	20	4,231,986	6,706,591
Total current assets		<u>5,142,604</u>	<u>7,233,843</u>
TOTAL ASSETS		<u>29,181,304</u>	<u>31,209,496</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
EQUITY			
Capital and reserves			
Share capital	23	3,800,000	3,800,000
Reserves and accumulated losses	23	(5,127,220)	(7,796,421)
TOTAL DEFICIT		<u>(1,327,220)</u>	<u>(3,996,421)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	21	18,248,369	32,725,136
Lease liabilities	16	168,362	170,759
Payables and accrued charges	22	59,107	6,520
Gaming concession right payable	17	1,672,696	-
Amounts due to related companies	31	29,940	-
Total non-current liabilities		<u>20,178,474</u>	<u>32,902,415</u>
Current liabilities			
Borrowings	21	5,850,362	-
Lease liabilities	16	30,756	21,078
Payables and accrued charges	22	4,294,707	2,252,202
Gaming concession right payable	17	54,868	-
Amounts due to related companies	31	53,197	22,474
Income tax payable		46,160	7,748
Total current liabilities		<u>10,330,050</u>	<u>2,303,502</u>
TOTAL LIABILITIES		<u>30,508,524</u>	<u>35,205,917</u>
TOTAL EQUITY AND LIABILITIES		<u>29,181,304</u>	<u>31,209,496</u>

The consolidated financial statements on pages 6 to 85 were approved and authorized for issue by the Board of Directors on March 21, 2024 and are signed on its behalf by:

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

William Joseph Hornbuckle
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

	NOTES	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve HK\$'000	Equity reserve HK\$'000 Note 23	Other reserves HK\$'000 Note 23	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Reserves and accumulated losses total HK\$'000	Shareholders' funds total HK\$'000
At 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 equity-settled share-based payments	24	-	-	-	46,346	-	-	-	-	46,346	46,346
At December 31, 2022 and January 1, 2023		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)
Profit for the year		-	-	-	-	-	-	-	2,638,304	2,638,304	2,638,304
Exchange differences on translation of foreign operations		-	-	-	-	-	(1,623)	-	-	(1,623)	(1,623)
Total comprehensive (loss)/income		-	-	-	-	-	(1,623)	-	2,638,304	2,636,681	2,636,681
Transfer to legal reserve		-	-	-	-	-	398	-	(398)	-	-
Exercise of share options	23&24	2,947	16,133	-	(5,121)	-	-	-	-	11,012	13,959
Share repurchase and cancellation		-	-	-	-	-	-	-	-	-	-
- repurchases and cancellation of Shares	23	(2,947)	(26,419)	-	-	-	-	-	-	(26,419)	(29,366)
- transfer	23	-	-	2,947	-	-	-	-	(2,947)	-	-
Forfeiture or expiry of share options	24	-	-	-	(120,961)	-	-	-	120,961	-	-
Recognition of equity-settled share-based payments	24	-	-	-	47,927	-	-	-	-	47,927	47,927
At December 31, 2023		<u>3,800,000</u>	<u>10,398,723</u>	<u>26,655</u>	<u>372,182</u>	<u>293,725</u>	<u>(13,130,421)</u>	<u>(4,617)</u>	<u>(3,083,467)</u>	<u>(5,127,220)</u>	<u>(1,327,220)</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		2,685,039	(5,216,170)
Adjustments for:			
Depreciation and amortization		1,886,103	2,033,607
Interest expense and standby charges		1,905,285	1,643,448
Loss on disposal or write-off of property and equipment and other assets		21,369	13,357
Interest income		(83,020)	(71,705)
Loss allowance on trade receivables, net		39,212	50,614
Equity-settled share-based payments		47,927	46,346
Net foreign currency loss		24,005	14,213
Operating cash flows before movements in working capital		6,525,920	(1,486,290)
(Increase)/decrease in inventories		(28,132)	4,392
Increase in trade receivables		(394,163)	(20,424)
(Increase)/decrease in prepayments, deposits and other receivables		(19,631)	18,641
(Increase)/decrease in amounts due from related companies		(7,230)	62
Increase/(decrease) in payables and accrued charges		2,065,212	(660,063)
Increase/(decrease) in amounts due to related companies		39,060	(4,194)
Cash generated from/(used in) operations		8,181,036	(2,147,876)
Income tax paid		(8,311)	(22,639)
Income tax refunded		-	269
Interest received		95,140	56,368
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		8,267,865	(2,113,878)
INVESTING ACTIVITIES			
Purchase of property and equipment		(354,650)	(245,869)
Payment of Sub-concession premium		-	(45,631)
Purchase of other assets		(61,267)	(58,181)
Proceeds from disposal of property and equipment and other assets		10	12
Withdrawal/(placement) of pledged bank deposits	20	291,262	(971,262)
NET CASH USED IN INVESTING ACTIVITIES		(124,645)	(1,320,931)

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

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	21	2,950,000	8,890,000
Repayments of credit facilities	21	(11,550,000)	(200,000)
Payments of debt finance costs		(168,453)	(10,500)
Payments of lease liabilities	16	(22,231)	(23,492)
Interest paid		(1,754,287)	(1,618,878)
Payment of gaming concession right payable	17	(56,679)	-
Proceeds from exercise of share options		14,838	-
Payments on repurchase of Shares	23	(29,366)	-
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		<u>(10,616,178)</u>	<u>7,037,130</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,472,958)	3,602,321
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,706,591	3,112,020
Effect of foreign exchange rate changes, net		<u>(1,647)</u>	<u>(7,750)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents		<u>4,231,986</u>	<u>6,706,591</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 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.

Financial Impact of the COVID-19 Pandemic

In early 2020, the rapid spread of a respiratory illness caused by COVID-19 led to certain actions taken by the Chinese Government, the Macau Government and many countries around the world to attempt to mitigate the spread of the virus, such as travel and entry restrictions, mandatory quarantine measures, nucleic acid testing requirement and suspension of casino operations from time to time. Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during 2020-2022 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 into Macau have significantly increased, and the Group's financial position and performance have significantly improved during the year ended December 31, 2023.

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.

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.

1. GENERAL – continued

Gaming Concession - continued

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. 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. Further details are disclosed in Note 17.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied for the first time the following new and amendments to IFRS:

IFRS 17	Insurance Contracts and the related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the above new and amendments to IFRS in the current year have had no material effect on the Group's financial position and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform- Pillar Two Model Rules

IAS 12 Income Taxes has been amended to add an exception in recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantially enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in a jurisdiction in which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") - continued

Amendments to IFRSs in issue not yet adopted

Up to the date of this report, certain 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 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 ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

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

² Effective for annual periods beginning on or after January 1, 2024

³ Effective for annual periods beginning on or after January 1, 2025

The Group has commenced the assessment of the impact of the 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 MATERIAL ACCOUNTING POLICY INFORMATION

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Basis of preparation - continued

As at December 31, 2023, the Group had a deficiency in shareholders' equity of HK\$1,327.2 million (December 31, 2022: HK\$3,996.4 million) caused primarily by operating losses incurred during the period of the COVID-19 pandemic. In addition, as at December 31, 2023, the Group had a net current liability position of HK\$5,187.4 million (December 31, 2022: net current assets of HK\$4,930.3 million) as the final maturity date of one tranche of the unsecured senior note indebtedness is May 15, 2024 (refer Note 21) which falls due within twelve months from the end of the reporting period. However, the Group had total cash and cash equivalents of HK\$4.23 billion as at December 31, 2023 (December 31, 2022: HK\$6.71 billion), and access to approximately HK\$11.45 billion of available undrawn credit facilities under its Unsecured Credit Facilities. Given the Group's liquidity position as at December 31, 2023, significantly improved financial performance and estimated cash flows for the twelve months ending December 31, 2024, the Group believes it is able to meet its financial obligations as they fall due for the twelve months from the end of the reporting period.

Material accounting policies

The material 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.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Revenue recognition

The Group's revenue contracts with customers consist of casino wager transactions, hotel rooms, food and beverage, retail and other transactions.

The transaction price for a casino wager is the 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 wager transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary services provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino wager 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 liability 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 liability and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the amount collected from the customer for such goods and services net of discounts. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. 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.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- 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 and does not give rise to equal taxable and deductible temporary differences at the time of the transaction.

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 MATERIAL ACCOUNTING POLICY INFORMATION
- 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.

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.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Financial instruments - continued

Initial recognition and subsequent measurement of financial assets

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables 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 or modified. All other financial assets are subsequently measured at fair value.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies, 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.

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- 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;
- 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.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Financial instruments – continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data 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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Financial instruments – continued

Measurement and recognition of expected credit loss - continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Financial instruments – continued

Financial liabilities

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

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

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

Non-substantial modifications of financial liabilities

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

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Gaming taxes and levies

The special gaming tax and additional levies are expensed as incurred.

Gaming concession right

The minimum future payments in relation to the Concession Contract including fixed annual premium, variable premium and the fee for the use of gaming assets represent in-substance consideration for the Concession Contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations. An intangible asset was initially recognized at the beginning of the Concession Contract on January 1, 2023 equivalent to the net present value of the minimum future payments, with a corresponding amount recognized as a financial liability. This intangible asset will be amortized on a straight-line basis over its estimated useful life, which is the Concession period ending on December 31, 2032. The financial liability will be adjusted by interest accretion using the effective interest method and payments. The minimum future payments of the variable premium associated with the intangible asset was determined using the approved number of gaming tables at the minimum rate per gaming table and the approved number of electric or mechanical gaming machines. Any difference between future actual payments made and the minimum payments initially recognized will be expensed as incurred.

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.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

Leases

Definition of a lease

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

For contracts entered into or modified 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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- 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 and any lease payments made at or before the commencement date, less any lease incentives received.

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.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- 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.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Leases – continued

The Group as a lessee - continued

Lease liabilities - continued

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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 MATERIAL ACCOUNTING POLICY INFORMATION
- continued

Equity-settled share-based payment transactions

Equity-settled awards granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of equity-settled awards 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-based payment reserve).

At the end of the reporting period, the Group revises its estimate of the number of equity-settled awards 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-based payment reserve.

At the time when the equity-settled awards are exercised, the amount previously recognized in share-based payment reserve will be transferred to share capital and share premium. When the equity-settled awards 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 accumulated losses.

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).

Cash-settled share-based payment transactions

For cash-settled share-based payments, a financial liability is recognized for the services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical judgment in applying the Group's accounting policies

Gaming concession right and corresponding gaming concession right payable

The Group has concluded that minimum future payments required under the Concession Contract which include a fixed annual premium, variable premium and a fee for the use of gaming assets represent in-substance consideration for the Concession Contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations. The Group applies judgement in determining the initial recognition amounts of the gaming concession right asset and corresponding gaming concession right payable, which have been determined as the equivalent of the net present value of the minimum future payments. The minimum future payments of the variable premium associated with the intangible asset was determined using the approved number of gaming tables at the minimum rate per gaming table and the approved number of electric or mechanical gaming machines. Information about the Group's gaming concession right is disclosed in Note 17.

Property and equipment under the Gaming Concession

The Group has assessed whether the Property Transfer Agreements 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 15, the Group has continued to recognize the assets subject to the Property Transfer Agreements with a carrying amount of HK\$1.8 billion as at December 31, 2023 as property and equipment and has 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Critical judgment in applying the Group's accounting policies - continued

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 16.

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. 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.

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 15.

5. SEGMENT INFORMATION

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

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

Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment. Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Adjusted EBITDA (unaudited)	7,235,246	(1,274,355)
Share-based payments	(49,147)	(46,346)
Corporate expenses (unaudited)	(731,141)	(240,747)
Pre-opening costs (unaudited)	-	(1,130)
Loss on disposal/write-off of property and equipment and other assets	(21,369)	(13,357)
Depreciation and amortization	(1,886,103)	(2,033,607)
Operating profit/(loss)	4,547,486	(3,609,542)
Interest income	83,020	71,705
Finance costs	(1,913,522)	(1,665,261)
Net foreign currency loss	(31,945)	(13,072)
Profit/(loss) before tax	2,685,039	(5,216,170)
Income tax expense	(46,735)	(15,741)
Profit/(loss) for the year attributable to owners of the Company	<u>2,638,304</u>	<u>(5,231,911)</u>

Almost all of the non-current assets of the Group are located in Macau.

6. OPERATING REVENUE

Operating revenue comprises:

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Casino	21,821,840	4,438,995
Hotel rooms	1,386,245	338,087
Food and beverage	1,265,216	385,873
Retail and other	210,909	105,614
	<u>24,684,210</u>	<u>5,268,569</u>

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers, namely outstanding chips liability, loyalty programs liability and customer advances and other. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

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

	<u>Outstanding Chips</u>		<u>Loyalty Programs</u>		<u>Customer Advances</u>	
	<u>Liability ⁽ⁱ⁾</u>		<u>Liability ⁽ⁱⁱ⁾</u>		<u>and Other ⁽ⁱⁱⁱ⁾</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	226,656	366,993	129,535	160,192	679,004	725,440
Balance at December 31	433,328	226,656	191,888	129,535	953,354	679,004
Increase/(decrease)	<u>206,672</u>	<u>(140,337)</u>	<u>62,353</u>	<u>(30,657)</u>	<u>274,350</u>	<u>(46,436)</u>

- (i) Outstanding chips liability represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers. Increase in this balance generally represents increase in exchange for chips by cash or credit and decrease in the balance represents realization to revenue by gaming play and redemption for cash.
- (ii) Loyalty programs liability represents the deferred allocation of revenue relating to award points earned.
- (iii) Customer advances and other 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. Increase in the balance generally represents additional deposits made by customers and decrease in the balance represents the recognition of revenue.

7. STAFF COSTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Salaries and discretionary and performance related incentive payments	3,203,505	2,451,471
Retirement benefits scheme contributions	105,290	100,978
Share-based payments	48,986	45,961
Other benefits	599,996	454,608
	<u>3,957,777</u>	<u>3,053,018</u>

Defined contribution plan

Prior to May 2019, the Group operated a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for eligible Macau resident employees to join the non-mandatory central provident fund (the “CPF”) system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group’s existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to full vesting of their contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$7.4 million (2022: HK\$6.9 million).

The total expense recognized in the profit or loss for the year ended December 31, 2023 of HK\$105.3 million (2022: HK\$101.0 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, 2023, contributions of approximately HK\$19.7 million (2022: HK\$17.9 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

8. OTHER EXPENSES AND LOSSES

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Advertising and promotion	1,040,056	220,501
License fees (Note 31)	431,974	92,200
Other support services	337,823	183,744
Repairs and maintenance	273,218	232,785
Utilities and fuel	261,655	229,348
Loss on disposal/write-off of property and equipment and other assets	21,369	13,357
Auditor's remuneration	11,845	8,753
Other ⁽¹⁾	278,659	124,648
	<u>2,656,599</u>	<u>1,105,336</u>

⁽¹⁾ Other expenses for the year ended December 31, 2022 includes reversal of provisions of HK\$60.6 million, as a result of the final settlement of certain litigation related to the Group's joint liability with gaming promoters.

9. DEPRECIATION AND AMORTIZATION

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Depreciation in respect of:		
- Property and equipment	1,644,094	1,871,175
- Right-of-use assets	61,497	65,442
Amortization in respect of:		
- Gaming concession right	176,804	-
- Sub-concession premium	-	91,905
- Other assets	3,708	5,085
	<u>1,886,103</u>	<u>2,033,607</u>

10. FINANCE COSTS

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Interest on unsecured senior notes	1,144,723	1,145,333
Interest on unsecured credit facilities	436,107	373,822
Interest on gaming concession right payable	133,331	-
Amortization of debt finance costs	118,175	103,123
Standby charges on MGM Resorts International Revolving Credit Facility	59,461	8,375
Interest on lease liabilities	12,223	12,795
Bank fees, charges and other	9,502	21,813
Total finance costs	<u>1,913,522</u>	<u>1,665,261</u>

11. INCOME TAX EXPENSE

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Current income tax expense:		
Payment in lieu of Macau Complementary Tax on dividends	45,990	14,796
Mainland China Income Tax	709	945
Hong Kong Profit Tax	36	-
Income tax expense	<u>46,735</u>	<u>15,741</u>

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 profits generated from gaming operations for the period from January 1, 2017 to December 31, 2022, the date upon which the Sub-Concession Contract expired. On March 30, 2023, MGM Grand Paradise applied for exemption for the term of the Concession from January 1, 2023 to December 31, 2032. Pursuant to the approval notice 19/2024 issued by the Macau Government dated January 29, 2024, this exemption was granted for the period from January 1, 2023 to December 31, 2027. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to 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 the extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise was required to pay 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 January 2023, the Macau Government confirmed to MGM Grand Paradise the terms of the extended tax concession arrangement, which required MGM Grand Paradise to pay 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. In February 2024, MGM Grand Paradise finalized a tax concession arrangement with the Macau Government for the years ended/ending December 31, 2023 to December 31, 2025, which requires MGM Grand Paradise to make annual payment based on a pre-determined rate in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. The amount for the year ended December 31, 2023 is approximately MOP47.4 million (equivalent to approximately HK\$46.0 million). 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%.

11. INCOME TAX EXPENSE – continued

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit/(loss) before tax	2,685,039	(5,216,170)
Income tax/(tax credit) calculated at rates applicable to profits/losses in the respective jurisdictions	280,784	(656,664)
Effect of tax exemption on gaming profit of MGM Grand Paradise	(816,550)	-
Effect of tax losses not recognized	390,717	543,484
Effect of expenses not deductible for tax purposes	300,828	270,166
Effect of income not taxable for tax purposes	(145,280)	(165,707)
Effect of utilization of tax losses previously not recognized	(53)	(107)
Effect of temporary differences not recognized	(9,701)	9,773
Payment in lieu of Macau Complementary Tax on dividends	45,990	14,796
Income tax expense	<u>46,735</u>	<u>15,741</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Macau Complementary Tax losses which will expire in one to three years	11,481,570	12,262,380
Hong Kong Profits Tax losses which may be carried forward indefinitely	185,646	176,421
Mainland China Income Tax losses which will expire in one to five years	511	494
Unused tax losses	<u>11,667,727</u>	<u>12,439,295</u>

As at December 31, 2023, the Group has a deductible temporary difference of approximately HK\$1,835.7 million (2022: approximately HK\$2,043.2 million).

No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

12. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS

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

	<u>Fees</u> HK\$'000	Salary and other <u>benefits</u> HK\$'000	Contributions to retirement <u>benefits scheme</u> HK\$'000	Share-based <u>payments</u> HK\$'000	Discretionary and performance related incentive <u>payments</u> HK\$'000	<u>Total</u> HK\$'000
Year ended December 31, 2023						
<i>Executive Directors:</i>						
Pansy Ho ⁽¹⁾	-	62,136	-	-	48,129	110,265
William Joseph Hornbuckle	-	-	-	-	-	-
John M. McManus	-	-	-	-	-	-
Jeny Lau ⁽²⁾	-	-	-	-	-	-
Chen Yau Wong ⁽³⁾	-	-	-	-	-	-
Kenneth Xiaofeng Feng ⁽⁴⁾	-	6,307	175	3,892	9,878	20,252
<i>Non-executive Directors:</i>						
Daniel J. Taylor	-	-	-	-	-	-
Ayesha Khanna Molino	-	-	-	-	-	-
Jonathan S. Halkyard	-	-	-	-	-	-
<i>Independent Non-executive Directors⁽⁵⁾:</i>						
Sze Wan Patricia Lam	1,018	-	-	-	-	1,018
Russell Francis Banham	1,391	-	-	-	-	1,391
Simon Meng	1,038	-	-	-	-	1,038
Chee Ming Liu	823	-	-	-	-	823
Total emoluments	<u>4,270</u>	<u>68,443</u>	<u>175</u>	<u>3,892</u>	<u>58,007</u>	<u>134,787</u>
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 ⁽⁴⁾	-	5,027	134	3,506	3,498	12,165
Daniel J. Taylor	-	-	-	-	-	-
Ayesha Khanna Molino	-	-	-	-	-	-
Jonathan S. Halkyard	-	-	-	-	-	-
<i>Independent Non-executive Directors⁽⁵⁾:</i>						
Sze Wan Patricia Lam	861	-	-	-	-	861
Russell Francis Banham	1,174	-	-	-	-	1,174
Simon Meng	861	-	-	-	-	861
Chee Ming Liu	705	-	-	-	-	705
Total emoluments	<u>3,601</u>	<u>5,027</u>	<u>134</u>	<u>3,506</u>	<u>3,498</u>	<u>15,766</u>

12. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS – continued

Notes:

- (1) *The emoluments paid or payable to Pansy Ho was for her services in connection with her role as Managing Director of MGM Grand Paradise as described in the Services Agreement - details refer to Note 31(c).*
- (2) *Jeny Lau was appointed as an executive Director with effect from May 25, 2023.*
- (3) *Chen Yau Wong retired as an executive Director with effect from May 25, 2023.*
- (4) *Kenneth Xiaofeng Feng was re-designated as an executive Director with effect from July 20, 2023. The emoluments and retirement benefits paid or payable to Kenneth Xiaofeng Feng were for his services in connection with the management of the affairs of the Group. The discretionary and performance related incentive payments paid or payable to Kenneth Xiaofeng Feng are provided based upon the Group's performance and his contribution to the Group.*
- (5) *The independent non-executive Directors' emoluments were for services as Directors of the Company.*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2023 and 2022.

Of the five individuals with the highest emoluments in the Group, two (2022: one) were directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining three (2022: four) individuals were as follows:

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Salaries and other benefits	16,503	17,634
Contributions to retirement benefits scheme	714	806
Share-based payments	8,278	8,369
Discretionary and performance related incentive payments	22,545	9,069
	<u>48,040</u>	<u>35,878</u>

Their emoluments were within the following bands:

	<u>2023</u>	<u>2022</u>
	No. of employees	No. of employees
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	1
HK\$16,000,001 to HK\$16,500,000	1	-
HK\$19,500,001 to HK\$20,000,000	1	-
	<u>1</u>	<u>1</u>

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, 2023 and 2022.

13. DIVIDENDS

The Board did not recommend an interim dividend payment for the six months ended June 30, 2023 and 2022, nor a final dividend payment for the year ended December 31, 2022.

On March 21, 2024, a special dividend of HK\$0.104 per Share, amounting to approximately HK\$395.2 million in aggregate, was declared by the Directors of the Company, and a final dividend of HK\$0.243 per Share, amounting to approximately HK\$923.4 million in aggregate for the year ended December 31, 2023, has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per Share is based upon the following:

	<u>2023</u>	<u>2022</u>
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per Share (HK\$'000)	<u>2,638,304</u>	<u>(5,231,911)</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings/(loss) per Share ('000)	3,800,245	3,800,000
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	<u>12,792</u>	<u>-</u>
Weighted average number of Shares for the purpose of diluted earnings/(loss) per Share ('000)	<u>3,813,037</u>	<u>3,800,000</u>
Earnings/(loss) per Share – Basic	<u>HK69.4 cents</u>	<u>(HK137.7 cents)</u>
Earnings/(loss) per Share – Diluted	<u>HK69.2 cents</u>	<u>(HK137.7 cents)</u>

⁽¹⁾ The computation of diluted loss per share for the year ended December 31, 2022 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

15. PROPERTY AND EQUIPMENT

	<u>Buildings and improvements</u> HK\$'000	<u>Leasehold improvements</u> HK\$'000	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Art works and paintings</u> HK\$'000	<u>Vehicles</u> HK\$'000	<u>Construction in progress</u> HK\$'000	<u>Grand total</u> HK\$'000
COST							
At 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 and January 1, 2023	29,910,264	2,066,576	4,633,979	277,781	57,479	102,525	37,048,604
Additions	5,070	-	93,500	48,196	2,760	229,099	378,625
Adjustment upon finalization of costs	(9,856)	(216)	-	-	-	-	(10,072)
Transfers from construction in progress	70,331	732	85,163	-	-	(156,226)	-
Disposal/write-off	(73,206)	(36,240)	(34,169)	-	-	-	(143,615)
Exchange difference	-	(149)	(118)	-	-	2	(265)
At December 31, 2023	29,902,603	2,030,703	4,778,355	325,977	60,239	175,400	37,273,277
DEPRECIATION							
At 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 and January 1, 2023	(9,178,232)	(2,020,749)	(4,108,661)	-	(50,058)	-	(15,357,700)
Eliminated on disposal/write-off	53,663	36,240	32,917	-	-	-	122,820
Charge for the year	(1,335,987)	(6,968)	(296,386)	-	(4,753)	-	(1,644,094)
Exchange difference	-	149	125	-	-	-	274
At December 31, 2023	(10,460,556)	(1,991,328)	(4,372,005)	-	(54,811)	-	(16,878,700)
CARRYING AMOUNT							
At December 31, 2023	19,442,047	39,375	406,350	325,977	5,428	175,400	20,394,577
At December 31, 2022	20,732,032	45,827	525,318	277,781	7,421	102,525	21,690,904

As at December 31, 2023, property and equipment includes the Casino Areas and the relevant gaming equipment reverted to the Macau Government with a carrying amount of HK\$1.8 billion (2022: HK\$2.0 billion) - details refer to Note 4.

16. LEASES

The Group as a lessee

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which 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 generally have lease terms between 1 to 5 years, but may have extension options as described below.

Information about leases for which the Group is a lessee is presented below.

	<u>Right-of-use assets</u>			
	<u>Leasehold land HK\$'000</u>	<u>Buildings HK\$'000</u>	<u>Equipment and other HK\$'000</u>	<u>Total HK\$'000</u>
At 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 and January 1, 2023	1,192,499	13,056	17,510	1,223,065
Additions	-	10,310	37,014	47,324
Adjustments to costs	(17,523)	-	-	(17,523)
Depreciation charge	(36,552)	(15,765)	(9,180)	(61,497)
Foreign exchange difference	-	(208)	-	(208)
At December 31, 2023	<u>1,138,424</u>	<u>7,393</u>	<u>45,344</u>	<u>1,191,161</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within one year	40,832	30,511
Over one year but not exceeding two years	27,822	16,821
Over two years but not exceeding five years	27,042	28,422
Over five years	332,067	378,476
	<u>427,763</u>	<u>454,230</u>
Less: Effect of discounting at incremental borrowing rate	(228,645)	(262,393)
	<u>199,118</u>	<u>191,837</u>
Current	30,756	21,078
Non-current	168,362	170,759
	<u>199,118</u>	<u>191,837</u>

16. LEASES - continued

The Group as a lessee - continued

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Variable lease payments not included in the measurement of lease liabilities	2,167	853
COVID-19-related rent concessions	-	(1,364)
Expenses relating to short-term leases	46,604	16,003
Expenses relating to leases of low value assets	482	681
	<u> </u>	<u> </u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Total cash outflow for leases	84,745	55,058
	<u> </u>	<u> </u>

Apart from the land concession contracts, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to future lease payments pertaining to extension options which the Group is not reasonably certain to exercise is HK\$7.7 million (2022: HK\$0.6 million).

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the Group. During the year ended December 31, 2023 and 2022, there was no such triggering event.

As at December 31, 2023, leases not yet commenced to which the Group is committed amounted to HK\$32.4 million (2022: nil).

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.

16. LEASES - continued

The Group as the grantor of the right of use - continued

The following are the amounts recognized in profit or loss:

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Payments that are fixed or depend on an index or a rate	30,254	34,694
Variable payments that do not depend on an index or a rate	50,699	43,526
	<u>80,953</u>	<u>78,220</u>

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Within one year	29,441	36,255
More than one year and not longer than five years	44,185	36,911
	<u>73,626</u>	<u>73,166</u>

17. GAMING CONCESSION

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 type and 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.

17. GAMING CONCESSION - continued

iii) 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.

The minimum future payments described above represent in-substance consideration for the Concession Contract for the right to conduct gaming activities and are not tied to casino revenue generated by future operations. For more details, refer to the accounting policy disclosed in Note 3.

Movement of the intangible asset recognized is as follows:

	HK\$'000
Granted at January 1, 2023 – initial recognition	1,768,036
Amortization	<u>(176,804)</u>
Carrying amount at December 31, 2023	<u>1,591,232</u>

A maturity analysis of gaming concession right payable based on undiscounted cash flows is reported as follows:

	At <u>December 31, 2023</u>
	HK\$'000
Within one year	184,110
Over one year but not exceeding two years	184,940
Over two years but not exceeding five years	860,922
Over five years	<u>1,199,514</u>
	2,429,486
Less: Effect of discounting	<u>(701,922)</u>
	<u>1,727,564</u>
Current gaming concession right payable	54,868
Non-current gaming concession right payable	<u>1,672,696</u>
	<u>1,727,564</u>

17. GAMING CONCESSION – continued

In addition to the above payments, MGM Grand Paradise is required to pay special gaming tax and additional levies on gross gaming revenues as listed below:

- i) special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.
- ii) a sum of 2% of the gross gaming revenue as additional levies given to a public foundation whose objective 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 Concessionaires are eligible for an exemption of the 5% additional levies on gross gaming revenue in relation to the expansion of overseas customer markets according to Administrative Regulation no. 54/2022 and the order of the Chief Executive no. 216/2022.

- iii) By order of the Chief Executive no. 162/2022, the minimum annual gross gaming revenue per gaming table is set as 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 set as MOP300 thousand (equivalent to approximately HK\$291 thousand). Pursuant to Article 20 of the Gaming Law, if the average gross revenue arising from 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 be required 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 amount 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. If MGM Grand Paradise fails to reach the minimum annual gross gaming revenue described above, based upon the approved number of gaming tables and gaming machines in operation, the Group is obligated to make minimum annual payments of approximately MOP2.02 billion (equivalent to approximately HK\$1.96 billion). No special premium is required for the year ended December 31, 2023.

MGM Grand Paradise has committed to certain investments in gaming and non-gaming projects with an initial amount of 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. During 2023, the non-gaming investment commitment increased in accordance with the Concession Contract as the market-wide Macau gross gaming revenue reached MOP180 billion (equivalent to approximately HK\$174.8 billion) and, accordingly, the investments commitments in gaming and non-gaming projects has increased to MOP19.7 billion (equivalent to approximately HK\$19.1 billion), of which MOP18 billion (equivalent to approximately HK\$17.5 billion) is in non-gaming projects.

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.

18. OTHER ASSETS

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Show production costs	125,344	58,777
Operating equipment	1,497	2,315
	<u>126,841</u>	<u>61,092</u>

19. TRADE RECEIVABLES

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Trade receivables	824,187	441,412
Less: Loss allowance	(229,714)	(201,890)
	<u>594,473</u>	<u>239,522</u>

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 28 days to VIP gaming customers and 30 days on issuance of markers to gaming promoters.

Trade receivables are unsecured and non-interest bearing.

Trade receivables from hotel customers are not significant at the end of the reporting period.

As at January 1, 2022, trade receivables from contracts with customers amounted to HK\$269.7 million.

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

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Within 30 days	336,674	133,230
31 – 90 days	81,250	29,289
91 – 180 days	99,567	744
Over 180 days	76,982	76,259
	<u>594,473</u>	<u>239,522</u>

19. TRADE RECEIVABLES – continued

As at December 31, 2023, included in the Group's trade receivables are debtors with an aggregate carrying amount of HK\$279.2 million (2022: HK\$99.1 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$117.5 million (2022: HK\$76.5 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, 2023 and 2022 are set out in Note 26.

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Cash on hand	1,067,530	504,283
Cash at bank	1,091,516	697,256
Short-term bank deposits	2,072,940	5,505,052
Cash and cash equivalents, current	4,231,986	6,706,591
Pledged bank deposits, non-current	680,000	971,262
Cash and cash equivalents and pledged bank deposits	<u>4,911,986</u>	<u>7,677,853</u>

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.

As at December 31, 2023, pledged bank deposits of MOP700.4 million (equivalent to HK\$680 million) were provided in relation to bank guarantees provided to the Macau Government for the Concession Contract (December 31, 2022: MOP1 billion, equivalent to HK\$0.97 billion).

21. BORROWINGS

During the year ended December 31, 2023, the Company entered into amendments under the Revolving Credit Facility and the Second Revolving Credit Facility which extended the final maturity date from May 15, 2024 to May 15, 2026.

At December 31, 2023, the Group's unsecured borrowings included senior notes and credit facilities.

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Unsecured senior notes payable due:		
Within one year	5,857,800	-
Over one year but not exceeding two years	3,905,200	5,851,200
Over two years but not exceeding three years	5,857,800	3,900,800
Over three years but not exceeding four years	5,857,800	5,851,200
Over four years but not exceeding five years	-	5,851,200
	<u>21,478,600</u>	<u>21,454,400</u>
Less: Debt finance costs	(104,261)	(160,725)
	<u>21,374,339</u>	<u>21,293,675</u>
Unsecured credit facilities payable:		
Over one year but not exceeding two years	-	11,500,000
Over two years but not exceeding three years	2,900,000	-
	<u>2,900,000</u>	<u>11,500,000</u>
Less: Debt finance costs	(175,608)	(68,539)
	<u>2,724,392</u>	<u>11,431,461</u>
The Group's borrowings are classified as:		
Current	5,850,362	-
Non-current	18,248,369	32,725,136
	<u>24,098,731</u>	<u>32,725,136</u>

21. BORROWINGS - continued

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. 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, if any, 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.

21. BORROWINGS - continued

Unsecured Senior Notes – continued

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, 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.

21. BORROWINGS - continued

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. The proceeds of the Revolving Credit Facility were used to repay a portion of amounts outstanding under the Senior Secured Credit Facility, ongoing working capital needs and general corporate purposes of the Group.

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 credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

On June 30, 2023, the Company entered into amendments of the Revolving Credit Facility and the Second Revolving Credit Facility which extended the final maturity date from May 15, 2024 to May 15, 2026.

Under the Amended Second Revolving Credit Facility, the Company's option to increase the amount of the facility was amended on June 30, 2023 to HK\$5.85 billion subject to certain conditions. In addition, among the conditions precedent documents required for the purpose of requesting a loan, evidence that the Revolving Credit Facility has been fully drawn will no longer be required under the Amended Second Revolving Credit Facility. During the year ended December 31, 2023, the Company increased the available credit facilities of the Amended Second Revolving Credit Facility by HK\$1.48 billion to HK\$4.60 billion.

As at December 31, 2023, the Group had total available undrawn unsecured credit facilities of HK\$11.45 billion (2022: HK\$1.37 billion), excluding the MGM Resorts International Revolving Credit Facility described below.

Principal and Interest

The Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility bear interest at a floating 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.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Principal and Interest - continued

As at December 31, 2023, HK\$2.90 billion of the Amended Revolving Credit Facility was drawn. HK\$6.85 billion of the Amended Revolving Credit Facility and HK\$4.60 billion of the Amended 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, 2026. Each drawdown is to be repaid in full no later than May 15, 2026. As at December 31, 2023, the Group paid interest at HIBOR plus 2.75% per annum (2022: HIBOR plus 2.75% per annum).

General Covenants

The Amended Revolving Credit Facility and the Amended 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 was not less than 2.50 to 1.

Due to the impact of the COVID-19 pandemic, the Company entered into a number of amendments between the year 2020 and the year 2022 to provide a waiver of its financial covenants under the Revolving Credit Facility and the Second Revolving Credit Facility.

The financial covenants were further amended under the Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility on June 30, 2023 to cover the extended maturity period which waived the financial covenants from each quarter ended on and after March 31, 2023 through December 31, 2024.

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

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Financial Covenants – continued

Accounting Date	Interest Coverage Ratio	Leverage Ratio
Each quarter ended on and after March 31, 2023 through December 31, 2024	Not Applicable	Not Applicable
March 31, 2025	2.50:1.00	5.50:1.00
June 30, 2025	2.50:1.00	5.25:1.00
September 30, 2025	2.50:1.00	5.00:1.00
December 31, 2025	2.50:1.00	4.75:1.00
March 31, 2026	2.50:1.00	4.50:1.00

Compliance with Covenants

The Group has complied with the general and financial covenants under the Amended Revolving Credit Facility and the Amended Second Revolving Credit Facility for the year ended December 31, 2023.

Cancellation

Pursuant to the Amended Revolving Credit Facility and the Amended 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).

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Events of Default

The Amended Revolving Credit Facility and the Amended 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 concession which has a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any gaming concession; provided that such renewal, tender or other process results in the granting or renewal of the relevant gaming concession, an event of default will be triggered. Under the applicable acceleration provisions, if an event of default is outstanding, the facility agent may, and must if so instructed by the majority lenders, by notice to the Company, cancel all or any part of the total commitments; or declare that all or part of any amounts outstanding under the finance documents are immediately due and payable; or payable on demand by the facility agent acting on the instructions of the majority lenders.

Security and Guarantees

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

MGM Resorts International Revolving Credit Facility

On November 10, 2022, the Company entered into an agreement with MGM Resorts International as lender 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\$5.86 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 is based on the lower of the commitment fee rate from the Unsecured Credit Facilities and any future revolving credit facilities.

The MGM Resorts International Revolving Credit Facility was amended on June 29, 2023, (the “Amendment Effective Date”) so that no payment of any financial costs, including interest payment and commitment fee, and no principal repayment shall be made by the Company to the lender under the MGM Resorts International Revolving Credit Facility, up to the end of the financial covenants waiver period under the existing Unsecured Credit Facilities, on December 31, 2024 (the “June 29, 2023 Amendment”).

21. BORROWINGS - continued

MGM Resorts International Revolving Credit Facility - continued

As at December 31, 2023, the MGM Resorts International Revolving Credit Facility of HK\$5.86 billion was fully undrawn and available for utilization.

The Company cancelled the whole HK\$5.86 billion unutilized commitment under the MGM Resorts International Revolving Credit Facility, effective from March 20, 2024 (the “Effective Date of Cancellation”). The commitment fee due for the period from the Amendment Effective Date to the Effective Date of Cancellation, is payable in the quarter ending on March 31, 2025, as provided in the June 29, 2023 Amendment.

22. PAYABLES AND ACCRUED CHARGES

	<u>NOTE</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Gaming taxes payables		1,255,070	226,163
Customer advances and other	6	953,354	679,004
Accrued staff costs		764,039	496,210
Outstanding chips liability	6	433,328	226,656
Other payables and accrued charges		349,043	172,504
Interest payable		222,947	229,092
Loyalty programs liability	6	191,888	129,535
Construction payables and accruals		87,286	50,039
Trade payables		76,447	14,381
Construction retention payable		10,395	31,119
Other casino liabilities		10,017	4,019
		<u>4,353,814</u>	<u>2,258,722</u>
Classified as:			
Current		4,294,707	2,252,202
Non-current		59,107	6,520
		<u>4,353,814</u>	<u>2,258,722</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 30 days	64,900	12,857
31 – 60 days	9,736	1,197
61 – 90 days	344	245
91 – 120 days	315	1
Over 120 days	1,152	81
	<u>76,447</u>	<u>14,381</u>

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

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES

(a) Share capital

	<u>NOTE</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2022, December 31, 2022 and January 1, 2023		3,800,000,001	3,800,000,001
Share options exercised	24	2,947,300	2,947,300
Share repurchase and cancellation	(i)	(2,947,300)	(2,947,300)
At December 31, 2023		3,800,000,001	3,800,000,001

(i) During the year ended December 31, 2023, 2,947,300 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$29.4 million (2022: no repurchase).

(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, 2023, 2,947,300 Shares were repurchased through the Hong Kong Stock Exchange and cancelled. The premium of HK\$26.4 million paid on the repurchase of the 2,947,300 Shares was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$2.9 million was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

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

Details of the repurchases during the year ended December 31, 2023 are summarized as follows:

December 31, 2023

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 2023	10,400	9.05	9.05	95
June 2023	1,253,200	9.69	9.45	12,092
September 2023	1,097,600	10.42	10.06	11,395
December 2023	586,100	9.94	9.62	5,784
	<u>2,947,300</u>			<u>29,366</u>

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.

(iii) Other reserves

Other reserves of HK\$13,130.4 million as at December 31, 2023 (2022: HK\$13,130.8 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". During the year ended December 31, 2022, MGM Grand Paradise 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.

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES – continued

(b) Reserves and accumulated losses – continued

(iii) Other reserves - continued

- b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
- the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.
- c) Pursuant to Article 166 of the Company Law of the People's Republic of China, the Company's subsidiary incorporated in mainland China is required to transfer a minimum of 10% of the after tax profit to a legal reserve until that reserve equals 50% of its capital. During the year ended December 31, 2023, HK\$0.4 million (2022: HK\$0.5 million) was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

24. SHARE-BASED PAYMENTS

Share Option Scheme

The Company maintained the 2011 Share Option Scheme and the 2020 Share Option Scheme for the purpose of providing incentives and/or rewards to persons for their contributions to, and continuing efforts to promote the interests of the Group. Under the Share Option Scheme, options will be granted to subscribers for ordinary shares in the Company.

Persons who are eligible to participate in the schemes (the "Eligible Participants") include:

- (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.

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme - continued

2011 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 of the Company held on May 24, 2017 (the “2011 Share Option Scheme”) to approve certain changes to the terms of the 2011 Share Option Scheme. Details of the amendments are set out in the circular of the Company dated April 20, 2017. The 2011 Share Option Scheme expired on May 10, 2021, and no further options have been and will be granted under the 2011 Share Option Scheme. However, all outstanding options granted under the 2011 Share Option Scheme shall remain valid and exercisable in accordance with the terms of the 2011 Share Option Scheme.

2020 Share Option Scheme

At the annual general meeting of the Company held on May 28, 2020, the Shareholders approved the adoption of the share option scheme (the “2020 Share Option Scheme”). There is no material difference between the terms of the 2011 Share Option Scheme and the terms of the 2020 Share Option Scheme. All options outstanding on the expiration of the ten-year period granted under the 2020 Share Option Scheme will remain valid and exercisable in accordance with the terms of the 2020 Share Option Scheme.

Life of the share option schemes

The 2011 Share Option Scheme expired on May 10, 2021, and no further options have been and will be granted under the 2011 Share Option Scheme. The 2020 Share Option Scheme is effective for a period of 10 years from May 28, 2020.

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – continued

A summary of the movements of the outstanding options under the 2011 Share Option Scheme and the 2020 Share Option Scheme is as follows:

December 31, 2023

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2023	Granted during the year	Number of share options			Outstanding at December 31, 2023
						Exercised during the year	Forfeited during the year	Expired during the year	
Directors	June 3, 2014	June 2, 2015 –	26.850	3,200,000	-	-	(3,200,000)	-	-
		June 2, 2024							
	June 3, 2015	June 3, 2016 –	14.090	2,753,600	-	-	(2,753,600)	-	-
		June 2, 2025							
	June 5, 2017	June 5, 2018 –	17.132	2,220,000	-	-	(2,220,000)	-	-
		June 4, 2027							
	June 4, 2018	June 4, 2019 –	22.510	1,629,600	-	-	(1,629,600)	-	-
		June 3, 2028							
	June 6, 2019	June 6, 2020 –	11.744	3,992,400	-	-	(3,992,400)	-	-
		June 5, 2029							
	November 15, 2019	November 15, 2020 –	12.176	1,000,000	-	-	-	-	1,000,000
		November 14, 2029							
	June 3, 2020	June 3, 2021 –	9.470	900,000	-	-	-	-	900,000
		June 2, 2030							
	May 3, 2021	December 31, 2021 –	12.672	282,400	-	-	-	-	282,400
May 2, 2031									
June 3, 2021	June 3, 2022 –	12.480	859,600	-	-	-	-	859,600	
	June 2, 2031								
June 10, 2022	June 10, 2023 –	4.330	1,976,400	-	-	-	-	1,976,400	
	June 9, 2032								
Sub-total (Directors)				18,814,000	-	-	(13,795,600)	-	5,018,400
Employees	February 26, 2013	February 25, 2014 –	18.740	50,000	-	-	-	(50,000)	-
		February 26, 2023							
	May 15, 2013	May 14, 2014 –	20.350	25,000	-	-	-	(25,000)	-
		May 15, 2023							
	February 24, 2014	February 23, 2015 –	32.250	700,000	-	-	(300,000)	-	400,000
		February 24, 2024							
	June 3, 2014	June 2, 2015 –	26.850	7,255,000	-	-	(1,835,000)	-	5,420,000
		June 2, 2024							
	August 15, 2014	August 15, 2015 –	26.350	100,000	-	-	(50,000)	-	50,000
		August 14, 2024							
	November 17, 2014	November 17, 2015 –	24.120	800,000	-	-	-	-	800,000
		November 16, 2024							
	February 25, 2015	February 25, 2016 –	19.240	100,000	-	-	-	-	100,000
		February 24, 2025							
	May 15, 2015	May 15, 2016 –	15.100	120,000	-	-	-	-	120,000
		May 14, 2025							
	June 3, 2015	June 3, 2016 –	14.090	3,639,688	-	-	(660,800)	-	2,978,888
		June 2, 2025							
	August 17, 2015	August 17, 2016 –	16.470	135,000	-	-	-	-	135,000
		August 16, 2025							
November 16, 2015	November 16, 2016 –	11.450	715,000	-	-	-	-	715,000	
	November 15, 2025								
February 23, 2016	February 23, 2017 –	9.130	135,000	-	-	-	-	135,000	
	February 22, 2026								
May 16, 2016	May 16, 2017 –	10.480	137,500	-	-	(37,500)	-	100,000	
	May 15, 2026								
June 3, 2016	June 3, 2017 –	10.900	3,680,100	-	-	(846,200)	-	2,833,900	
	June 2, 2026								
August 23, 2016	August 23, 2017 –	11.740	4,738,900	-	-	(1,182,400)	-	3,556,500	
	August 22, 2026								

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – continued

December 31, 2023 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2023	Granted during the year	Number of share options			Outstanding at December 31, 2023
						Exercised during the year	Forfeited during the year	Expired during the year	
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	250,000	-	-	-	-	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	260,000	-	-	-	-	260,000
	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	4,862,900	-	-	(746,900)	-	4,116,000
	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	-	-	(50,000)	-	780,000
	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	4,115,200	-	-	(643,200)	-	3,472,000
	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	7,963,000	-	-	(296,800)	-	7,666,200
	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	12,434,900	-	(234,700)	(289,800)	-	11,910,400
	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	120,000	-	-	(15,000)	-	105,000
	November 16, 2020	November 16, 2020 – November 15, 2030	15.620	1,854,000	-	-	(80,000)	-	1,774,000
	November 16, 2020	November 16, 2020 – November 15, 2030	15.120	625,000	-	-	-	-	625,000
	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	1,339,600	-	-	(29,200)	-	1,310,400
	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	10,728,400	-	-	(341,200)	-	10,387,200
	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	600,000	-	-	-	-	600,000
	May 16, 2022	May 16, 2023 – May 15, 2032	4.146	480,000	-	(45,000)	(45,000)	-	390,000
	June 10, 2022	June 10, 2023 – June 9, 2032	4.330	26,399,600	-	(2,667,600)	(663,300)	-	23,068,700
	May 15, 2023	May 15, 2024 – May 14, 2033	9.090	-	100,000	-	-	-	100,000
	Sub-total (Employees)				98,356,288	100,000	(2,947,300)	(8,112,300)	(75,000)

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – continued

December 31, 2023 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2023	Granted during the year	Number of share options			Outstanding at December 31, 2023
						Exercised during the year	Forfeited during the year	Expired during the year	
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	-	-	-	-	400,000
		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, 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, 2019 – June 3, 2028	22.510	153,600	-	-	-	-	153,600
	June 4, 2018	June 3, 2028 – June 6, 2020 –	11.744	275,200	-	-	-	-	275,200
		June 5, 2029 – November 16, 2021 –							
	November 16, 2020	November 15, 2030	11.240	200,000	-	-	-	-	200,000
	Sub-total (Consultant)				2,536,000	-	-	-	-
Total				119,706,288	100,000	(2,947,300)	(21,907,900)	(75,000)	94,876,088
Weighted average exercise price per Share				HK\$12.53	HK\$9.09	HK\$4.74	HK\$17.49	HK\$19.28	HK\$11.62
Exercisable at end of the reporting period									64,163,288

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – continued

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 year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2014	June 2, 2015 –	26.850	3,200,000	-	-	-	3,200,000
		June 2, 2024						
	June 3, 2015	June 3, 2016 –	14.090	2,753,600	-	-	-	2,753,600
		June 2, 2025						
	June 5, 2017	June 5, 2018 –	17.132	2,220,000	-	-	-	2,220,000
		June 4, 2027						
	June 4, 2018	June 4, 2019 –	22.510	1,629,600	-	-	-	1,629,600
		June 3, 2028						
	June 6, 2019	June 6, 2020 –	11.744	3,992,400	-	-	-	3,992,400
		June 5, 2029						
	November 15, 2019	November 15, 2020 –	12.176	1,000,000	-	-	-	1,000,000
		November 14, 2029						
	June 3, 2020	June 3, 2021 –	9.470	900,000	-	-	-	900,000
		June 2, 2030						
	May 3, 2021	December 31, 2021 –	12.672	282,400	-	-	-	282,400
May 2, 2031								
June 3, 2021	June 3, 2022 –	12.480	859,600	-	-	-	859,600	
	June 2, 2031							
June 10, 2022	June 10, 2023 –	4.330	-	1,976,400	-	-	1,976,400	
	June 9, 2032							
Sub-total (Directors)				16,837,600	1,976,400	-	-	18,814,000
Employees	February 26, 2013	February 25, 2014 –	18.740	50,000	-	-	-	50,000
		February 26, 2023						
	May 15, 2013	May 14, 2014 –	20.350	25,000	-	-	-	25,000
		May 15, 2023						
	February 24, 2014	February 23, 2015 –	32.250	700,000	-	-	-	700,000
		February 24, 2024						
	June 3, 2014	June 2, 2015 –	26.850	9,050,000	-	-	(1,795,000)	7,255,000
		June 2, 2024						
	August 15, 2014	August 15, 2015 –	26.350	100,000	-	-	-	100,000
		August 14, 2024						
	November 17, 2014	November 17, 2015 –	24.120	800,000	-	-	-	800,000
		November 16, 2024						
	February 25, 2015	February 25, 2016 –	19.240	162,500	-	-	(62,500)	100,000
		February 24, 2025						
	May 15, 2015	May 15, 2016 –	15.100	120,000	-	-	-	120,000
		May 14, 2025						
	June 3, 2015	June 3, 2016 –	14.090	4,265,288	-	-	(625,600)	3,639,688
		June 2, 2025						
	August 17, 2015	August 17, 2016 –	16.470	135,000	-	-	-	135,000
		August 16, 2025						
	November 16, 2015	November 16, 2016 –	11.450	715,000	-	-	-	715,000
		November 15, 2025						
	February 23, 2016	February 23, 2017 –	9.130	135,000	-	-	-	135,000
February 22, 2026								
May 16, 2016	May 16, 2017 –	10.480	137,500	-	-	-	137,500	
	May 15, 2026							
June 3, 2016	June 3, 2017 –	10.900	4,164,900	-	-	(484,800)	3,680,100	
	June 2, 2026							
August 23, 2016	August 23, 2017 –	11.740	5,595,600	-	-	(856,700)	4,738,900	
	August 22, 2026							
November 15, 2016	November 15, 2017 –	14.650	300,000	-	-	(50,000)	250,000	
	November 14, 2026							
February 21, 2017	February 21, 2018 –	14.500	825,000	-	-	-	825,000	
	February 20, 2027							
May 15, 2017	May 15, 2018 –	16.990	370,000	-	-	(110,000)	260,000	
	May 14, 2027							

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – 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 year	Exercised during the year	Forfeited during the year		
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	5,738,100	-	-	(875,200)	4,862,900	
		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, 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, 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, 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, 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, 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, 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, 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 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, 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, 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, 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 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

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – 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 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, 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, 2017 – August 22, 2026	11.740	263,600	-	-	-	263,600
	August 23, 2016	June 5, 2018 – June 4, 2027	17.132	214,800	-	-	-	214,800
		June 4, 2019 – June 3, 2028	22.510	153,600	-	-	-	153,600
	June 4, 2018	June 6, 2020 – June 5, 2029	11.744	275,200	-	-	-	275,200
		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

The vesting periods of the above options are 25% per year vesting on each of the 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.

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

The 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,	
	<u>2023</u>	<u>2022</u>
Expected volatility	45.11%	45.02%
Expected life (years)	5.31	5.31
Risk-free annual interest rate	2.578%	2.500%
Expected dividends	0.77%	0.80%
Weighted average share price at the date of grant (HK\$)	8.80	4.33
Weighted average exercise price (HK\$)	9.09	4.33
Weighted average fair value of each share option granted by the Company (HK\$)	3.50	1.75

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.

24. SHARE-BASED PAYMENTS – continued

Share Option Scheme – continued

The weighted-average share price at the date of exercise for share options exercised in 2023 was HK\$9.75 (2022: no exercise).

The Group recognized a total expense of HK\$34.9 million (2022: HK\$46.3 million) for the year ended December 31, 2023 in relation to share options granted by the Company.

Restricted Stock Unit Plan

On August 4, 2023, the Board approved and adopted the Restricted Stock Unit Plan. A restricted stock unit award may be 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, approved by the Board following a recommendation from the Remuneration Committee. Under the Restricted Stock Unit Plan, each restricted stock unit award represents a right to receive a transfer of Shares following vesting which is accounted for as an equity-settled share-based payment transaction or a right to receive a cash equivalent amount in lieu of Shares following vesting which is accounted for as cash-settled share-based payment transaction. By Trust Deed executed on January 25, 2024, a Trust was established for the purposes of the Restricted Stock Unit Plan and a Trustee was appointed.

The Company shall procure that adequate funds are paid to the Trustee from time to time (in each case to the extent not prohibited by the Listing Rules and applicable laws and regulations) to enable the Trustee to perform its duties and exercise its powers under this Trust Deed, including to acquire the appropriate number of Shares to settle vested restricted stock unit awards with the relevant Participants and to cover all costs and expenses related thereto. The effect of the vesting of a restricted stock unit is that the Shares in respect of which a restricted stock unit vests shall be transferred to the Participant as soon as is reasonably practicable.

25% of restricted stock units awarded vest on each anniversary of the date on which an award is granted.

Life of the restricted stock unit plan

An award may only be granted within the period of 10 years commencing on the date of adoption of the Plan.

Equity-settled restricted stock units

With respect to the awards that shall be satisfied by the transfer of Shares, the fair value of the awarded non-vested Shares was calculated based upon the market prices of the Company's Shares at the respective award dates reduced by the present value of dividends expected to be paid during the vesting period.

24. SHARE-BASED PAYMENTS – continued

Restricted Stock Unit Plan - continued

Equity-settled restricted stock units - continued

A summary of the outstanding equity-settled restricted stock units is presented below:

	Number of Shares	Weighted average award date fair value HK\$
Non-vested as at January 1, 2023	-	-
Granted during the year	6,468,508	10.25
Forfeited during the year	<u>(17,389)</u>	<u>10.25</u>
Non-vested as at December 31, 2023	<u>6,451,119</u>	<u>10.25</u>

The Group recognized a total expense of HK\$13.0 million for the year ended December 31, 2023 in relation to equity-settled restricted stock units granted by the Company.

Cash-settled restricted stock units

The fair value of each restricted stock unit was calculated based upon the market prices of the Company's Shares at the respective award dates reduced by the present value of dividends expected to be paid during the vesting period. The fair value of each restricted stock unit is re-measured at the end of each reporting period until its vesting date. Upon vesting of each restricted stock unit, the Group will pay the grantees an amount in cash calculated based upon the closing price of a Share on the dealing day immediately preceding the vesting date.

A summary of the outstanding cash-settled restricted stock units is presented below:

	Number of Shares	Weighted average award date fair value HK\$
Non-vested as at January 1, 2023	-	-
Granted to a Director during the year	<u>614,313</u>	<u>10.25</u>
Non-vested as at December 31, 2023	<u>614,313</u>	<u>10.25</u>

As at December 31, 2023, the accrued liability associated with the cash-settled restricted stock units was HK\$1.2 million.

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 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. Equity comprised all capital and reserves of the Group. As at December 31, 2023, the gearing ratio of the Group was 107.4% (2022: 119.0%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<u>Financial assets</u>		
Amortized cost:		
Cash and cash equivalents	4,231,986	6,706,591
Pledged bank deposits	680,000	971,262
Trade receivables	594,473	239,522
Other receivables	15,793	44,884
Deposits	14,194	13,456
Amounts due from related companies	7,386	156
	<u>5,543,832</u>	<u>7,975,871</u>

26. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments - continued

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<u>Financial liabilities</u>		
Amortized cost:		
Borrowings	24,098,731	32,725,136
Gaming concession right payable	1,727,564	-
Customer advances and other	837,053	607,047
Outstanding chips liability	433,328	226,656
Interest payable	222,947	229,092
Amounts due to related companies	83,137	22,474
Trade payables	76,447	14,381
Other payables	25,697	18,202
Construction retention payable	10,395	31,119
Other casino liabilities	9,048	3,050
Construction payables	4,273	218
Subtotal	<u>27,528,620</u>	<u>33,877,375</u>
Lease liabilities	<u>199,118</u>	<u>191,837</u>
	<u>27,727,738</u>	<u>34,069,212</u>

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from VIP gaming customers and gaming promoters against the deposits, commissions and incentives liabilities that are to be settled simultaneously. The Group intends to settle these balances on a net basis.

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2023 and 2022:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
<u>As at December 31, 2023</u>						
Casino receivables (i)	<u>710,842</u>	<u>(193,905)</u>	<u>516,937</u>	<u>-</u>	<u>-</u>	<u>516,937</u>
	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<u>As at December 31, 2023</u>						
Commission and incentives liabilities (ii)	<u>36,397</u>	<u>(27,349)</u>	<u>9,048</u>	<u>-</u>	<u>-</u>	<u>9,048</u>
Deposits received from VIP gaming customers and gaming promoters(iii)	<u>989,362</u>	<u>(166,556)</u>	<u>822,806</u>	<u>-</u>	<u>-</u>	<u>822,806</u>
	<u>1,025,759</u>	<u>(193,905)</u>	<u>831,854</u>	<u>-</u>	<u>-</u>	<u>831,854</u>
	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
<u>As at December 31, 2022</u>						
Casino receivables (i)	<u>219,260</u>	<u>(67,387)</u>	<u>151,873</u>	<u>-</u>	<u>-</u>	<u>151,873</u>
	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<u>As at December 31, 2022</u>						
Commission and incentives liabilities (ii)	<u>26,948</u>	<u>(23,898)</u>	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>3,050</u>
Deposits received from VIP gaming customers and gaming promoters(iii)	<u>639,214</u>	<u>(43,489)</u>	<u>595,725</u>	<u>-</u>	<u>-</u>	<u>595,725</u>
	<u>666,162</u>	<u>(67,387)</u>	<u>598,775</u>	<u>-</u>	<u>-</u>	<u>598,775</u>

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\$594.5 million (2022: HK\$239.5 million) in the consolidated statement of financial position as at December 31, 2023.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$4,353.8 million (2022: HK\$2,258.7 million) in the consolidated statement of financial position as at December 31, 2023.
- (iii) Amount is the gross deposits received from VIP gaming customers and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$4,353.8 million (2022: HK\$2,258.7 million) in the consolidated statement of financial position as at December 31, 2023.

Financial risk management objectives

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, and 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 monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

Market risk

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

Foreign currency risk management

The Group holds bank balances, cash, deposits, 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 movement of 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, 2023 and 2022. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including cash and cash equivalents) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

26. FINANCIAL INSTRUMENTS – continued

Market risk – continued

Foreign currency risk management – continued

Assets

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
US\$ denominated	36,350	28,356

Liabilities

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
US\$ denominated	21,605,761	21,519,680

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in 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, 2023, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, the gain for the year would have been lower by approximately HK\$215.7 million (2022: loss would be higher by HK\$215.0 million), mainly as a result of the translation of US\$ denominated Senior Notes (2022: 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 Amended Revolving Credit Facility, the Amended 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 due to reform of interest rate benchmarks.

26. FINANCIAL INSTRUMENTS – continued

Interest rate risk – continued

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2022: 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 (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2023, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$14.5 million (2022: HK\$57.5 million).

Credit risk

As at December 31, 2023 and 2022, 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.

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. 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, 2023, no collateral was received that led to a reduction in expected credit loss (December 31, 2022: nil). The Group does not hold other credit enhancements.

26. FINANCIAL INSTRUMENTS – continued

Credit risk – continued

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, 2023, except for credit impaired balances with a net amount of HK\$4.8 million (2022: HK\$4.8 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, 2023 and 2022.

Provision matrix – debtors' aging	Loss rate	Net receivable amount	
		<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Current (not past due)	0% - 0.9%	315,261	140,402
1 – 90 days past due	9% - 20%	156,936	22,643
91 – 360 days past due	22% - 46%	115,117	50,916
More than 360 days past due	52% - 100%	2,355	20,757
		<u>589,669</u>	<u>234,718</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
At January 1	201,890	244,106
Charge for the year, net	39,212	50,614
Amount written off, net	<u>(11,388)</u>	<u>(92,830)</u>
At December 31	<u>229,714</u>	<u>201,890</u>

Charge for the year ended December 31, 2023 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$661.3 million (2022: HK\$408.9 million). As at December 31, 2023, the Group has specifically and fully provided HK\$143.5 million (2022: HK\$117.7 million) of loss allowance on credit-impaired debtors because of the long aged balance and increasing uncertainty on their financial standing. There are no trade receivables which have been written off for the year ended December 31, 2023 and are still subject to enforcement activity (2022: HK\$91.6 million).

26. FINANCIAL INSTRUMENTS - continued

Liquidity risk

The Group manages liquidity risk by maintaining 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 <u>1 month</u> HK\$'000	1-3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1-5 <u>years</u> HK\$'000	Over 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000
<u>As at December 31, 2023</u>						
Trade payables	76,447	-	-	-	-	76,447
Construction payables	4,273	-	-	-	-	4,273
Other payables	8,918	3,792	4,789	8,198	-	25,697
Interest payable	4,605	102,406	115,936	-	-	222,947
Other casino liabilities	9,048	-	-	-	-	9,048
Outstanding chips liability	433,328	-	-	-	-	433,328
Customer advances and other	837,053	-	-	-	-	837,053
Borrowings	15,755	102,979	6,827,906	20,313,768	-	27,260,408
Gaming concession right payable	38,543	62,260	83,307	1,045,862	1,199,514	2,429,486
Construction retention payable	5,612	1,009	2,880	894	-	10,395
Amounts due to related companies	53,197	-	-	29,940	-	83,137
Lease liabilities	4,617	4,727	31,488	54,864	332,067	427,763
Guarantee contracts (Note 28)	978,732	-	-	-	-	978,732
	<u>2,470,128</u>	<u>277,173</u>	<u>7,066,306</u>	<u>21,453,526</u>	<u>1,531,581</u>	<u>32,798,714</u>

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

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. FINANCIAL INSTRUMENTS - continued

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.

The estimated fair value of the Group's senior notes as at December 31, 2023 was approximately HK\$21.0 billion (December 31, 2022: HK\$20.0 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).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<u>Borrowings</u>	<u>Interest payable⁽ⁱ⁾</u>	<u>Gaming concession right payable</u>	<u>Lease liabilities</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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	-	-	-	927	927
Effect of rent concessions and reduction	-	-	-	(1,364)	(1,364)
Foreign exchange difference	13,407	806	-	(303)	13,910
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2022 and January 1, 2023	32,725,136	237,429	-	191,837	33,154,402
Financing cashflows	(8,768,453)	(1,624,940)	(173,803)	(34,454)	(10,601,650)
Recognition of gaming concession right payable	-	-	1,768,036	-	1,768,036
Interest expenses	-	1,640,291	133,331	12,223	1,785,845
Amortization of debt finance costs	118,175	-	-	-	118,175
New leases (Note 16)	-	-	-	47,324	47,324
Adjustments to costs of leases (Note 16)	-	-	-	(17,523)	(17,523)
Foreign exchange difference	23,898	107	-	(243)	23,762
Others	(25)	-	-	(46)	(71)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2023	24,098,731	252,887	1,727,564	199,118	26,278,300

⁽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.

28. GUARANTEES

As at December 31, 2023, the Group has given bank guarantees totaling HK\$978.7 million (2022: HK\$1,153.5 million) to certain parties including:

- HK\$970.9 million was issued in favor of the Macau Government as required in the Concession Contract (2022: HK\$1,145.7 million was required in the Sub-Concession Contract, which were cancelled in January 2023);
- HK\$4.0 million (2022: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements;
- HK\$0.6 million (2022: 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 (2022: HK\$3.2 million) was issued in favor of certain vendors.

During the years ended 2023 and 2022, pledged bank deposits were provided in relation to the bank guarantees provided to the Macau Government for the Concession Contract as mentioned above. Further details are disclosed in Note 20.

29. LEGAL PROCEEDINGS

a) 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 gaming promoters by individuals who claimed to have placed deposits with gaming promoters who had operations at the Group's properties and the gaming promoters failed to honor the withdrawal of such deposits. The Group was sued in these proceedings based solely upon the joint liability of the concessionaire for the actions and conduct of the gaming promoters carried out at the Group's casino premises.

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, management considers that such litigation and claims will not have a significant impact on the results of operations, financial position and cash flows of the Group.

b) Legal proceedings related to criminal activities by gaming promoters

In 2022, criminal charges were made in the Macau courts against two independent Macau gaming promoters and individuals associated with those promoters for conducting side-betting in VIP gaming rooms in the casinos of the six gaming concessions/sub-concessions. In January 2023 and April 2023, the verdicts of the Court of the First Instance were 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\$349.0 million and HK\$3.8 million, respectively. Both the prosecutors and defendants have appealed against the verdict. In October 2023 and January 2024, the verdicts of the Court of the Second Instance were released and dismissed the compensation to MGM Grand Paradise and the other concessionaires/sub-concessionaires. 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:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Contracted but not accounted for	464,191	373,120

31. RELATED PARTY TRANSACTIONS

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

- (a)(i) Amounts due from related companies represent balances with companies owned by the ultimate 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.

Aging of amounts due from related companies in respect of trade balance based upon invoice date is within 30 days as at December 31, 2023 (December 31, 2022: 30 days).

- (a)(ii) As at December 31, 2023, the amounts due to related companies includes:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	4,308	-
Company jointly-owned by Shareholders	47,745	9,168
Ultimate holding company of the Company	31,084	10,374
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	-	2,932
	<u>83,137</u>	<u>22,474</u>

The amounts are unsecured, non-interest bearing and repayable on demand, except for an amount of HK\$29.9 million recorded as non-current liability.

Aging of amounts due to related companies in respect of trade balance based upon invoice date:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 30 days	50,826	22,474
31 – 60 days	2,371	-
	<u>53,197</u>	<u>22,474</u>

31. RELATED PARTY TRANSACTIONS - continued

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

<u>Related parties</u>	<u>Type of transaction</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses related to laundry services, accommodation and others	70,279	22,003
	Income related to accommodation and other	(27)	(20)
Ultimate holding company and its subsidiaries	Marketing referral fees	1,210	1,189
	Payment for operating cost of marketing offices	39,802	-
	Reimbursement for operating cost of marketing offices	(16,387)	-
	Finance cost ⁽¹⁾	59,461	8,375
Company jointly-owned by Shareholders	License fee ⁽²⁾	431,974	92,200
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	Consultancy fee ⁽³⁾	126,278	39,443
		=====	=====

⁽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, Second Renewed Branding Agreement and Third 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\$55.6 million (equivalent to approximately HK\$435.2 million) for the year ended December 31, 2023.

31. RELATED PARTY TRANSACTIONS - continued

(b) - continued

- (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 which ended on December 31, 2023. The annual cap under the Consultancy Services Agreement is HK\$130 million for the year ended December 31, 2023.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Short term benefits ⁽¹⁾	175,871	67,718
Other long-term benefits ⁽¹⁾	48,129	-
Post-employment benefits	2,151	1,720
Share-based payments	21,907	18,195
	<u>248,058</u>	<u>87,633</u>

- (1) On August 21, 2022, 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. During the term of the Services Agreement (same as the term of the Gaming Concession), Ms. Pansy Ho will receive remuneration of US\$8 million (equivalent to approximately HK\$62 million) per annum accounted for as short term benefits and incentive payments based upon MGM Grand Paradise's performance up to an aggregate total amount of US\$95 million (equivalent to approximately HK\$741 million) accounted for as other long-term benefits for the term set out in the Services Agreement.

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2023	December 31, 2022	
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
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

32. SUBSIDIARIES - continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2023	December 31, 2022	
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
珠海倍福國際貿易有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Online sales and outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. The shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 84.6% of the voting power of the share capital of MGM Grand Paradise. Ms. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns 750,000 and 20,000 of the Class B shares, respectively (or 15% and 0.4% of the voting power of the share capital of MGM Grand Paradise, respectively) in order to satisfy the requirements of the Concession Contract and local Macau regulations that at least 15% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

AT DECEMBER 31, 2023

	2023 HK\$'000	2022 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	33,723,289	32,035,746
Amount due from subsidiaries	10,960,889	21,087,753
Total non-current assets	<u>44,684,178</u>	<u>53,123,499</u>
Current assets		
Prepayments	2,628	2,384
Cash and cash equivalents	99,509	108,909
Total current assets	<u>102,137</u>	<u>111,293</u>
TOTAL ASSETS	<u><u>44,786,315</u></u>	<u><u>53,234,792</u></u>
EQUITY		
Capital and reserves		
Share capital (Note 23)	3,800,000	3,800,000
Reserves and retained earnings	16,432,330	16,350,631
TOTAL EQUITY	<u>20,232,330</u>	<u>20,150,631</u>
LIABILITIES		
Non-current liabilities		
Borrowings	18,248,369	32,725,136
Payables and accrued charges	623	-
Amounts due to related companies	29,940	-
Total non-current liabilities	<u>18,278,932</u>	<u>32,725,136</u>
Current liabilities		
Borrowings	5,850,362	-
Payables and accrued charges	225,311	233,906
Amounts due to related companies	-	8,336
Amounts due to subsidiaries	199,380	116,783
Total current liabilities	<u>6,275,053</u>	<u>359,025</u>
TOTAL LIABILITIES	<u>24,553,985</u>	<u>33,084,161</u>
TOTAL EQUITY AND LIABILITIES	<u><u>44,786,315</u></u>	<u><u>53,234,792</u></u>

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

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

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Reserves and retained earnings total HK\$'000
At 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 and January 1, 2023		10,409,009	23,708	450,337	132,000	5,335,577	16,350,631
Profit for the year and total comprehensive income		-	-	-	-	49,179	49,179
Exercise of share options	23&24	16,133	-	(5,121)	-	-	11,012
Share repurchase and cancellation							
- repurchases of Shares	23	(26,419)	-	-	-	-	(26,419)
- transfer	23	-	2,947	-	-	(2,947)	-
Forfeiture of share options	24	-	-	(120,961)	-	120,961	-
Recognition of share-based payments	24	-	-	47,927	-	-	47,927
At December 31, 2023		10,398,723	26,655	372,182	132,000	5,502,770	16,432,330

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

Consolidated Financial Statements
For the year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 84, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loss allowance of trade receivables <p>We have identified the loss allowance of 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lau Kai Hung.

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong
 March 29, 2023

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>NOTES</u>	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
		<u>5,268,569</u>	<u>9,410,814</u>
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)
		<u>(8,878,111)</u>	<u>(11,759,443)</u>
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		<u>(5,231,911)</u>	<u>(3,846,616)</u>
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>(7,772)</u>	<u>2,213</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(5,239,683)</u>	<u>(3,844,403)</u>
Loss per Share – Basic	15	<u>(HK137.7 cents)</u>	<u>(HK101.2 cents)</u>
Loss per Share – Diluted	15	<u>(HK137.7 cents)</u>	<u>(HK101.2 cents)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> 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		<u>23,975,653</u>	<u>24,770,685</u>
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		<u>7,233,843</u>	<u>3,668,890</u>
TOTAL ASSETS		<u><u>31,209,496</u></u>	<u><u>28,439,575</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> 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		<u>(3,996,421)</u>	<u>1,196,916</u>
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		<u>32,902,415</u>	<u>24,128,951</u>
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		<u>2,303,502</u>	<u>3,113,708</u>
TOTAL LIABILITIES		<u>35,205,917</u>	<u>27,242,659</u>
TOTAL EQUITY AND LIABILITIES		<u>31,209,496</u>	<u>28,439,575</u>

The consolidated financial statements on pages 5 to 84 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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	NOTES	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
		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)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> 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)

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

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> 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		<u>7,037,130</u>	<u>1,442,561</u>
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		<u>(7,750)</u>	<u>2,044</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents		<u><u>6,706,591</u></u>	<u><u>3,112,020</u></u>

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.

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.

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.

1. GENERAL – continued

Capital Restructuring - continued

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 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.

1. GENERAL – continued

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.

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.

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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary services provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the amount collected from the customer for such goods and services net of discounts. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. 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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Other assets

Operating equipment

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial 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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Impairment of financial assets - continued

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.

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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data 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

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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Non-substantial modifications of financial liabilities

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

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION AND 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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases - continued

Definition of a lease - continued

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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee - continued

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION AND 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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions - continued

Share options granted to Directors and employees of the Group - continued

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).

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.

Key sources of estimation uncertainty

Loss allowance of trade receivables

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Key sources of estimation uncertainty – continued

Impairment of non-financial assets

The Group follows the requirements of *IAS 36 Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires 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.

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.

5. SEGMENT INFORMATION

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

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

Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment. Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	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	<u>(2,033,607)</u>	<u>(2,157,474)</u>
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	<u>(13,072)</u>	<u>(100,653)</u>
Loss before tax	(5,216,170)	(3,828,001)
Income tax expense	<u>(15,741)</u>	<u>(18,615)</u>
Loss for the year attributable to owners of the Company	<u><u>(5,231,911)</u></u>	<u><u>(3,846,616)</u></u>

Almost all of the non-current assets of the Group are located in Macau.

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentarys and other incentives. Casino revenue comprises:

	<u>2022</u>	<u>2021</u>
	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, complimentarys and other incentives	(1,139,356)	(2,307,874)
	<u>4,438,995</u>	<u>8,223,054</u>

Other revenue comprises:

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

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned and (3) customer advances and other, which are primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within "payables and accrued charges" in the consolidated statement of financial position.

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

	Outstanding Chips Liabilities ⁽ⁱ⁾		Loyalty Programs Liabilities		Customer Advances and Other	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	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	<u>(140,337)</u>	<u>(664,093)</u>	<u>(30,657)</u>	<u>8,914</u>	<u>(46,436)</u>	<u>35,873</u>

⁽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.

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	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
	<u>3,053,018</u>	<u>3,147,909</u>

Defined contribution plan

Prior to May 2019, the Group operated a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for eligible Macau resident employees to join the non-mandatory central provident fund (the "CPF") system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group's existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to full vesting of their contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$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.

9. OTHER EXPENSES AND LOSSES

	<u>2022</u>	<u>2021</u>
	HK\$'000	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
	<u>1,105,336</u>	<u>1,642,947</u>

⁽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

	<u>2022</u>	<u>2021</u>
	HK\$'000	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
	<u>2,033,607</u>	<u>2,157,474</u>

11. FINANCE COSTS

	<u>2022</u>	<u>2021</u>
	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	-
	<u>1,665,261</u>	<u>1,383,508</u>

12. INCOME TAX EXPENSE

	<u>2022</u> HK\$'000	<u>2021</u> 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	<u>15,741</u>	<u>18,615</u>

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:

	<u>2022</u> HK\$'000	<u>2021</u> 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	<u>15,741</u>	<u>18,615</u>

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

	<u>2022</u> HK\$'000	<u>2021</u> 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	<u>12,439,295</u>	<u>12,019,727</u>

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:

	<u>Fees</u> HK\$'000	Salary and other <u>benefits</u> HK\$'000	Contributions to retirement <u>benefits scheme</u> HK\$'000	Share-based <u>payments</u> HK\$'000	Discretionary and performance related <u>incentive</u> <u>payments</u> ⁽ⁱ⁾ HK\$'000	<u>Total</u> 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</i> ⁽³⁾ :						
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	<u>3,601</u>	<u>5,027</u>	<u>134</u>	<u>3,506</u>	<u>3,498</u>	<u>15,766</u>
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</i> ⁽³⁾ :						
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	<u>3,580</u>	<u>5,060</u>	<u>134</u>	<u>4,228</u>	<u>3,498</u>	<u>16,500</u>

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.

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:

	<u>2022</u>	<u>2021</u>
	HK\$'000	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
	<u>35,878</u>	<u>36,329</u>

Their emoluments were within the following bands:

	<u>2022</u>	<u>2021</u>
	No. of employees	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
	<u> </u>	<u> </u>

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.

13. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEE EMOLUMENTS – continued

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.

15. LOSS PER SHARE

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

	<u>2022</u>	<u>2021</u>
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

	<u>Buildings and improvements</u> HK\$'000	<u>Leasehold improvements</u> HK\$'000	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Art works and paintings</u> HK\$'000	<u>Vehicles</u> HK\$'000	<u>Construction in progress</u> HK\$'000	<u>Grand total</u> 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	<u>29,853,348</u>	<u>2,131,606</u>	<u>4,688,758</u>	<u>265,890</u>	<u>57,163</u>	<u>83,363</u>	<u>37,080,128</u>
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	<u>29,910,264</u>	<u>2,066,576</u>	<u>4,633,979</u>	<u>277,781</u>	<u>57,479</u>	<u>102,525</u>	<u>37,048,604</u>
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	<u>(7,839,470)</u>	<u>(2,075,521)</u>	<u>(3,727,146)</u>	<u>-</u>	<u>(40,886)</u>	<u>-</u>	<u>(13,683,023)</u>
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	<u>(9,178,232)</u>	<u>(2,020,749)</u>	<u>(4,108,661)</u>	<u>-</u>	<u>(50,058)</u>	<u>-</u>	<u>(15,357,700)</u>
CARRYING AMOUNT							
At December 31, 2022	<u>20,732,032</u>	<u>45,827</u>	<u>525,318</u>	<u>277,781</u>	<u>7,421</u>	<u>102,525</u>	<u>21,690,904</u>
At December 31, 2021	<u>22,013,878</u>	<u>56,085</u>	<u>961,612</u>	<u>265,890</u>	<u>16,277</u>	<u>83,363</u>	<u>23,397,105</u>

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.

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.

	<u>Right-of-use assets</u>			
	Leasehold land HK\$'000	Buildings HK\$'000	Equipment and others HK\$'000	Total 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	<u>1,229,459</u>	<u>32,285</u>	<u>26,202</u>	<u>1,287,946</u>
Additions	-	927	-	927
Depreciation charge	(36,960)	(19,790)	(8,692)	(65,442)
Foreign exchange difference	-	(366)	-	(366)
At December 31, 2022	<u><u>1,192,499</u></u>	<u><u>13,056</u></u>	<u><u>17,510</u></u>	<u><u>1,223,065</u></u>

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

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u>454,230</u>	<u>490,393</u>
Less: Effect of discounting at incremental borrowing rate	(262,393)	(274,324)
	<u>191,837</u>	<u>216,069</u>
Current	21,078	27,895
Non-current	170,759	188,174
	<u>191,837</u>	<u>216,069</u>

17. LEASES - continued

The Group as a lessee - continued

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u> </u>	<u> </u>

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

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

Apart from the land concession contracts, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to future lease payments pertaining to extension options which the Group is not reasonably certain to exercise is HK\$0.6 million (2021: HK\$38.0 million).

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 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:

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u> </u>	<u> </u>
	78,220	100,753
	<u> </u>	<u> </u>

17. LEASES - continued

The Group as the grantor of the right of use - continued

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

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

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	<u>1,819,223</u>
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	<u>(1,819,223)</u>
CARRYING AMOUNT	
At December 31, 2022	<u>-</u>
At December 31, 2021	<u>46,274</u>

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.

19. TRADE RECEIVABLES

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

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:

	<u>2022</u>	<u>2021</u>
	HK\$'000	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
	<u>239,522</u>	<u>269,712</u>

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	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	<u>7,677,853</u>	<u>3,112,020</u>

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.

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.

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

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u>21,454,400</u>	<u>21,440,650</u>
Less: Debt finance costs	(160,725)	(214,079)
	<u>21,293,675</u>	<u>21,226,571</u>
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
	<u>11,500,000</u>	<u>2,810,000</u>
Less: Debt finance costs	(68,539)	(107,465)
	<u>11,431,461</u>	<u>2,702,535</u>
Current	-	-
Non-current	32,725,136	23,929,106
	<u>32,725,136</u>	<u>23,929,106</u>

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).

21. BORROWINGS - continued

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. 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.

21. BORROWINGS - continued

Unsecured Senior Notes – continued

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.

21. BORROWINGS - continued

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 (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).

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.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

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.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Cancellation

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, the total commitments shall be cancelled immediately and all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents shall become immediately due and payable if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

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

Security and Guarantees

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

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.

21. BORROWINGS - continued

MGM Resorts International Revolving Credit Facility - continued

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.

22. PAYABLES AND ACCRUED CHARGES

	<u>NOTE</u>	<u>2022</u> HK\$'000	<u>2021</u> 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
		<u>2,258,722</u>	<u>3,064,492</u>
Current		2,252,202	3,052,821
Non-current		6,520	11,671
		<u>2,258,722</u>	<u>3,064,492</u>

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

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u>14,381</u>	<u>34,437</u>

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

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES

(a) Share capital

	<u>NOTE</u>	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 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).

(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
	<u>8,979,100</u>			<u>128,023</u>

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.

(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.

23. SHARE CAPITAL, RESERVES AND ACCUMULATED LOSSES – continued

(b) Reserves and accumulated losses – continued

(iii) Other reserves - continued

- b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
- the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.
- c) Pursuant to Article 166 of the Company Law of the People's Republic of China, the Company's subsidiary incorporated in mainland China is required to transfer a minimum of 10% of the after tax profit to a legal reserve until that reserve equals 50% of its capital. During the year ended December 31, 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).

24. SHARE-BASED PAYMENTS – continued

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

As at December 31, 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 –	26.850	3,200,000	-	-	-	3,200,000
		June 2, 2024						
	June 3, 2015	June 3, 2016 –	14.090	2,753,600	-	-	-	2,753,600
		June 2, 2025						
	June 5, 2017	June 5, 2018 –	17.132	2,220,000	-	-	-	2,220,000
		June 4, 2027						
	June 4, 2018	June 4, 2019 –	22.510	1,629,600	-	-	-	1,629,600
		June 3, 2028						
	June 6, 2019	June 6, 2020 –	11.744	3,992,400	-	-	-	3,992,400
		June 5, 2029						
	November 15, 2019	November 15, 2020 –	12.176	1,000,000	-	-	-	1,000,000
		November 14, 2029						
	June 3, 2020	June 3, 2021 –	9.470	900,000	-	-	-	900,000
		June 2, 2030						
	May 3, 2021	December 31, 2021 –	12.672	282,400	-	-	-	282,400
May 2, 2031								
June 3, 2021	June 3, 2022 –	12.480	859,600	-	-	-	859,600	
	June 2, 2031							
June 10, 2022	June 10, 2023 –	4.330	-	1,976,400	-	-	1,976,400	
	June 9, 2032							
Sub-total (Directors)				16,837,600	1,976,400	-	-	18,814,000
Employees	February 26, 2013	February 25, 2014 –	18.740	50,000	-	-	-	50,000
		February 26, 2023						
	May 15, 2013	May 14, 2014 –	20.350	25,000	-	-	-	25,000
		May 15, 2023						
	February 24, 2014	February 23, 2015 –	32.250	700,000	-	-	-	700,000
		February 24, 2024						
	June 3, 2014	June 2, 2015 –	26.850	9,050,000	-	-	(1,795,000)	7,255,000
		June 2, 2024						
	August 15, 2014	August 15, 2015 –	26.350	100,000	-	-	-	100,000
		August 14, 2024						
	November 17, 2014	November 17, 2015 –	24.120	800,000	-	-	-	800,000
		November 16, 2024						
	February 25, 2015	February 25, 2016 –	19.240	162,500	-	-	(62,500)	100,000
		February 24, 2025						
	May 15, 2015	May 15, 2016 –	15.100	120,000	-	-	-	120,000
		May 14, 2025						
	June 3, 2015	June 3, 2016 –	14.090	4,265,288	-	-	(625,600)	3,639,688
		June 2, 2025						
	August 17, 2015	August 17, 2016 –	16.470	135,000	-	-	-	135,000
		August 16, 2025						
	November 16, 2015	November 16, 2016 –	11.450	715,000	-	-	-	715,000
		November 15, 2025						
	February 23, 2016	February 23, 2017 –	9.130	135,000	-	-	-	135,000
February 22, 2026								
May 16, 2016	May 16, 2017 –	10.480	137,500	-	-	-	137,500	
	May 15, 2026							
June 3, 2016	June 3, 2017 –	10.900	4,164,900	-	-	(484,800)	3,680,100	
	June 2, 2026							
August 23, 2016	August 23, 2017 –	11.740	5,595,600	-	-	(856,700)	4,738,900	
	August 22, 2026							
November 15, 2016	November 15, 2017 –	14.650	300,000	-	-	(50,000)	250,000	
	November 14, 2026							
February 21, 2017	February 21, 2018 –	14.500	825,000	-	-	-	825,000	
	February 20, 2027							
May 15, 2017	May 15, 2018 –	16.990	370,000	-	-	(110,000)	260,000	
	May 14, 2027							

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	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	5,738,100	-	-	(875,200)	4,862,900
		August 15, 2018 - August 14, 2027	15.910	250,000	-	-	-	250,000
	August 15, 2017	November 15, 2018 - November 14, 2027	19.240	300,000	-	-	-	300,000
		February 23, 2019 - February 22, 2028	23.200	830,000	-	-	-	830,000
	November 15, 2017	May 15, 2019 - May 14, 2028	23.130	200,000	-	-	(200,000)	-
		June 4, 2019 - June 3, 2028	22.510	4,478,500	-	-	(363,300)	4,115,200
	February 23, 2018	August 15, 2019 - August 14, 2028	15.932	100,000	-	-	-	100,000
		November 15, 2019 - November 14, 2028	11.940	50,000	-	-	-	50,000
	August 15, 2018	April 4, 2020 - April 3, 2029	17.500	50,000	-	-	-	50,000
		May 15, 2020 - May 14, 2029	14.292	340,000	-	-	-	340,000
	November 15, 2018	June 6, 2020 - June 5, 2029	11.744	8,740,000	-	-	(777,000)	7,963,000
		August 15, 2020 - August 14, 2029	11.564	267,500	-	-	-	267,500
	April 4, 2019	November 15, 2020 - November 14, 2029	12.176	150,000	-	-	-	150,000
		April 1, 2021 - March 31, 2030	7.976	130,000	-	-	-	130,000
	May 15, 2019	May 15, 2021 - May 14, 2030	9.316	160,000	-	-	-	160,000
		June 3, 2021 - June 2, 2030	9.470	13,369,200	-	-	(934,300)	12,434,900
	June 6, 2019	August 17, 2021 - August 16, 2030	10.380	120,000	-	-	-	120,000
		November 16, 2020 - November 15, 2030	15.620	2,249,400	-	-	(395,400)	1,854,000
	August 15, 2019	November 16, 2020 - November 15, 2030	15.120	625,000	-	-	-	625,000
		March 15, 2022 - March 14, 2031	13.860	200,000	-	-	(200,000)	-
	November 15, 2019	December 31, 2021 - May 2, 2031	12.672	1,393,600	-	-	(54,000)	1,339,600
		May 17, 2022 - May 16, 2031	11.312	290,000	-	-	-	290,000
	April 1, 2020	June 3, 2022 - June 2, 2031	12.480	11,398,000	-	-	(669,600)	10,728,400
		August 16, 2022 - August 15, 2031	8.256	250,000	-	-	-	250,000
	May 15, 2020	March 11, 2023 - March 10, 2032	4.626	-	660,000	-	(60,000)	600,000
		May 16, 2023 - May 15, 2032	4.146	-	480,000	-	-	480,000
	June 3, 2020	June 10, 2023 - June 9, 2032	4.330	-	-	26,638,000	-	(238,400)
Sub-total (Employees)				79,330,088	27,778,000	-	(8,751,800)	98,356,288

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

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	
Consultant	June 3, 2014	June 2, 2015 –	26.850	400,000	-	-	-	400,000
		June 3, 2016 –						
	June 3, 2015	June 2, 2024	14.090	478,800	-	-	-	478,800
		June 3, 2017 –						
	June 3, 2016	June 2, 2026	10.900	550,000	-	-	-	550,000
		August 23, 2017 –						
	August 23, 2016	August 22, 2026	11.740	263,600	-	-	-	263,600
		June 5, 2018 -						
	June 5, 2017	June 4, 2027	17.132	214,800	-	-	-	214,800
		June 4, 2019 –						
June 4, 2018	June 3, 2028	22.510	153,600	-	-	-	153,600	
	June 6, 2020 –							
June 6, 2019	June 5, 2029	11.744	275,200	-	-	-	275,200	
	November 16, 2021 –							
November 16, 2020	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

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	Granted during the year	Number of share options			Outstanding at December 31, 2021	
						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 2, 2015 – June 2, 2024	26.850	3,200,000	-	-	-	-	3,200,000	
	June 3, 2014	June 3, 2016 – June 2, 2025	14.090	2,753,600	-	-	-	-	2,753,600	
		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 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 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 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 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)	-
August 31, 2012 – May 10, 2021			14.780	750,000	-	-	(750,000)	-	-	
September 1, 2011		February 25, 2014 – February 26, 2023	18.740	50,000	-	-	-	-	50,000	
February 26, 2013		May 14, 2014 – May 15, 2023	20.350	25,000	-	-	-	-	25,000	
		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, 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, 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, 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	
		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, 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	

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	Granted during the year	Number of share options			Outstanding at December 31, 2021
						Exercised during the year	Forfeited during the year	Expired during the year	
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,782,400	-	(339,100)	(847,700)	-	5,595,600
		November 15, 2017 – November 14, 2026	14.650	300,000	-	-	-	-	300,000
	November 15, 2016	February 21, 2018 – February 20, 2027	14.500	937,500	-	-	(112,500)	-	825,000
		May 15, 2018 – May 14, 2027	16.990	370,000	-	-	-	-	370,000
	February 21, 2017	June 5, 2018 – June 4, 2027	17.132	6,524,700	-	-	(786,600)	-	5,738,100
		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, 2019 – February 22, 2028	23.200	830,000	-	-	-	-	830,000
	February 23, 2018	May 15, 2019 – May 14, 2028	23.130	200,000	-	-	-	-	200,000
		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, 2019 – November 14, 2028	11.940	50,000	-	-	-	-	50,000
	November 15, 2018	April 4, 2020 – April 3, 2029	17.500	50,000	-	-	-	-	50,000
		May 15, 2020 – May 14, 2029	14.292	420,000	-	-	(80,000)	-	340,000
	June 4, 2018	June 6, 2020 – June 5, 2029	11.744	9,688,100	-	(210,000)	(738,100)	-	8,740,000
		August 15, 2020 – August 14, 2029	11.564	330,000	-	(12,500)	(50,000)	-	267,500
	August 15, 2019	November 15, 2020 – November 14, 2029	12.176	150,000	-	-	-	-	150,000
		April 1, 2021 – March 31, 2030	7.976	180,000	-	(12,500)	(37,500)	-	130,000
	April 1, 2020	May 15, 2021 – May 14, 2030	9.316	160,000	-	-	-	-	160,000
		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
		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, 2022 – March 14, 2031	13.860	-	200,000	-	-	-	200,000
	March 15, 2021	December 31, 2021 – May 2, 2031	12.672	-	1,422,800	-	(29,200)	-	1,393,600
		May 17, 2022 – May 16, 2031	11.312	-	290,000	-	-	-	290,000
	May 17, 2021	June 3, 2022 – June 2, 2031	12.480	-	11,439,600	-	(41,600)	-	11,398,000
		August 16, 2022 – August 15, 2031	8.256	-	250,000	-	-	-	250,000
	August 16, 2021								
	Sub-total (Employees)				79,288,888	13,602,400	(3,337,500)	(8,493,700)	(1,730,000)

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	Granted during the year	Number of share options			Outstanding at December 31, 2021
						Exercised during the year	Forfeited during the year	Expired during the year	
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,	
	<u>2022</u>	<u>2021</u>
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.

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

	<u>2022</u> HK\$'000	<u>2021</u> 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
	<u>7,975,871</u>	<u>3,424,534</u>
	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
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
Subtotal	<u>33,877,375</u>	<u>25,387,273</u>
Lease liabilities	<u>191,837</u>	<u>216,069</u>
	<u>34,069,212</u>	<u>25,603,342</u>

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from 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.

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 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	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
<u>As at December 31, 2022</u>						
Casino receivables (i)	219,260	(67,387)	151,873	-	-	151,873
<u>As at December 31, 2022</u>						
	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<u>As at December 31, 2022</u>						
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
<u>As at December 31, 2021</u>						
	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
<u>As at December 31, 2021</u>						
Casino receivables (i)	244,784	(35,034)	209,750	-	-	209,750
<u>As at December 31, 2021</u>						
	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	<u>Related amounts not set off in the consolidated statement of financial position</u>		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
<u>As at December 31, 2021</u>						
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.

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:

26. FINANCIAL INSTRUMENTS – continued

Market risk – continued

Foreign currency risk management – continued

Assets

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
US\$ denominated	28,356	46,213

Liabilities

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
US\$ denominated	21,519,680	21,541,417

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.

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.

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.

26. FINANCIAL INSTRUMENTS – continued

Credit risk – continued

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.

Provision matrix – debtors' aging	Loss rate	Net receivable amount	
		<u>2022</u> HK\$'000	<u>2021</u> 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
		<u>234,718</u>	<u>254,253</u>

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

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

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 <u>1 month</u> HK\$'000	1-3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1-5 <u>years</u> HK\$'000	Over 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000	Carrying <u>amount</u> HK\$'000
<u>As at December 31, 2022</u>							
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	-
	<u>2,092,618</u>	<u>259,349</u>	<u>1,789,827</u>	<u>35,767,816</u>	<u>378,476</u>	<u>40,288,086</u>	<u>34,069,212</u>

	Repayable on demand or less than <u>1 month</u> HK\$'000	1-3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1-5 <u>years</u> HK\$'000	Over 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000	Carrying <u>amount</u> HK\$'000
<u>As at December 31, 2021</u>							
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	-
	<u>2,233,017</u>	<u>291,999</u>	<u>1,484,870</u>	<u>22,079,467</u>	<u>6,372,941</u>	<u>32,462,294</u>	<u>25,603,342</u>

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. FINANCIAL INSTRUMENTS - continued

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

	<u>Borrowings</u> HK\$'000	Interest payable ⁽ⁱ⁾ HK\$'000	Lease liabilities HK\$'000	<u>Total</u> 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	<u>32,725,136</u>	<u>237,429</u>	<u>191,837</u>	<u>33,154,402</u>

⁽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.

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 COTAI 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 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.

29. LEGAL PROCEEDINGS - continued

a) Legal proceedings related to cash deposits with gaming promoters - continued

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.

b) Legal proceedings related to criminal activities by a gaming promoter

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:

	<u>2022</u>	<u>2021</u>
	HK\$'000	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).

31. OTHER COMMITMENTS - continued

Concession Contract – continued

- 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.

- 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.

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:

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Within 30 days	22,474	18,332

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

<u>Related parties</u>	<u>Type of transaction</u>	<u>2022</u> HK\$'000	<u>2021</u> 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 Finance cost ⁽¹⁾	1,189 8,375	3,363 -
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
		=====	=====

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.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

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

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

33. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 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
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

33. SUBSIDIARIES - continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2022	December 31, 2021	
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
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

	<u>2022</u> HK\$'000	<u>2021</u> 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	<u>53,123,499</u>	<u>45,068,370</u>
Current assets		
Prepayments	2,384	2,357
Amounts due from subsidiaries	-	4
Cash and cash equivalents	108,909	60,455
Total current assets	<u>111,293</u>	<u>62,816</u>
TOTAL ASSETS	<u><u>53,234,792</u></u>	<u><u>45,131,186</u></u>
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	<u>20,150,631</u>	<u>20,801,685</u>
LIABILITIES		
Non-current liabilities		
Borrowings	32,725,136	23,929,106
Amounts due to subsidiaries	-	83,369
Total non-current liabilities	<u>32,725,136</u>	<u>24,012,475</u>
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	<u>359,025</u>	<u>317,026</u>
TOTAL LIABILITIES	<u>33,084,161</u>	<u>24,329,501</u>
TOTAL EQUITY AND LIABILITIES	<u><u>53,234,792</u></u>	<u><u>45,131,186</u></u>

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

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

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	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

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

Consolidated Financial Statements
For the year ended December 31, 2021

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 7 to 84, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loss allowance of trade receivables <p>We have identified the loss allowance of trade receivables, of approximately HK\$244.1 million as at December 31, 2021 as a key audit matter due to the inherent level of uncertainty in the estimation of expected credit loss that requires significant accounting estimates and judgment by the Group's management.</p> <p>As disclosed in note 19 to the consolidated financial statements, trade receivables mainly consist of casino receivables. As further disclosed in note 26 to the consolidated financial statements, for credit-impaired debtors, the Group performed an impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers including the impact of the coronavirus disease pandemic on the customers' ability to settle. For non-credit-impaired debtors, the Group used debtors' aging to assess the impairment for trade receivables based upon provision matrix. The loss rates are determined based upon historical observed default rates over the expected life of the receivables and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort.</p> <p>The Group has recognized impairment losses on trade receivables of approximately HK\$125.1 million for the year ended December 31, 2021.</p>	<p>Our procedures in relation to the loss allowance of trade receivables included:</p> <ul style="list-style-type: none">• 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 relating to the financial standing 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 age analysis used by the management to develop the provision matrix, by testing the age of the trade receivables as at December 31, 2021, on a sample basis, against the relevant marker issuance date.

Classification of borrowings

We have identified the classification of borrowings as a key audit matter due to the critical judgments involved in the Group management's interpretation and application of International Accounting Standard 1 Presentation of Financial Statements ("IAS 1").

As disclosed in note 1 to the consolidated financial statements, gaming in Macau is administered by the Macau Special Administrative Region Government through concessions awarded to three different concessionaires and three sub-concessionaires, of which a subsidiary of the Company, MGM Grand Paradise Limited ("MGM Grand Paradise") is one. Similar to other concessionaires/sub-concessionaires, the sub-concession extension contract of MGM Grand Paradise (the "Sub-Concession") is due to expire on June 26, 2022. Accordingly, this may result in a special put option triggering event under the unsecured senior notes and events of default under the unsecured revolving credit facilities as described in note 21 to the consolidated financial statements.

As disclosed in note 21 to the consolidated financial statements, the Group's unsecured borrowings included credit facilities and senior notes and the Group classified (i) unsecured senior notes with an aggregate carrying value of approximately HK\$21,440.7 million, before the net of debt finance costs (the "Unsecured Senior Notes"), and (ii) HK\$2,810.0 million, before the net of debt finance costs in loans outstanding under the Group's unsecured revolving credit facility and second revolving credit facility (the "Unsecured Credit Facilities") as non-current liabilities as of December 31, 2021. The classification of the Unsecured Senior Notes and Unsecured Credit Facilities involved significant management's judgment and an increased extent of management's effort, as this classification is, dependent upon whether the Group has the unconditional right to defer settlement of the liability for a 12 month period from the end of the reporting period as disclosed in note 4 to the consolidated financial statements.

Our procedures in relation to the classification of borrowings included:

- Reading copies of the unsecured senior notes' indentures and the unsecured credit facilities agreement and understanding the terms of the special put option and clauses on events of default to assess their impact on the classification of the Unsecured Senior Notes and Unsecured Credit Facilities;
- Obtaining an understanding of controls over the Group's management's process to determine the classification of these borrowings, including such controls over identifying and assessing applicable authoritative accounting standards and related interpretive literature;
- Assessing the Group management's judgment on the interpretation and application of IAS 1 regarding the classification of the Unsecured Senior Notes and Unsecured Credit Facilities with the involvement of our internal subject matter experts; and
- Evaluating the appropriateness of the Group's disclosures related to the management's judgment pertaining to the classification of borrowings.

As disclosed in notes 4 and 21 to the consolidated financial statements, the Unsecured Senior Notes and Unsecured Credit Facilities have been classified as non-current liabilities by management of the Group on the basis that the special put option under the Unsecured Senior Notes and the event of default relating to the loss of the Sub-concession under the Unsecured Credit Facilities are considered to be future uncertain events that had not been triggered or breached as at December 31, 2021.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

The engagement partner on the audit resulting in the independent auditor's report is Lau Kai Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 10, 2022

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2021

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

The consolidated financial statements on pages 7 to 84 were approved and authorized for issue by the Board of Directors on March 10, 2022 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

	NOTES	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000 Note 23	Other reserves HK\$'000 Note 23	Currency translation reserves HK\$'000	Retained earnings/(accumulated losses) HK\$'000	Share premium and reserves/(deficit) total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2020		3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134
Loss for the year		-	-	-	-	-	-	-	(5,201,531)	(5,201,531)	(5,201,531)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	5,212	-	5,212	5,212
Total comprehensive income/(loss)		-	-	-	-	-	-	5,212	(5,201,531)	(5,196,319)	(5,196,319)
Transfer to legal reserve		-	-	-	-	-	1,372	-	(1,372)	-	-
Exercise of share options	23&24	349	4,711	-	(1,184)	-	-	-	-	3,527	3,876
Share repurchase and cancellation											
- repurchases of Shares	23	(349)	(2,861)	-	-	-	-	-	-	(2,861)	(3,210)
- transfer	23	-	-	349	-	-	-	-	(349)	-	-
Forfeiture of share options	24	-	-	-	(15,034)	-	-	-	15,034	-	-
Recognition of share-based payments	24	-	-	-	68,583	-	-	-	-	68,583	68,583
Dividends paid	14	-	-	-	-	-	-	-	(315,400)	(315,400)	(315,400)
At December 31, 2020 and January 1, 2021		3,800,000	10,406,223	14,729	522,507	293,725	(13,131,933)	2,565	3,109,848	1,217,664	5,017,664
Loss for the year		-	-	-	-	-	-	-	(3,846,616)	(3,846,616)	(3,846,616)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	2,213	-	2,213	2,213
Total comprehensive income/(loss)		-	-	-	-	-	-	2,213	(3,846,616)	(3,844,403)	(3,844,403)
Transfer to legal reserve		-	-	-	-	-	606	-	(606)	-	-
Exercise of share options	23&24	8,979	121,830	-	(30,773)	-	-	-	-	91,057	100,036
Share repurchase and cancellation											
- repurchases of Shares	23	(8,979)	(119,044)	-	-	-	-	-	-	(119,044)	(128,023)
- transfer	23	-	-	8,979	-	-	-	-	(8,979)	-	-
Forfeiture and expiry of share options	24	-	-	-	(97,694)	-	-	-	97,694	-	-
Recognition of share-based payments	24	-	-	-	51,642	-	-	-	-	51,642	51,642
At December 31, 2021		3,800,000	10,409,009	23,708	445,682	293,725	(13,131,327)	4,778	(648,659)	(2,603,084)	1,196,916

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. GENERAL

MGM China Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company's Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company's immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau.

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

Gaming Sub-Concession

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

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

1. GENERAL – continued

Gaming Sub-Concession - continued

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

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

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

Impact of COVID-19

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. As a result, China's individual visa scheme was temporarily suspended and all operations at MGM MACAU and MGM COTAI were suspended for a 15-day period that commenced on February 5, 2020, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, although certain health safeguards, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect at the date of this report.

Since July 15, 2020, certain travel restrictions such as the medical observation period have been eased between cities in mainland China and Macau, subject to other COVID-19 safeguards measures. Additionally, tourist visa issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively.

1. GENERAL – continued

Impact of COVID-19 – continued

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

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

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

Further to the mitigating measures taken in 2020 to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, the Group has undertaken the following initiatives:

- on February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 21;
- on March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million and a final maturity date of February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$11.21 billion after the repayment) and for general corporate purposes. The 2027 Notes were listed on the Hong Kong Stock Exchange on March 31, 2021 and on Chongwa (Macao) Financial Asset Exchange Co., Limited on May 17, 2021; and
- on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 21.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied for the first time the following amendments to IFRS relevant to the Group:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to IFRS 16 *COVID-19 Related Rent Concessions beyond June 30, 2021* in the current year. The application of the above amendments to IFRS in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue not yet adopted

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 17	Insurance Contracts and the related Amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework 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 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 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, 2022

³ Effective for annual periods beginning on or after January 1, 2023

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS on the historical cost basis of accounting. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

As described in note 1, the Sub-Concession Extension Contract has an expiry date of June 26, 2022 which falls within twelve months from the end of the reporting period. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's assessment of key variables including future economic conditions (in particular, the expected duration of the impact of COVID-19); competition in Macau including opening of new properties; and the regulatory environment (including an extension of the gaming sub-concession and/or an award of a new gaming concession). The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 21) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

Significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary services provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the amount collected from the customer for such goods and services net of discounts. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

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

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets (other than financial assets) - continued

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

Taxation

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Other assets

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

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

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies, restricted cash and cash and cash equivalents.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies, restricted cash and cash and cash equivalents). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets - continued

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.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data and forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Financial liabilities

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities - continued

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

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

Non-substantial modifications of financial liabilities

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance; and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

3. BASIS OF PREPARATION AND 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 lease of low-value

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

Right-of-use assets

The cost of right-of-use 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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

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.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION AND 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.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions - continued

Share options granted to Directors and employees of the Group - continued

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings/accumulated losses.

When the terms of an equity-settled award are modified, the fair value of original share options granted at the original grant date continues to expense over the original vesting period. An additional expense, measured at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee over the modified vesting period. Where an award is cancelled by the entity or by the counterparty, any unrecognised element of the fair value of the award is expensed immediately through profit or loss.

Share options granted to consultants of the Group

Share options issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case they are measured by reference to the fair value of the share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical judgment in applying the Group's accounting policies

Classification of borrowings

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

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

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 significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts.

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

No impairment loss was recognized as the recoverable amounts of the assets are greater than the carrying value. Changes in the key assumptions and estimates on which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Key sources of estimation uncertainty - continued

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.

Useful lives of property and equipment

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

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

5. SEGMENT INFORMATION

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

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

Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment. Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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:

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

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

Almost all of the non-current assets of the Group are located in Macau.

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentarys and other incentives. Casino revenue comprises:

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

Other revenue comprises:

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

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from customers and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned and (3) customer advances and other, which are primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within "payables and accrued charges" in the consolidated statement of financial position.

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

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

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

7. GAMING TAXES

According to the Sub-Concession Contract, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated.

8. STAFF COSTS

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

Defined contribution plan

Prior to May 2019, the Group operated a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for eligible Macau resident employees to join the non-mandatory central provident fund (the "CPF") system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group's existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to full vesting of their contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$8.3 million (2020: HK\$5.7 million).

The total expense recognized in the profit or loss of HK\$98.2 million (2020: HK\$103.8 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan during the year ended December 31, 2021. As at December 31, 2021, contributions of approximately HK\$18.0 million (2020: HK\$17.8 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

9. OTHER EXPENSES AND LOSSES

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

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

10. DEPRECIATION AND AMORTIZATION

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

11. FINANCE COSTS

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

12. INCOME TAX EXPENSE

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

Pursuant to approval notices issued by the Macau Government, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to June 26, 2022 the date upon which the Sub-Concession Extension Contract expires. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior years.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 (2020: MOP13,805,000, equivalent to approximately HK\$13,403,000) in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years.

Hong Kong Profits Tax is calculated at the maximum rate of 16.5% of the estimated assessable profit for the current and prior years. Taxation assessable on profit generated in mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 15% to 20%.

12. INCOME TAX EXPENSE – continued

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

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

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

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

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

No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

	<u>Fees</u> HK\$'000	Salary and other <u>benefits</u> HK\$'000	Contributions to retirement <u>benefits scheme</u> HK\$'000	Share-based <u>payments</u> HK\$'000	Discretionary and performance related <u>incentive</u> <u>payments</u> ⁽ⁱ⁾ HK\$'000	<u>Total</u> HK\$'000
Year ended December 31, 2021						
<i>Executive Directors</i> ⁽¹⁾ :						
William Joseph Hornbuckle	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
John M. McManus	-	-	-	-	-	-
<i>Non-executive Directors</i> :						
Kenneth Xiaofeng Feng ⁽²⁾	-	5,060	134	4,228	3,498	12,920
Daniel J. Taylor	-	-	-	-	-	-
Ayesha Khanna Molino	-	-	-	-	-	-
Jonathan S. Halkyard ⁽³⁾	-	-	-	-	-	-
James Freeman ⁽⁴⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors</i> ⁽⁵⁾ :						
Sze Wan Patricia Lam	855	-	-	-	-	855
Russell Francis Banham	1,166	-	-	-	-	1,166
Simon Meng	792	-	-	-	-	792
Chee Ming Liu ⁽⁶⁾	418	-	-	-	-	418
Zhe Sun ⁽⁷⁾	349	-	-	-	-	349
Total emoluments	<u>3,580</u>	<u>5,060</u>	<u>134</u>	<u>4,228</u>	<u>3,498</u>	<u>16,500</u>
Year ended December 31, 2020						
<i>Executive Directors</i> ⁽¹⁾ :						
William Joseph Hornbuckle	-	-	-	-	-	-
Pansy Ho	-	-	-	-	-	-
Chen Yau Wong	-	-	-	-	-	-
John M. McManus ⁽⁸⁾	-	-	-	-	-	-
James Joseph Murren ⁽⁹⁾	-	-	-	-	-	-
Grant R. Bowie (<i>Chief executive officer</i>) ⁽¹⁰⁾	-	18,012	1,361	19,635	-	39,008
<i>Non-executive Directors</i> :						
Kenneth Xiaofeng Feng ⁽²⁾	-	4,530	125	2,818	1,749	9,222
James Freeman	-	-	-	-	-	-
Daniel J. Taylor ⁽¹¹⁾	-	-	-	-	-	-
Ayesha Khanna Molino ⁽¹²⁾	-	-	-	-	-	-
<i>Independent Non-executive Directors</i> ⁽⁵⁾ :						
Zhe Sun	796	-	-	-	-	796
Sze Wan Patricia Lam	796	-	-	-	-	796
Russell Francis Banham	1,086	-	-	-	-	1,086
Simon Meng	652	-	-	-	-	652
Total emoluments	<u>3,330</u>	<u>22,542</u>	<u>1,486</u>	<u>22,453</u>	<u>1,749</u>	<u>51,560</u>

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

Notes:

- (1) *The executive Directors' emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.*
- (2) *The emoluments and retirement benefits paid or payable to Kenneth Xiaofeng Feng was for his services in connection with the management of the affairs of the Group.*
- (3) *Jonathan S. Halkyard was appointed as a non-executive Director with effect from June 29, 2021.*
- (4) *James Freeman resigned as a non-executive Director with effect from June 29, 2021.*
- (5) *The independent non-executive Directors' emoluments were for services as Directors of the Company.*
- (6) *Chee Ming Liu was appointed as an independent non-executive Director with effect from May 27, 2021.*
- (7) *Zhe Sun retired as an independent non-executive Director with effect from May 27, 2021.*
- (8) *John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.*
- (9) *James Joseph Murren resigned as a chairperson and executive Director with effect from March 26, 2020.*
- (10) *Grant R. Bowie resigned as a chief executive officer on May 11, 2020 with effect from May 31, 2020 and resigned as an executive Director with effect from August 6, 2020. Mr. Bowie remains as an advisor of the Company for a period up to December 31, 2022.*
- (11) *Daniel J. Taylor was appointed as a non-executive Director with effect from March 26, 2020.*
- (12) *Ayesha Khanna Molino was appointed as a non-executive Director with effect from August 6, 2020.*

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

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

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

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

Their emoluments were within the following bands:

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

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2021 and 2020.

Note:

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

14. DIVIDENDS

On May 28, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 19, 2020.

The Board did not recommend an interim dividend payment for the six months ended June 30, 2021 and 2020, nor a final dividend payment for the year ended December 31, 2020.

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

15. LOSS PER SHARE

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

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

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

16. PROPERTY AND EQUIPMENT

	<u>Buildings and improvements</u> HK\$'000	<u>Leasehold improvements</u> HK\$'000	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Gaming machines and equipment</u> HK\$'000	<u>Computer equipment and software</u> HK\$'000	<u>Art works and paintings</u> HK\$'000	<u>Vehicles</u> HK\$'000	<u>Construction in progress</u> HK\$'000	<u>Grand total</u> HK\$'000
COST									
At January 1, 2020	29,264,987	2,153,538	2,759,149	863,551	859,979	252,721	51,363	104,396	36,309,684
Additions	25,652	735	17,526	20,979	6,867	298	-	449,247	521,304
Transfers from construction in progress	71,065	-	25,070	45,964	2,441	-	-	(144,540)	-
Disposal/write-off	(13,093)	(3,080)	(6,128)	(18,182)	(3,778)	-	-	(6,283)	(50,544)
Exchange difference	-	2,377	886	-	253	-	-	-	3,516
At December 31, 2020 and January 1, 2021	29,348,611	2,153,570	2,796,503	912,312	865,762	253,019	51,363	402,820	36,783,960
Additions	2,945	-	32,330	21,527	31,052	12,871	5,800	352,272	458,797
Transfers from construction in progress	567,803	36	56,781	23,094	21,483	-	-	(669,197)	-
Disposal/write-off	(66,011)	(22,990)	(28,531)	(37,184)	(6,839)	-	-	(2,532)	(164,087)
Exchange difference	-	990	363	-	105	-	-	-	1,458
At December 31, 2021	29,853,348	2,131,606	2,857,446	919,749	911,563	265,890	57,163	83,363	37,080,128
DEPRECIATION									
At January 1, 2020	(5,119,624)	(2,061,447)	(1,290,464)	(489,785)	(616,099)	-	(23,926)	-	(9,601,345)
Eliminated on disposal/write-off	2,128	3,052	5,044	15,489	3,776	-	-	-	29,489
Charge for the year	(1,435,085)	(20,764)	(472,844)	(136,002)	(186,912)	-	(8,045)	-	(2,259,652)
Exchange difference	-	(1,800)	(616)	-	(253)	-	-	-	(2,669)
At December 31, 2020 and January 1, 2021	(6,552,581)	(2,080,959)	(1,758,880)	(610,298)	(799,488)	-	(31,971)	-	(11,834,177)
Eliminated on disposal/write-off	46,324	22,590	26,402	36,418	6,829	-	-	-	138,563
Charge for the year	(1,333,213)	(16,288)	(437,340)	(126,415)	(63,975)	-	(8,915)	-	(1,986,146)
Exchange difference	-	(864)	(295)	-	(104)	-	-	-	(1,263)
At December 31, 2021	(7,839,470)	(2,075,521)	(2,170,113)	(700,295)	(856,738)	-	(40,886)	-	(13,683,023)
CARRYING AMOUNT									
At December 31, 2021	22,013,878	56,085	687,333	219,454	54,825	265,890	16,277	83,363	23,397,105
At December 31, 2020	22,796,030	72,611	1,037,623	302,014	66,274	253,019	19,392	402,820	24,949,783

17. LEASES

The Group as a lessee

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5 years, but may have extension options as described below.

Information about leases for which the Group is a lessee is presented below.

	<u>Right-of-use assets</u>			
	Leasehold land HK\$'000	Buildings HK\$'000	Equipment and others HK\$'000	Total HK\$'000
At January 1, 2020	1,303,378	39,765	39,314	1,382,457
Addition	-	9,809	12,797	22,606
Depreciation charge	(36,960)	(23,023)	(18,759)	(78,742)
Foreign exchange difference	-	572	-	572
At December 31, 2020 and January 1, 2021	<u>1,266,418</u>	<u>27,123</u>	<u>33,352</u>	<u>1,326,893</u>
Addition	-	28,975	2,264	31,239
Depreciation charge	(36,959)	(24,089)	(9,414)	(70,462)
Foreign exchange difference	-	276	-	276
At December 31, 2021	<u><u>1,229,459</u></u>	<u><u>32,285</u></u>	<u><u>26,202</u></u>	<u><u>1,287,946</u></u>

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

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

17. LEASES - continued

The Group as a lessee - continued

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

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

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

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

Apart from the land concession contracts, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to future lease payments pertaining to extension options which the Group is not reasonably certain to exercise is HK\$38.0 million (2020: HK\$39.6 million).

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2021 and 2020, there was no such triggering event.

As at December 31, 2021 and 2020, there are no lease contracts that contain residual value guarantees provided to the lessor or leases which are not yet commenced.

The Group as the grantor of the right of use

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers.

The following are the amounts recognized in profit or loss:

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

17. LEASES - continued

The Group as the grantor of the right of use - continued

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

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

18. SUB-CONCESSION PREMIUM

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

19. TRADE RECEIVABLES

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

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

Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Trade receivables from hotel customers are not significant at the end of the reporting period.

As at January 1, 2020, trade receivables from contracts with customers amounted to HK\$531.9 million.

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

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

As at December 31, 2021, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$150.3 million (2020: HK\$156.9 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$118.9 million (2020: HK\$142.0 million) are 90 days past due or more and are not considered as in default. The Group's management considers that there is no default based upon the repayment history and creditworthiness of these individual customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2021 and 2020 are set out in note 26.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

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

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

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are placed for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2021 and 2020.

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

21. BORROWINGS

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

- entered into a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio; and
- the issuance of senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes.

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

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

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

21. BORROWINGS - continued

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. Interest on the 2024 Notes and 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million due June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

On March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

The 2024 Notes and the 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee. The 2025 and the 2027 Notes were issued pursuant to an indenture, dated June 18, 2020 and March 31, 2021, respectively, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The Unsecured Senior Notes are general unsecured obligations of the Company. The Unsecured Senior Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The Unsecured Senior Notes are subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing such debt and rank senior to all of the Company's future subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the Unsecured Senior Notes.

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.

21. BORROWINGS - continued

Unsecured Senior Notes – continued

Under the indentures of the Unsecured Senior Notes, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming license in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

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

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019.

On May 26, 2020, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a second unsecured revolving credit facility in an aggregate amount of HK\$2.34 billion with a final maturity date of May 15, 2024. The Company has the option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions. The Second Revolving Credit Facility is available for drawdown from the date of the agreement to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) has been fully drawn. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group. On June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

As at December 31, 2021, the Group had total available undrawn unsecured credit facilities of HK\$10.06 billion.

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Revolving Credit Facility and Second Revolving Credit Facility - continued

Principal and Interest

The Revolving Credit Facility and the Second Revolving Credit Facility bear interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio.

As at December 31, 2021, HK\$2.81 billion of the Revolving Credit Facility was drawn. HK\$6.94 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 2021, the Group paid interest at HIBOR plus 2.75% per annum (2020: HIBOR plus 2.75% per annum).

General Covenants

The Revolving Credit Facility and the Second Revolving Credit Facility contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the "Restricted Group") from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end. Under the Second Revolving Credit Facility, the Company must ensure that the leverage ratio does not, on each accounting date occurring on and after September 30, 2021, exceed 4.50 to 1.00. In addition, the Company must ensure that, on any accounting date occurring on and after September 30, 2021, the interest coverage ratio is not less than 2.50 to 1.

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

Revolving Credit Facility and Second Revolving Credit Facility - 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.

Compliance with Covenants

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

21. BORROWINGS - continued

Unsecured Credit Facilities - continued

Revolving Credit Facility and Second Revolving Credit Facility - continued

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.

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

Security and Guarantees

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

22. PAYABLES AND ACCRUED CHARGES

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

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

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

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

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

(a) Share capital

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

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

(b) Share premium and (deficit)/reserves

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 8,979,100 Shares (2020: 349,400) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2021. The premium of HK\$119.0 million (2020: HK\$2.9 million) paid on the repurchase of the 8,979,100 Shares (2020: 349,400) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$9.0 million (2020: HK\$0.3 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

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

(b) Share premium and (deficit)/reserves - continued

(i) – continued

Details of the repurchases during the years ended December 31, 2021 and 2020 are summarized as follows:

December 31, 2021

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share 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
	<u>8,979,100</u>			<u>128,023</u>

December 31, 2020

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

(ii) Equity reserve

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

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

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

(b) Share premium and (deficit)/reserves – continued

(iii) Other reserves

Other reserves of HK\$13,131.3 million as at December 31, 2021 (2020: HK\$13,131.9 million) comprise of the following:

- a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.
- c) Pursuant to Article 166 of the Company Law of the People's Republic of China, the Company's subsidiary incorporated in mainland China is required to transfer a minimum of 10% of the after tax profit to a legal reserve until that reserve equals 50% of its capital. During the year ended December 31, 2021, HK\$0.6 million (2020: HK\$1.4 million) was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

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).

24. SHARE-BASED PAYMENTS – continued

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

As at December 31, 2021, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 98,703,688 (2020: 107,437,088), representing approximately 2.6% (2020: 2.8%) of the Shares of the Company in issue at that date.

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, 2021

Type of participant	Date of grant	Exercisable period	Exercise price	Outstanding	Granted during the year	Number of share options			Outstanding at December 31, 2021
			per Share HK\$	at January 1, 2021		Exercised during the year	Forfeited during the year	Expired during the year	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	-	-	-	(3,500,000)	-
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	1,730,000	-	-	-	(1,730,000)	-
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	-	-	(750,000)	-	-
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	-	-	-	(775,000)	-
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	-	-	-	-	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	-	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	-	-	-	-	700,000
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	-	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	10,780,000	-	-	(1,730,000)	-	9,050,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	-	-	-	-	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	-	-	(80,000)	-	100,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	-	-	-	-	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	207,500	-	-	(45,000)	-	162,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	120,000	-	-	-	-	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	-	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,030,988	-	-	(765,700)	-	4,265,288
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	-	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	135,000	-	-	-	-	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	715,000	-	-	-	-	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	-	-	-	-	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	-	-	-	-	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	-	(3,535,200)	-	-	-
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	7,473,000	-	(2,736,000)	(572,100)	-	4,164,900
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	-	-	-	-	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	-	(2,106,400)	-	-	-
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,782,400	-	(339,100)	(847,700)	-	5,595,600
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	-	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	300,000	-	-	-	-	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	937,500	-	-	(112,500)	-	825,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	-	-	-	-	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	-	-	-	-	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	6,524,700	-	-	(786,600)	-	5,738,100

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	Granted during the year	Number of share options			Outstanding at December 31, 2021
						Exercised during the year	Forfeited during the year	Expired during the year	
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	-	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	250,000	-	-	-	-	250,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	300,000	-	-	-	-	300,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	830,000	-	-	-	-	830,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	200,000	-	-	-	-	200,000
Director	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	-	-	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	5,032,000	-	-	(553,500)	-	4,478,500
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	-	-	-	-	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	-	-	(100,000)	-	100,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	-	-	-	-	50,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	50,000	-	-	-	-	50,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	420,000	-	-	(80,000)	-	340,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	-	-	-	-	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	9,688,100	-	(210,000)	(738,100)	-	8,740,000
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	-	-	-	-	275,200
Employees	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	330,000	-	(12,500)	(50,000)	-	267,500
Director	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	-	-	-	-	1,000,000
Employees	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	150,000	-	-	-	-	150,000
Employees	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	180,000	-	(12,500)	(37,500)	-	130,000
Employees	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	160,000	-	-	-	-	160,000
Director	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	900,000	-	-	-	-	900,000
Employees	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	14,570,800	-	(27,400)	(1,174,200)	-	13,369,200
Employees	August 17, 2020	August 17, 2021 - August 16, 2030	10.380	120,000	-	-	-	-	120,000
Employees	November 16, 2020	November 16, 2021 - November 15, 2030	15.620	2,249,400	-	-	-	-	2,249,400
Employees	November 16, 2020	November 16, 2021 - November 15, 2030	15.120	625,000	-	-	-	-	625,000
Consultant	November 16, 2020	November 16, 2021 - November 15, 2030	11.240	200,000	-	-	-	-	200,000

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	Granted during the year	Number of share options			Outstanding at December 31, 2021
						Exercised during the year	Forfeited during the year	Expired during the year	
Employees	March 15, 2021	March 15, 2022 – March 14, 2031	13.860	-	200,000	-	-	-	200,000
Employees	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	-	1,422,800	-	(29,200)	-	1,393,600
Director	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	-	282,400	-	-	-	282,400
Employees	May 17, 2021	May 17, 2022 – May 16, 2031	11.312	-	290,000	-	-	-	290,000
Director	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	-	859,600	-	-	-	859,600
Employees	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	-	11,439,600	-	(41,600)	-	11,398,000
Employees	August 16, 2021	August 16, 2022 – August 15, 2031	8.256	-	250,000	-	-	-	250,000
				<u>107,437,088</u>	<u>14,744,400</u>	<u>(8,979,100)</u>	<u>(8,493,700)</u>	<u>(6,005,000)</u>	<u>98,703,688</u>
Weighted average exercise price per Share				<u>HK\$15.46</u>	<u>HK\$12.43</u>	<u>HK\$11.14</u>	<u>HK\$16.41</u>	<u>HK\$15.39</u>	<u>HK\$15.32</u>
Exercisable at end of the reporting period									<u>65,523,788</u>

December 31, 2020

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Granted during the year	Number of share options			Outstanding at December 31, 2020
						Exercised during the year	Forfeited during the year	Replacement during the year	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	-	-	-	-	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,109,400	-	-	(130,000)	(2,249,400) ⁽¹⁾	1,730,000
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	-	-	-	(625,000) ⁽¹⁾	-
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	-	-	-	-	750,000
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	-	-	-	-	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	-	-	-	-	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	-	-	-	-	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	-	-	-	-	700,000
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	-	-	-	-	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,350,000	-	-	(570,000)	-	10,780,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	-	-	-	-	400,000

24. SHARE-BASED PAYMENTS – continued

December 31, 2020 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Granted during the year	Number of share options			Outstanding at December 31, 2020
						Exercised during the year	Forfeited during the year	Replacement during the year	
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	-	-	-	-	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	-	-	-	-	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	257,500	-	-	(50,000)	-	207,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	170,000	-	-	(50,000)	-	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	-	-	-	-	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,164,388	-	-	(133,400)	-	5,030,988
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	-	-	-	-	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	285,000	-	-	(150,000)	-	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	780,000	-	-	(65,000)	-	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	-	-	-	-	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	-	-	-	-	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	-	-	-	-	3,535,200
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	8,064,600	-	(268,400)	(323,200)	-	7,473,000
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	-	-	-	-	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	-	-	-	-	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,972,200	-	(81,000)	(108,800)	-	6,782,400
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	-	-	-	-	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	350,000	-	-	(50,000)	-	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,275,000	-	-	(337,500)	-	937,500
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	-	-	-	-	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	-	-	-	-	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,196,100	-	-	(671,400)	-	6,524,700
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	-	-	-	-	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	330,000	-	-	(80,000)	-	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	362,500	-	-	(62,500)	-	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,165,000	-	-	(335,000)	-	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	-	-	(170,000)	-	200,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	-	-	-	-	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	5,955,400	-	-	(923,400)	-	5,032,000
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	-	-	-	-	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	-	-	-	-	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	-	-	-	-	50,000

24. SHARE-BASED PAYMENTS – continued

December 31, 2020 - continued

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Granted during the year	Number of share options			Outstanding at December 31, 2020
						Exercised during the year	Forfeited during the year	Replacement during the year	
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	150,000	-	-	(100,000)	-	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	500,000	-	-	(80,000)	-	420,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	-	-	-	-	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	11,679,600	-	-	(1,991,500)	-	9,688,100
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	275,200	-	-	-	-	275,200
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	410,000	-	-	(80,000)	-	330,000
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	-	-	-	-	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	200,000	-	-	(50,000)	-	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	-	180,000	-	-	-	180,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	-	220,000	-	(60,000)	-	160,000
Director	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	-	900,000	-	-	-	900,000
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	-	15,350,000	-	(779,200)	-	14,570,800
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	-	120,000	-	-	-	120,000
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.620	-	-	-	-	2,249,400 ⁽¹⁾	2,249,400
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.120	-	-	-	-	625,000 ⁽¹⁾	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	-	200,000	-	-	-	200,000
				<u>98,167,388</u>	<u>16,970,000</u>	<u>(349,400)</u>	<u>(7,350,900)</u>	<u>-</u>	<u>107,437,088</u>
Weighted average exercise price per Share				<u>HK\$16.51</u>	<u>HK\$9.48</u>	<u>HK\$11.09</u>	<u>HK\$15.89</u>	<u>HK\$15.51</u>	<u>HK\$15.46</u>
Exercisable at end of the reporting period									<u>73,032,788</u>

Note:

⁽¹⁾ On November 16, 2020, the Company granted share options to subscribe for a total of 2,249,400 Shares and 625,000 Shares (“Replacement Share Options”) to the relevant grantees under the share options granted on June 3, 2011 and August 22, 2011, respectively, as replacement of the respective share options which have not been exercised or lapsed since they were granted.

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

24. SHARE-BASED PAYMENTS – continued

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

	Year ended December 31,	
	<u>2021</u>	<u>2020</u>
Expected volatility	42.96%	43.32%
Expected life (years)	5.08	5.41
Risk-free annual interest rate	0.541%	0.569%
Expected dividends	1.67%	1.22%
Weighted average share price at the date of grant (HK\$)	12.39	9.73
Weighted average exercise price (HK\$)	12.43	10.35
Weighted average fair value of each share option granted by the Company (HK\$)	4.00	3.20

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The weighted-average share price at the date of exercise for share options exercised in 2021 was HK\$13.32 (2020: HK\$13.02).

The Group recognized a total expense of HK\$51.6 million (2020: HK\$68.6 million) for the year ended December 31, 2021 in relation to share options granted by the Company.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in note 21, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. As at December 31, 2021, the gearing ratio of the Group was 94.6% (2020: 78.7%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from 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.

26. FINANCIAL INSTRUMENTS – continued

Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements - continued

- (i) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$269.7 million (2020: HK\$292.0 million) in the consolidated statement of financial position as at December 31, 2021.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$3,027.0 million (2020: HK\$3,207.3 million) in the consolidated statement of financial position as at December 31, 2021.
- (iii) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$3,027.0 million (2020: HK\$3,207.3 million) in the consolidated statement of financial position as at December 31, 2021.

Financial risk management objectives

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

Market risk

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

Foreign currency risk management

The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the years ended December 31, 2021 and 2020. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including cash and cash equivalents) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

26. FINANCIAL INSTRUMENTS – continued

Market risk – continued

Foreign currency risk management – continued

Assets

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
US\$	46,213	122,974

Liabilities

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
US\$	21,541,417	15,433,088

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates.

As at December 31, 2021, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, loss for the year would have been higher by approximately HK\$215.0 million (2020: loss would be higher by HK\$153.1 million), mainly as a result of the translation of US\$ denominated Senior Notes (2020: same).

Interest rate risk

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

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings. In regard to the reform of interest rate benchmarks, the Hong Kong Monetary Authority acknowledged that HIBOR is still widely recognized as a credible and reliable benchmark and announced that there was no plan to discontinue HIBOR. Management does not expect significant risk exposure to the Group about reform of interest rate benchmarks.

26. FINANCIAL INSTRUMENTS – continued

Interest rate risk – continued

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2020: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2021, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$14.0 million (2020: HK\$29.8 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Credit risk

As at December 31, 2021 and 2020, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of provisions and contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

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

In order to minimize the credit risk with VIP gaming customers and gaming promoters, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For credit-impaired debtors, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers including the impact of the COVID-19 pandemic on the customers' ability to settle. For non-credit-impaired debtors, the Group uses debtors' aging to assess the impairment for trade receivables based upon provision matrix. The loss rates are reviewed based upon historical observed default rates over the expected life of the receivables and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group had collateral to mitigate the Group's exposure to credit risk for certain trade receivables. As at December 31, 2021, the collateral received led to a reduction in expected credit loss of HK\$10.7 million (December 31, 2020: nil) recognized in profit or loss. The Group does not hold other credit enhancements.

26. FINANCIAL INSTRUMENTS – continued

Credit risk – continued

For other receivables, no allowance for impairment was made since the management considers the probability of default is minimal after assessing the counterparties' financial background and creditability and/or exposure at default is minimal.

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

Provision matrix – debtors' aging	Loss rate	Net receivable amount	
		<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Current (not past due)	0% - 0.6%	119,405	135,175
1 – 90 days past due	7% - 20%	15,961	14,908
91 – 360 days past due	18% - 40%	84,443	101,029
More than 360 days past due	50% - 100%	34,444	40,928
		<u>254,253</u>	<u>292,040</u>

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

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
At January 1	144,808	122,298
Charge for the year, net	125,095	92,642
Amount written off, net	<u>(25,797)</u>	<u>(70,132)</u>
At December 31	<u>244,106</u>	<u>144,808</u>

Charge for the year ended December 31, 2021 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$439.0 million (2020: HK\$400.2 million). As at December 31, 2021, the Group has specifically provided HK\$152.6 million (2020: HK\$57.7 million) of loss allowance on credit-impaired debtors because of the long aged balance and increasing uncertainty on their financial standing. Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2021 and which are still subject to enforcement activity was HK\$29.4 million (2020: HK\$74.6 million).

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 <u>1 month</u> HK\$'000	1-3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1-5 <u>years</u> HK\$'000	Over 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000	Carrying <u>amount</u> HK\$'000
<u>As at December 31, 2021</u>							
Trade payables	34,437	-	-	-	-	34,437	34,437
Construction payables	5,538	-	-	-	-	5,538	5,538
Other payables	25,022	24,344	283,518	10,671	-	343,555	343,555
Other casino liabilities	5,371	-	-	-	-	5,371	5,371
Outstanding chips liabilities	366,993	-	-	-	-	366,993	366,993
Customer advances and other	646,470	-	-	-	-	646,470	646,470
Borrowings	15,774	261,933	1,152,655	22,001,808	5,986,327	29,418,497	23,929,106
Construction retention payable	16,931	-	19,540	1,000	-	37,471	37,471
Amounts due to related companies	18,332	-	-	-	-	18,332	18,332
Lease liabilities	2,912	5,722	29,157	65,988	386,614	490,393	216,069
Guarantee contracts (note 28)	1,095,237	-	-	-	-	1,095,237	-
	<u>2,233,017</u>	<u>291,999</u>	<u>1,484,870</u>	<u>22,079,467</u>	<u>6,372,941</u>	<u>32,462,294</u>	<u>25,603,342</u>

	Repayable on demand or less than <u>1 month</u> HK\$'000	1-3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1-5 <u>years</u> HK\$'000	Over 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000	Carrying <u>amount</u> HK\$'000
<u>As at December 31, 2020</u>							
Trade payables	36,582	-	-	-	-	36,582	36,582
Construction payables	4,166	-	-	-	-	4,166	4,166
Other payables	25,007	-	101,234	8,210	-	134,451	134,451
Other casino liabilities	62,349	-	-	-	-	62,349	62,349
Outstanding chips liabilities	1,031,086	-	-	-	-	1,031,086	1,031,086
Customer advances and other	606,237	-	-	-	-	606,237	606,237
Borrowings	36,162	29,569	1,065,884	19,200,874	5,985,481	26,317,970	21,155,040
Construction retention payable	6,323	501	28,426	10,932	-	46,182	46,182
Amounts due to related companies	18,244	-	-	-	-	18,244	18,244
Lease liabilities	3,254	6,014	32,914	65,860	394,753	502,795	216,936
Guarantee contracts (note 28)	1,095,237	-	-	-	-	1,095,237	-
	<u>2,924,647</u>	<u>36,084</u>	<u>1,228,458</u>	<u>19,285,876</u>	<u>6,380,234</u>	<u>29,855,299</u>	<u>23,311,273</u>

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. FINANCIAL INSTRUMENTS - continued

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<u>Borrowings</u>	<u>Interest payable</u>	<u>Dividend payable</u>	<u>Lease liabilities</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2020	16,604,526	98,826	-	236,469	16,939,821
Financing cashflows	4,539,190	(1,008,884)	(315,400)	(53,096)	3,161,810
Interest expenses	-	1,016,505	-	13,271	1,029,776
Amortization of debt finance costs	67,735	-	-	-	67,735
Dividend declared	-	-	315,400	-	315,400
New leases/lease modification	-	-	-	22,606	22,606
Effect of rent concessions and reduction	-	-	-	(3,019)	(3,019)
Foreign exchange difference	(56,693)	(1,156)	-	705	(57,144)
Other	282	-	-	-	282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2020 and January 1, 2021	21,155,040	105,291	-	216,936	21,477,267
Financing cashflows	2,563,060	(1,050,386)	-	(44,840)	1,467,834
Interest expenses	-	1,257,550	-	12,776	1,270,326
Amortization of debt finance costs	92,204	-	-	-	92,204
New leases/lease modification	-	-	-	31,239	31,239
Effect of rent concessions and reduction	-	-	-	(346)	(346)
Foreign exchange difference	118,802	2,721	-	304	121,827
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2021	<u>23,929,106</u>	<u>315,176</u>	<u>-</u>	<u>216,069</u>	<u>24,460,351</u>

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

28. PROVISIONS AND CONTINGENT LIABILITIES

a) Guarantees

As at December 31, 2021, the Group has given bank guarantees totaling HK\$1,095.2 million (2020: HK\$1,095.2 million) to certain parties, of which HK\$1,087.4 million (2020: HK\$1,087.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming sub-concession is not extended or renewed, subject to authorization of the Macau Government), HK\$4.0 million (2020: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements, HK\$0.6 million (2020: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (2020: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

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

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

Consequently, considering the similar nature of the three legal proceedings, the Group has estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 (2020: nil) in payables and accrued charges.

29. CAPITAL COMMITMENTS

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

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Contracted but not accounted for	<u>102,538</u>	<u>273,361</u>

30. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2021, the Group is obligated under its Sub-Concession Contract and Sub-Concession Extension Contract to make minimum future payments of approximately MOP83.5 million (equivalent to approximately HK\$81.1 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract if no further extension is awarded.

31. RELATED PARTY TRANSACTIONS

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

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.01 million (2020: HK\$0.5 million), and the ultimate holding company of the Company amounting to HK\$18.3 million (2020: HK\$17.8 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance based upon invoice date:

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Within 30 days	18,332	18,244

- (a)(iii) As at December 31, 2021, the Group had lease liabilities of HK\$4.2 million (2020: HK\$8.4 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

During the year ended December 31, 2021, the Group entered into several new lease agreements for the use of equipment (2020: building and equipment) for approximately 1-2 years (2020: approximately 1-2 years). Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group recognized an addition of right-of-use assets and lease liabilities of HK\$2.3 million (2020: HK\$7.3 million).

31. RELATED PARTY TRANSACTIONS - continued

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

<u>Related parties</u>	<u>Type of transaction</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises	39	365
	Travelling, accommodation and transportation, net of discounts	19,657	30,731
	Interest expense on lease liabilities	157	205
Ultimate holding company	Marketing referral fees	3,363	4,165
	Rental income	-	(194)
Company jointly-owned by Shareholders	License fee ⁽¹⁾	164,689	89,180
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	Consultancy fee ⁽²⁾	32,221	5,836

⁽¹⁾ Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and will expire on June 26, 2022. Pursuant to the terms of the Branding Agreement and First Renewed Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$88.2 million (equivalent to approximately HK\$685.5 million) for the year ending December 31, 2021 and US\$82.3 million (equivalent to approximately HK\$638.6 million) for the year ended December 31, 2020.

⁽²⁾ On January 13, 2021, MGM Grand Paradise entered into the Consultancy Services Agreement with Occasions, a comprehensive integrated communications group, which sets out the principal framework upon which any member of the Occasions Group may provide services to any member of the Group from time to time, for a term commencing from January 13, 2021 and ending on December 31, 2023. The annual cap under the Consultancy Services Agreement is HK\$116 million for the period from January 13, 2021 to December 31, 2021.

31. RELATED PARTY TRANSACTIONS - continued

(b) – continued

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Short term benefits	65,232	86,070
Post-employment benefits	1,686	3,335
Share-based payments	20,648	40,391
	<u>87,566</u>	<u>129,796</u>

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2021	December 31, 2020	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

32. SUBSIDIARIES – continued

<u>Name of subsidiary</u>	<u>Place and date of incorporation/ establishment/ business</u>	<u>Issued share/ quota capital/ registered capital</u>	<u>Attributable equity interest of the Group</u>		<u>Principal activities</u>
			December 31, 2021	December 31, 2020	
珠海市橫琴新區倍福信息服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Ms. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

AT DECEMBER 31, 2021

	2021 HK\$'000	2020 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	27,129,282	26,937,052
Amount due from subsidiaries	17,939,088	15,663,303
Total non-current assets	<u>45,068,370</u>	<u>42,600,355</u>
Current assets		
Prepayments	2,357	2,156
Amounts due from subsidiaries	4	-
Cash and cash equivalents	60,455	48,040
Total current assets	<u>62,816</u>	<u>50,196</u>
TOTAL ASSETS	<u><u>45,131,186</u></u>	<u><u>42,650,551</u></u>
EQUITY		
Capital and reserves		
Share capital (note 23)	3,800,000	3,800,000
Share premium and reserves	17,001,685	17,560,558
TOTAL EQUITY	<u>20,801,685</u>	<u>21,360,558</u>
LIABILITIES		
Non-current liabilities		
Borrowings	23,929,106	21,155,040
Amounts due to subsidiaries	83,369	26,238
Total non-current liabilities	<u>24,012,475</u>	<u>21,181,278</u>
Current liabilities		
Payables and accrued charges	317,026	108,488
Amounts due to subsidiaries	-	227
Total current liabilities	<u>317,026</u>	<u>108,715</u>
TOTAL LIABILITIES	<u>24,329,501</u>	<u>21,289,993</u>
TOTAL EQUITY AND LIABILITIES	<u><u>45,131,186</u></u>	<u><u>42,650,551</u></u>

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

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

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2020		10,404,373	14,380	470,142	132,000	6,382,587	17,403,482
Profit for the year and total comprehensive income		-	-	-	-	403,227	403,227
Exercise of share options	23&24	4,711	-	(1,184)	-	-	3,527
Share repurchase and cancellation							
- repurchases of Shares	23	(2,861)	-	-	-	-	(2,861)
- transfer	23	-	349	-	-	(349)	-
Forfeiture of share options	24	-	-	(15,034)	-	15,034	-
Recognition of share-based payments	24	-	-	68,583	-	-	68,583
Dividends paid	14	-	-	-	-	(315,400)	(315,400)
At December 31, 2020 and January 1, 2021		10,406,223	14,729	522,507	132,000	6,485,099	17,560,558
Loss for the year and total 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		10,409,009	23,708	445,682	132,000	5,991,286	17,001,685



MGM CHINA HOLDINGS LIMITED

US\$500,000,000 7.125% SENIOR NOTES DUE 2031

OFFERING MEMORANDUM

Joint Global Coordinators

BofA Securities

Deutsche Bank

Bank of China Macau Branch

Joint Bookrunners

ICBC (Macau)

**Bank of Communications,
Macau**

BNU Macau

SMBC Nikko

UBS

Joint Lead Managers

**BANCO COMERCIAL DE
MACAU**

Barclays

BNP PARIBAS

J.P. Morgan

Scotiabank

Co-Managers

CBRE

**China Construction Bank
Corporation Macau Branch**

Millennium BCP

JUNE 18, 2024