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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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2282)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2019 as follows:

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2019	2018
	HK\$'000	HK\$'000
Casino revenue	20,423,463	17,176,050
Other revenue	2,341,573	2,024,671
Operating revenue	22,765,036	19,200,721
Adjusted EBITDA (unaudited)	6,183,131	4,837,180
Operating profit	2,963,337	1,434,993
Profit for the year attributable to owners of the Company	1,931,228	1,068,499
Earnings per Share		
— Basic	HK 50.8 cents	HK28.1 cents
— Diluted	HK 50.8 cents	HK28.0 cents

DIVIDENDS

In accordance with the dividend policy announced by the Company on February 28, 2013, the semi-annual dividends, may not, in aggregate, exceed more than 35% of the anticipated consolidated annual profits in any one year. The Company may also declare special distributions from time to time in addition to the semi-annual dividends. The Board recommends a final dividend of HK\$0.083 per Share (the “Final Dividend”), amounting to approximately HK\$315.4 million, representing approximately 16.3% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2019. The Final Dividend, subject to approval by the Shareholders in the forthcoming annual general meeting, together with the interim dividend of HK\$0.094 per Share, amounting to approximately HK\$357.2 million, approved on August 1, 2019 and paid to Shareholders on August 29, 2019, represents approximately 34.8% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2019.

The Board has recommended the payment of the Final Dividend after reviewing the Group’s financial position as at March 26, 2020, its capital and liquidity requirements going forward and other factors that the Board considered relevant, and determined that the Group has sufficient resources after the payment of the Final Dividend (which is subject to Shareholders’ approval) to finance its operations and expansion of its business. The Final Dividend should not be taken as an indication of the level of profit or dividend going forward.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended	
		December 31	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING REVENUE			
Casino revenue	4	20,423,463	17,176,050
Other revenue	4	2,341,573	2,024,671
		<u>22,765,036</u>	<u>19,200,721</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(10,615,274)	(9,198,431)
Inventories consumed		(677,086)	(653,828)
Staff costs		(3,722,251)	(3,505,758)
Other expenses and losses	5	(2,222,631)	(2,257,406)
Depreciation and amortization		(2,564,457)	(2,150,305)
		<u>(19,801,699)</u>	<u>(17,765,728)</u>
Operating profit		2,963,337	1,434,993
Interest income		21,238	12,113
Finance costs	6	(1,128,075)	(667,876)
Net foreign currency gain/(loss)		85,190	(6,336)
Profit before tax		1,941,690	772,894
Income tax (expense)/benefit	7	(10,462)	295,605
Profit for the year attributable to owners of the Company		<u>1,931,228</u>	<u>1,068,499</u>
Other comprehensive income/(expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		123	(3,474)
Total comprehensive income for the year attributable to owners of the Company		<u>1,931,351</u>	<u>1,065,025</u>
Earnings per Share — Basic	9	<u>HK50.8 cents</u>	<u>HK28.1 cents</u>
Earnings per Share — Diluted	9	<u>HK50.8 cents</u>	<u>HK28.0 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		26,603,943	27,221,918
Construction in progress		104,396	1,781,527
Right-of-use assets	2	1,382,457	—
Sub-concession premium	10	244,845	158,153
Land use right premium	2	—	1,121,541
Other assets		32,137	128,656
Prepayments, deposits and other receivables		37,385	62,816
		<hr/>	<hr/>
Total non-current assets		28,405,163	30,474,611
		<hr/>	<hr/>
Current assets			
Inventories		163,723	159,696
Trade receivables	11	531,943	322,637
Prepayments, deposits and other receivables		133,727	112,058
Land use right premium	2	—	69,406
Amounts due from related companies		1,370	2,060
Bank balances and cash		3,270,296	3,992,107
		<hr/>	<hr/>
Total current assets		4,101,059	4,657,964
		<hr/>	<hr/>
TOTAL ASSETS		32,506,222	35,132,575
		<hr/> <hr/>	<hr/> <hr/>

		At December 31	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Share premium and reserves		6,660,134	5,145,779
		<hr/>	<hr/>
TOTAL EQUITY		10,460,134	8,945,779
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>12</i>	16,604,526	18,093,205
Lease liabilities	<i>2</i>	191,120	—
Payables and accrued charges	<i>13</i>	13,100	17,492
Construction retention payable		813	18,065
		<hr/>	<hr/>
Total non-current liabilities		16,809,559	18,128,762
		<hr/>	<hr/>
Current liabilities			
Borrowings	<i>12</i>	—	780,000
Lease liabilities	<i>2</i>	45,349	—
Payables and accrued charges	<i>13</i>	4,825,255	6,856,506
Construction retention payable		307,564	387,778
Amounts due to related companies		48,085	22,531
Income tax payable		10,276	11,219
		<hr/>	<hr/>
Total current liabilities		5,236,529	8,058,034
		<hr/>	<hr/>
TOTAL LIABILITIES		22,046,088	26,186,796
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		32,506,222	35,132,575
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

MGM China Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company’s Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

Significant events after the end of the reporting period

In early 2020, the rapid spread of a respiratory illness caused by a novel coronavirus (COVID-19) identified in Wuhan, Hubei Province, China led to certain actions taken by the Chinese Government, the Macau Government and several countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China’s visa scheme that permits mainland Chinese to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the suspension of casino operations in Macau for a 15-day period that commenced on February 5, 2020. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, there are currently limits on the number of gaming tables allowed to operate and restrictions on the number of seats available at each table. Due to an increasing number of the confirmed cases globally, the Macau Government has imposed certain travel restrictions to prevent the spread of the virus. Currently as at the date of this announcement, all individuals who are not residents of mainland China, Hong Kong or Taiwan are prohibited from entering Macau. Residents of mainland China, Hong Kong and Taiwan are prohibited from entering Macau if they have been to overseas countries in the past 14 days or are subject to 14-day medical observation at a designated location if they have been to Hong Kong or Taiwan in the past 14 days. Macau residents are not restricted from entering Macau but are subject to 14-day medical observation at a designated location if they have been to overseas countries, Hong Kong or Taiwan in the past 14 days. The temporary suspension of the visa scheme and ferry services to Macau remains in place. The Group is evaluating the nature and extent of the impacts to its business, which could have a material effect on the Group’s consolidated operating results for the first half of 2020 and potentially thereafter. Given the uncertain nature of these circumstances, the impact on the Group’s results of operations, cash flows and financial condition cannot be reasonably estimated at this time. Due to the impact of these events, the Company entered into an amendment of the financial covenants under its Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio. See note 12 for the details of the amendments.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance. The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

As at December 31, 2019, the Group had net current liabilities of approximately HK\$1,135.5 million (2018: HK\$3,400.1 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 12) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Application of new and revised International Financial Reporting Standards (“IFRSs”)

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs relevant to the Group:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

Except for the application of IFRS 16 noted below, the application of the above new and amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

IFRS 16 Leases

IFRS 16 supersedes the current lease guidance including IAS 17 *Leases* and the related interpretations, introducing a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Adoption and summary of effects arising from initial application of IFRS 16

The Group applied IFRS 16 for the first time in the current year using the modified retrospective approach without restating comparative information.

For the purpose of applying the modified retrospective approach to all leases, the Group elected to measure the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, at the date of initial application.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which existed prior to the date of initial application.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the practical expedient of using hindsight when determining the lease term for the land concession contracts.

Under the land concession contracts with the Macau Government and other applicable legislation in Macau, the land concessions have an initial term of 25 years, which is renewable at the Group's option for further consecutive periods of 10 years. The Group applied judgement in evaluating whether it is reasonably certain to exercise the option to renew and considered all relevant factors that create an economic incentive for it to exercise the renewal option. The Group concluded that the renewal period should be included as part of the lease terms of the land concession contracts due to its significance to the Group's operations, with the lease terms aligned to the end dates of the estimated useful lives of the Group's hotel and casino buildings.

The Group also applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognize right-of-use assets and lease liabilities for leases with lease terms ending within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with similar remaining terms for similar classes of underlying assets in a similar economic environment.

The Group assessed the non-cancellable operating lease commitments as at December 31, 2018 and has recognized lease liabilities in respect of these lease arrangements that meet the definition of a lease unless they qualify for treatment as low value or short-term leases. In addition, the current and non-current portions of the previously recognized land use right premium assets pertaining to the land concession contracts, have been reclassified as part of the right-of-use assets. On adoption, the Group recognized lease liabilities of HK\$219.2 million and right-of-use assets of HK\$1,409.5 million (the latter includes the reclassification of HK\$1,190.9 million of land use right premium).

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.36%.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

	<i>HK\$'000</i>
Operating lease commitments at December 31, 2018	263,923
Recognition exemption — short-term leases	(31,718)
Recognition exemption — low value assets	(762)
Increase in future payments due to the reassessment of lease terms of the land concession contracts	316,172
Contracts committed but not yet commenced at January 1, 2019	(17,217)
Payments for non-lease components included in operating lease commitment	(3,000)
Effect of discounting at the incremental borrowing rate as at January 1, 2019	(308,179)
	<hr/>
Lease liabilities as at January 1, 2019	219,219
	<hr/> <hr/>
	At January 1,
	2019
	<i>HK\$'000</i>
Current	20,096
Non-current	199,123
	<hr/>
	219,219
	<hr/> <hr/>

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	At January 1,
	2019
	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	219,219
Reclassification of land use right premium ⁽ⁱ⁾	1,190,947
Other	(629)
	<hr/>
	1,409,537
	<hr/> <hr/>

**At January 1,
2019
HK\$'000**

By class:	
Leasehold land	1,340,337
Buildings	30,779
Equipment and other	38,421
	<hr/>
	1,409,537
	<hr/> <hr/>

- ⁽ⁱ⁾ Upon application of IFRS 16, the current and non-current portion of land use right premium amounting to HK\$69.4 million and HK\$1,121.5 million respectively were reclassified to right-of-use assets.

IFRSs in issue not yet adopted

Up to the date of this announcement, 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.

3. SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker) when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM MACAU and MGM COTAI (the latter opened on February 13, 2018). Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, customers, services and products provided, and the regulatory environment in which they operate.

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Adjusted EBITDA (unaudited)	6,183,131	4,837,180
Share-based payments	(70,308)	(76,639)
Corporate expenses (unaudited)	(549,703)	(484,033)
Pre-opening costs ⁽¹⁾ (unaudited)	(20,548)	(496,945)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(14,778)	(194,265)
Depreciation and amortization	(2,564,457)	(2,150,305)
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Operating profit	2,963,337	1,434,993
Interest income	21,238	12,113
Finance costs	(1,128,075)	(667,876)
Net foreign currency gain/(loss)	85,190	(6,336)
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Profit before tax	1,941,690	772,894
Income tax (expense)/benefit	(10,462)	295,605
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Profit for the year attributable to owners of the Company	<u>1,931,228</u>	<u>1,068,499</u>

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

Almost all of the non-current assets of the Group are located in Macau.

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
VIP gross table games win	9,694,375	9,682,345
Main floor gross table games win	14,938,445	10,905,514
Slot machine gross win	2,248,201	2,233,048
	<hr/>	<hr/>
Gross casino revenue	26,881,021	22,820,907
Commissions, complimentaries and other incentives	(6,457,558)	(5,644,857)
	<hr/>	<hr/>
	20,423,463	17,176,050
	<hr/> <hr/>	<hr/> <hr/>

Other revenue comprises:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hotel rooms	1,140,394	956,446
Food and beverage	996,235	900,460
Retail and others	204,944	167,765
	<hr/>	<hr/>
	2,341,573	2,024,671
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Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owed in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned and (3) customer advances and other, which are primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

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

	Outstanding Chips Liabilities		Loyalty Programs Liabilities		Customer Advances and Other	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at January 1	1,694,055	3,989,175	131,636	99,837	1,607,727	1,614,340
Balance at December 31	1,682,714	1,694,055	145,875	131,636	619,946	1,607,727
(Decrease)/increase	(11,341)	(2,295,120)	14,239	31,799	(987,781)	(6,613)

5. OTHER EXPENSES AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Advertising and promotion	658,937	625,108
License fees	397,725	336,676
Other support services	301,131	314,959
Utilities and fuel	253,026	242,843
Repairs and maintenance	261,025	195,341
Loss on disposal/write-off of property and equipment, construction in progress and other assets	14,778	194,265
Loss allowance on trade receivables, net	28,267	51,260
Other	307,742	296,954
	2,222,631	2,257,406

6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on secured credit facilities	380,248	695,500
Interest on unsecured senior notes	413,203	—
Interest on unsecured credit facilities	106,262	—
Amortization of debt finance costs	42,646	137,621
Loss on extinguishment of debt (<i>note 12</i>)	171,051	5,899
Interest on lease liabilities	13,677	—
Bank fees and charges	16,085	7,635
Total borrowing costs	1,143,172	846,655
Less: capitalized interest allocated to construction in progress	(15,097)	(178,779)
	1,128,075	667,876

7. INCOME TAX (EXPENSE)/BENEFIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax expense:		
Macau Dividend Withholding Tax	(9,612)	(19,224)
Mainland China Income Tax	(974)	(1,313)
Over/(under) provision in prior year	124	(1,005)
	<u>(10,462)</u>	<u>(21,542)</u>
Deferred tax:		
Reversal of deferred tax liability previously recognized	—	317,147
	<u>—</u>	<u>317,147</u>
Income tax (expense)/benefit	<u>(10,462)</u>	<u>295,605</u>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for current and prior years.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years.

Hong Kong Profits Tax is calculated at the maximum rate of 16.5% of the estimated assessable profit for the current and prior years. Taxation assessable on profit generated in Mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 15% to 20%.

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Macau Complementary Tax losses which will expire in one to three years	8,937,249	6,794,618
Hong Kong Profits Tax losses which may be carried forward indefinitely	118,010	101,556
	<u>9,055,259</u>	<u>6,896,174</u>

As at December 31, 2019, the Group has a deductible temporary difference of approximately HK\$1,499.2 million (2018: approximately HK\$1,173.6 million). No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

8. DIVIDENDS

On May 24, 2018, a final dividend of HK\$0.097 per Share for the year ended December 31, 2017, amounting to approximately HK\$368.6 million was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 19, 2018.

On August 8, 2018, an interim dividend of HK\$0.064 per Share for the six months ended June 30, 2018, amounting to approximately HK\$243.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on September 10, 2018.

On May 24, 2019, a final dividend of HK\$0.034 per Share for the year ended December 31, 2018, amounting to approximately HK\$129.2 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 20, 2019.

On August 1, 2019, an interim dividend of HK\$0.094 per Share for the six months ended June 30, 2019, amounting to approximately HK\$357.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on August 29, 2019.

On March 26, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the years ended December 31, 2019 and 2018 is based upon the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted earnings per Share for the years ended December 31, 2019 and 2018 is based upon the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options.

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

	2019	2018
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	1,931,228	1,068,499
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,057	3,800,199
Number of dilutive potential Shares arising from exercise of share options ('000)	3,231	11,004
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,803,288	3,811,203
Earnings per Share — Basic	HK50.8 cents	HK28.1 cents
Earnings per Share — Diluted	HK50.8 cents	HK28.0 cents

10. SUB-CONCESSION PREMIUM

	<i>HK\$'000</i>
COST	
At January 1, 2018, December 31, 2018 and January 1, 2019	1,560,000
Additions	213,592
	<hr/>
At December 31, 2019	1,773,592
	<hr/>
AMORTIZATION	
At January 1, 2018	(1,274,947)
Charge for the year	(126,900)
	<hr/>
At December 31, 2018 and January 1, 2019	(1,401,847)
Charge for the year	(126,900)
	<hr/>
At December 31, 2019	(1,528,747)
	<hr/>
CARRYING AMOUNT	
At December 31, 2019	244,845
	<hr/> <hr/>
At December 31, 2018	158,153
	<hr/> <hr/>

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract. In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

11. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	654,241	419,066
Less: Loss allowance	(122,298)	(96,429)
	<u>531,943</u>	<u>322,637</u>

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group also issues markers and credit to approved gaming customers (“VIP gaming customers”) following background checks and assessments of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Trade receivables from hotel customers are not significant at the end of the reporting period.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	218,010	178,490
31 – 90 days	202,759	97,208
91 – 180 days	88,732	46,939
Over 180 days	22,442	—
	<u>531,943</u>	<u>322,637</u>

12. BORROWINGS

During the year ended December 31, 2019, the Company completed the following significant refinancing transactions:

- the issuance of senior notes with an aggregate principal amount of US\$1.50 billion (equivalent to approximately HK\$11.7 billion). The proceeds were used to pay down outstanding borrowings under the MGM China Credit Facility; and
- obtaining an unsecured credit facility with an aggregate available amount of HK\$9.75 billion to replace the MGM China Credit Facility.

At December 31, 2019 the Group's borrowings included unsecured credit facility and senior notes.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unsecured senior notes repayable:		
Over four years but not exceeding five years	5,843,535	—
Over five years	5,843,535	—
	<u>11,687,070</u>	—
Less: Debt finance costs	<u>(157,712)</u>	—
	<u>11,529,358</u>	—
Unsecured credit facility repayable:		
Within one year	—	—
Over one year but not exceeding two years	—	—
Over two years but not exceeding five years	5,200,000	—
	<u>5,200,000</u>	—
Less: Debt finance costs	<u>(124,832)</u>	—
	<u>5,075,168</u>	—
Secured credit facilities repayable:		
Within one year	—	3,120,000
Over one year but not exceeding two years	—	3,120,000
Over two years but not exceeding five years	—	12,820,000
	—	<u>19,060,000</u>
Less: Debt finance costs	—	<u>(186,795)</u>
	—	<u>18,873,205</u>
Current	—	780,000
Non-current	<u>16,604,526</u>	<u>18,093,205</u>
	<u>16,604,526</u>	<u>18,873,205</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 (the “2024 Notes”) and US\$750 million of 5.875% senior notes due May 15, 2026 (the “2026 Notes” and, together with the 2024 Notes, the “Senior Notes”). The net proceeds from the issuance were used to pay down outstanding borrowings under the MGM China Credit Facility. Interest on the Senior Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The Senior Notes are general unsecured obligations of the Company. Each series of Senior Notes ranks equally in right of payment with all of the Company’s existing and future senior unsecured indebtedness and ranks senior to all of the Company’s future subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of the Company’s existing and future secured indebtedness (including the MGM China Credit Facility) to the extent of the value of the collateral securing such debt. None of the Company’s subsidiaries have guaranteed the Senior Notes.

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted.

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

The Senior Notes also provide for certain events of default and certain insolvency related proceedings relating to the Group.

Unsecured Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024 (the “Revolving Credit Facility”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the existing senior secured credit facilities of the Group and are used for ongoing working capital needs and general corporate purposes of the Group.

Principal and Interest

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio. As at December 31, 2019, HK\$4.55 billion of the Revolving Credit Facility was undrawn and available for utilization up to May 2024. Each drawdown under the revolving credit facility is to be repaid in full no later than May 15, 2024. As at December 31, 2019, the Group paid interest at HIBOR plus 2.25% per annum.

General Covenants

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

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

Due to the impact of the outbreak of the novel coronavirus, discussed in note 1, the Company entered into an amendment of the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00
June 30, 2020	1.25:1.00	Not Applicable
September 30, 2020	1.25:1.00	Not Applicable
December 31, 2020	1.25:1.00	Not Applicable
March 31, 2021	1.25:1.00	Not Applicable
Each accounting date occurring on and after June 30, 2021	2.50:1.00	4.50:1.00

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the year ended December 31, 2019.

Mandatory Prepayments

Pursuant to the Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided by the Group in relation to the Revolving Credit Facility.

Secured Credit Facilities

The Company and MGM Grand Paradise as co-borrowers entered into a credit agreement with certain lenders (the “MGM China Credit Facility”) which pursuant to various amendments, provided for a HK\$15.6 billion term loan facility and a HK\$7.8 billion revolving credit facility. The final maturity date of the MGM China Credit Facility was June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022.

The terms of the Sub-Concession Extension included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the MGM China Credit Facility was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The amendment became effective on April 16, 2019.

During the year ended December 31, 2019, the MGM China Credit Facility was replaced in their entirety by the net proceeds from the unsecured senior notes and the Revolving Credit Facility as described above. As a result, the Group recognized a loss of HK\$171.1 million on extinguishment of debt during the year ended December 31, 2019.

13. PAYABLES AND ACCRUED CHARGES

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Outstanding chips liabilities	4	1,682,714	1,694,055
Gaming taxes payables		838,340	931,609
Accrued staff costs		664,026	574,746
Customer advances and other	4	619,946	1,607,727
Other payables and accrued charges		377,809	300,942
Construction payables and accruals		224,822	1,214,164
Other casino liabilities		215,757	387,719
Loyalty programs liabilities	4	145,875	131,636
Trade payables		69,066	31,400
		4,838,355	6,873,998
Current		4,825,255	6,856,506
Non-current		13,100	17,492
		4,838,355	6,873,998

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	60,316	17,552
31 – 60 days	6,831	9,173
61 – 90 days	1,025	4,283
91 – 120 days	68	35
Over 120 days	826	357
	69,066	31,400

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

On January 25, 2018, the Group received notification from DICJ of the approval of 100 new gaming tables and 982 slot machines for operation at MGM COTAI which opened in February 2018, and 25 new gaming tables for operation effective on January 1, 2019 for a total of 125 new gaming tables at MGM COTAI in aggregate.

On March 15, 2019, a Sub-Concession Extension Contract was approved by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires/Sub-Concessionaires in Macau. MGM Grand Paradise paid MOP220 million (equivalent to approximately HK\$213.6 million) in total in connection with the extension of the gaming sub-concession.

On May 16, 2019, the Company completed a refinancing transaction through the issuance of senior notes with an aggregate principal amount of US\$1.50 billion (equivalent to approximately HK\$11.7 billion). The proceeds were used to pay down outstanding borrowings under the MGM China Credit Facility of the Company and MGM Grand Paradise.

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 proceeds of this facility were used to replace the MGM China Credit Facility, and are used for ongoing working capital needs and general corporate purposes of the Group.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 1,085 slot machines, 290 gaming tables, and multiple VIP and private gaming areas as at December 31, 2019. The hotel comprises a 35-storey tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including 8 diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM COTAI

MGM COTAI opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 1,154 slot machines and 262 gaming tables as at December 31, 2019. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. Our new VIP gaming areas opened in the second half of 2018 with the addition of a number of significant gaming promoters and Mansion One, the ultra-luxury gaming area for invitation-only premium mass customers, was introduced in December 2018. The new gaming areas allow us to expand our gaming operations and enhance our competitiveness. In addition, The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019.

The Company and the principal contractors reached a settlement agreement in connection with the construction costs of MGM COTAI in December 2019.

Our Competitive Strengths and Operating Strategies

We have a number of competitive strengths including:

- Significant benefits from relationships with MGM Resorts International and Ms. Pansy Ho;
- Experienced management team with a proven track record;
- Diversified resort and entertainment offerings in the world's largest gaming market;
- Unique strategic position towards premium mass;
- Strong cash flow generation and significant growth potential; and
- Strong balance sheet with significant financial flexibility.

To build on our competitive strengths, operationally we focus on continuously improving the customer experience through product and service enhancement, greater asset utilization and the maximization of our operational efficiencies. These strategic efforts allow us to streamline and expand our organization across several key business segments, including sales and marketing, VIP and mass business development, and entertainment. We conduct business with a holistic strategic approach with a focus on creating economic benefits across our properties on the Macau Peninsula and Cotai. Additionally, we continue to implement the following business strategies to enhance our position as the leading developer and operator of integrated casino, hotel and entertainment resorts in Macau:

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;
- Maintain strong business relationships with our gaming promoters and identify potential gaming promoters to further grow our VIP business;
- Utilize The Mansion and Mansion One to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

Macau Gaming Market and Tourism

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

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 39.4 million in 2019 which increased by 10.1% over the prior year. Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 70.9% of visitors to Macau in 2019 were from mainland China which increased by 10.5% over the prior year and reached 27.9 million.

However, a number of factors have adversely impacted the Macau gaming market commencing from the second half of 2014 as a result of the effect of mainland China and Macau Government policies. Major factors impacting the Macau gaming market include: economic disruption or uncertainty in China; global trade tensions; restriction on exit visas from mainland China for travel to Macau and Hong Kong; anti-corruption campaigns; currency transfer restrictions; border currency declaration system and monetary outflow policies. These policies may affect the number of visitors and amount of capital outflow from mainland China to Macau. Additionally, smoking restrictions in mass gaming floors and VIP areas also impact the Group's gaming performance. Furthermore, outbreaks of highly infectious diseases and extreme weather conditions such as typhoons may also affect the number of visitors to Macau.

According to Macau Government statistics, the monthly gross gaming revenue of the Macau gaming market experienced inconsistent months of growth and decline, resulting in the first year-over-year decline of 3.4% to HK\$283.9 billion for the year ended December 31, 2019 over the comparable year in 2018.

In early 2020, the rapid spread of a respiratory illness caused by a novel coronavirus (COVID-19) identified in Wuhan, Hubei Province, China led to certain cities in China being placed under quarantine and citizens across China were advised to avoid non-essential travel. Certain countries have restricted inbound travel from mainland China to mitigate the spread of the virus. In addition, China implemented a temporary suspension of its visa scheme that permits mainland Chinese to travel to Macau, and on February 4, 2020 the Hong Kong Government temporarily suspended all ferry services from Hong Kong to Macau, until further notice. Also on February 4, 2020, the Macau Government asked that all gaming operators in Macau suspend casino operations for a 15-day period that commenced on February 5, 2020. As a result, we suspended all operations at MGM MACAU and MGM COTAI other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Our operations at MGM MACAU and MGM COTAI resumed on February 20, 2020; however, there are currently limits on the number of gaming tables allowed to operate and restrictions on the number of seats available at each table. According to Macau Government statistics, the monthly gross gaming revenue of the Macau gaming market decreased by 87.8%, total visitor arrivals decreased by 95.6% and total visitation from mainland China to Macau decreased by 97.2% in February 2020 over the comparable period in 2019. Due to an increasing number of the confirmed cases globally, the Macau Government has imposed certain travel restrictions to prevent the spread of the virus. Currently as at the date of this announcement, all individuals who are not residents of mainland China, Hong Kong or Taiwan are prohibited from entering Macau. Residents of mainland China, Hong Kong and Taiwan are prohibited from entering Macau if they have been to overseas countries in the past 14 days or are subject to 14-day medical observation at a designated location if they have been to Hong Kong or Taiwan in the past 14 days. Macau residents are not restricted from entering Macau but are subject to 14-day medical observation at a designated location if they have been to overseas countries, Hong Kong or Taiwan in the past 14 days. The temporary suspension of the visa scheme and ferry services to Macau remain in place. We are evaluating the nature and extent of the impacts to our business, which could have a material effect on our consolidated operating results for the first half of 2020 and potentially thereafter. Given the uncertain nature of these circumstances, the impact on our results of operations, cash flows and financial condition cannot be reasonably estimated at this time. Due to the impact of these events, the Company entered into an amendment of the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 12 to the consolidated financial statements.

Despite the slowdown in 2019 and the rapid spread of COVID-19 in early 2020, we are optimistic about the long-term growth of the Macau market due to:

- The financial investments made by gaming Concessionaires and Sub-Concessionaires, including MGM Grand Paradise, in the opening of new properties providing superior and diversified products to further position Macau as a world class tourism center;

- Infrastructure improvements in Macau and Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge in October 2018; the expansion of the Macau Airport; the Zhuhai and Macau border gate 24-hour single check point; the opening of Macau Light Rapid Transit System in December 2019; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island, together with Macau designated as a key tourism hub by the Chinese Government; and
- The continuous growth of China outbound tourism, particularly in light of the growing middle class.

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Our proportion of GGR from the mass and VIP market was 64% and 36%, respectively, for the year ended December 31, 2019 compared to 58% and 42% in 2018, respectively. The higher margins from the mass market significantly contributed to casino profit in 2019.

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at December 31, 2019, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to our MGM COTAI's opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased from 7.9% for the year ended December 31, 2018 to 9.5% for the year ended December 31, 2019 due in part to the opening and continued ramp-up of MGM COTAI.

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, Saipan, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Segment Information

The Group has determined our operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker) when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of our 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 measure for the reportable segment.

Adjusted EBITDA

Adjusted EBITDA is profit before finance costs, income tax expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. 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 announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

The following table presents the reconciliation of the Group's adjusted EBITDA to profit attributable to owners of the Company for the years ended December 31, 2019 and 2018:

	For the year ended	
	December 31	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to owners of the Company	1,931,228	1,068,499
Income tax expense/(benefit)	10,462	(295,605)
Net foreign currency (gain)/loss	(85,190)	6,336
Finance costs	1,128,075	667,876
Interest income	(21,238)	(12,113)
	<hr/>	<hr/>
Operating profit	2,963,337	1,434,993
Depreciation and amortization	2,564,457	2,150,305
Loss on disposal/write-off of property and equipment, construction in progress and other assets	14,778	194,265
Pre-opening costs ⁽¹⁾ (unaudited)	20,548	496,945
Corporate expenses (unaudited)	549,703	484,033
Share-based payments	70,308	76,639
	<hr/>	<hr/>
Adjusted EBITDA (unaudited)	6,183,131	4,837,180
	<hr/> <hr/>	<hr/> <hr/>
MGM MACAU Adjusted EBITDA (unaudited)	3,819,025	3,983,223
MGM COTAI Adjusted EBITDA (unaudited)	2,364,106	853,957

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

Discussion of Results of Operations

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

Operating Revenue

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

	For the year ended	
	December 31	
	2019	2018
	HK\$'000	HK\$'000
MGM MACAU	12,371,138	13,488,705
Casino revenue	11,409,455	12,502,405
Other revenue	961,683	986,300
	<hr/>	<hr/>
MGM COTAI ⁽¹⁾	10,393,898	5,712,016
Casino revenue	9,014,008	4,673,645
Other revenue	1,379,890	1,038,371
	<hr/>	<hr/>
Operating revenue	22,765,036	19,200,721
	<hr/> <hr/>	<hr/> <hr/>

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

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

Summary Statistics

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

MGM MACAU	For the year ended	
	December 31	
(in thousands, except for number of gaming units, percentage and REVPAR)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
VIP table games turnover	185,271,168	280,358,952
VIP gross table games win ⁽¹⁾	5,645,079	8,415,507
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.05%	3.00%
Average daily gross win per VIP gaming table	193.7	210.5
Main floor table games drop	37,258,722	39,303,702
Main floor gross table games win ⁽¹⁾	8,040,066	7,004,478
Main floor table games win percentage	21.6%	17.8%
Average daily gross win per main floor gaming table	105.4	83.7
Slot machine handle	31,522,103	34,555,278
Slot machine gross win ⁽¹⁾	1,217,710	1,504,785
Slot hold percentage	3.9%	4.4%
Average daily win per slot	3.2	4.0
Commissions, complimentaries and other incentives ⁽¹⁾	(3,493,400)	(4,422,365)
Room occupancy rate	96.4%	96.8%
REVPAR	1,951	1,941
	As at December	
	2019 (unaudited)	2018 (unaudited)
Gaming Units:		
Tables ⁽²⁾	290	291
Slot machines	1,085	806

MGM COTAI ⁽³⁾	For the year ended	
	December 31	
(in thousands, except for number of gaming units, percentage, and REVPAR)	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP table games turnover	113,018,290	37,836,369
VIP gross table games win ⁽¹⁾	4,049,296	1,266,838
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.58%	3.35%
Average daily gross win per VIP gaming table	201.5	173.6
Main floor table games drop	27,395,106	19,997,067
Main floor gross table games win ⁽¹⁾	6,898,379	3,901,036
Main floor table games win percentage	25.2%	19.5%
Average daily gross win per main floor gaming table	92.8	72.7
Slot machine handle	37,087,694	23,774,287
Slot machine gross win ⁽¹⁾	1,030,491	728,263
Slot hold percentage	2.8%	3.1%
Average daily win per slot	2.4	1.9
Commissions, complimentaries and other incentives ⁽¹⁾	(2,964,158)	(1,222,492)
Room occupancy rate	91.6%	90.4%
REVPAR	1,428	1,290
	As at December 31	
	2019	2018
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	262	236
Slot machines	1,154	1,218

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

⁽²⁾ Permanent table count as at December 31, 2019 and 2018.

⁽³⁾ MGM COTAI opened on February 13, 2018.

	For the year ended	
	December 31	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
VIP gross table games win	9,694,375	9,682,345
Main floor gross table games win	14,938,445	10,905,514
Slot machine gross win	2,248,201	2,233,048
	<hr/>	<hr/>
Gross casino revenue	26,881,021	22,820,907
Commissions, complimentary and other incentives	(6,457,558)	(5,644,857)
	<hr/>	<hr/>
Casino revenue	20,423,463	17,176,050
	<hr/> <hr/>	<hr/> <hr/>

Casino Revenue

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

VIP Gaming Operations

Gaming Promoters

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

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

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Sub-Concession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability.

In-house VIP players

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

We selectively grant credit to certain in-house VIP players whose level of play and financial resources meet our approval criteria. We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

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

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

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the “mass market gaming operation”. Unlike VIP players, main floor players do not receive commissions from the Group and, accordingly, the profit margin from the main floor business is higher than the VIP operation. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. We believe this operation represents the most potential for sustainable growth in the future.

Our main floor business continued to experience growth during the year. Main floor gross table games win increased by 37.0% to HK\$14,938.4 million for the year ended December 31, 2019. The current year benefited from a full year and continued ramp up of operations at MGM COTAI, the addition of 25 new-to-market gaming tables on January 1, 2019, an increase in the drop of 37.0% to HK\$27,395.1 million in MGM COTAI and an increase in main floor table games win percentages in both properties, partly offset by a decrease in the drop of 5.2% to HK\$37,258.7 million in MGM MACAU. Despite the market share migration from the Macau Peninsula to Cotai, the effect on our revenues at MGM MACAU was mitigated by our continuous efforts to improve the gaming experience of our high value main floor players in MGM MACAU by renovating the dedicated exclusive gaming space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

Slot Machine Gaming Operations

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

Other Revenue

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

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 relation activities.

With the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government's vision for diversification. Such elements include the magnificent Art Collection of 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing; the innovative Spectacle and Asia's first dynamic theater featuring multi-dimensional sensory experience enriched with experiential technology elements which we believe will break the boundaries between imagination and reality to delight and captivate our guests.

In 2019, new art exhibitions were brought into MGM COTAI including "Hua Yuan Exhibition" and "Rooster, Tiger, Sheep by Snake — Wen-You Cai Photography Exhibition", and new shows were performed at MGM Theater including the "JABBAWOCKEEZ — true to yourself", "The Harry Potter Film Concert Series", "Fuerza Bruta Wayra" and "Legend Fighting Championship". In addition to our annual "Oktoberfest Macau at MGM", we also organized Macau's first-ever food and music festival "MGM Chef Nic Gastronomusic Fest" at MGM COTAI. All of these activities are to support our goals of diversification and attract incremental visitors into our resorts.

These non-gaming offerings attract visitors to our resorts and create a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU and MGM COTAI. In addition, we continue to improve customer experience by enhancing our hotel rooms, food, beverage, retail and entertainment offerings by expanding and refurbishing our non-gaming areas.

Operating Costs and Expenses

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

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

Gaming tax

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

Inventories consumed

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

Staff costs

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

Other expenses and losses

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

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

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

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

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

Depreciation and amortization

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

Finance costs

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

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

Income tax expense/(benefit)

Income tax expense in the current year primarily relates to the Macau dividend withholding tax of HK\$9.6 million under the extended tax concession arrangement entered with the Macau Government in March 2018. Income tax benefit in the prior year primarily relates to the reversal of a deferred tax charge of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise following the approval of the extension of the tax concession arrangement. Details of income tax expense/(benefit) are set out in note 7 to the consolidated financial statements.

Profit attributable to owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As at December 31, 2019, our bank balances and cash, and available undrawn credit facilities were HK\$3.27 billion and HK\$4.55 billion, respectively. These balances are available for operations, new development activities and enhancement to our properties, repayment of bank borrowings and other corporate purposes.

On May 16, 2019, the Company issued two series of senior unsecured notes in 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 was used to pay down outstanding borrowings under the MGM China Credit Facility.

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024 (the “Revolving Credit Facility”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the MGM China Credit Facility, and are used for ongoing working capital needs and general corporate purposes of the Group.

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 bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group’s gearing ratio as at December 31, 2019 and 2018.

	As at	
	December 31 2019 HK\$'000	December 31 2018 HK\$'000
Borrowings, net of debt finance costs	16,604,526	18,873,205
Less: bank balances and cash	(3,270,296)	(3,992,107)
Net debt	13,334,230	14,881,098
Total equity	10,460,134	8,945,779
Total capital ⁽¹⁾	23,794,364	23,826,877
Gearing ratio	56.0%	62.5%

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

Group Cash Flows

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

	For the year ended	
	December 31	
	2019	2018
	HK\$'000	HK\$'000
Net cash generated from operating activities	4,333,610	2,159,044
Net cash used in investing activities	(1,329,881)	(2,915,072)
Net cash used in financing activities	(3,725,343)	(532,933)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(721,614)	(1,288,961)
Cash and cash equivalents at the beginning of the year	3,992,107	5,283,387
Effect of foreign exchange rate changes, net	(197)	(2,319)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>3,270,296</u>	<u>3,992,107</u>

Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by operating income generated and changes in working capital. Net cash from operating activities was HK\$4,333.6 million in 2019 compared to HK\$2,159.0 million in 2018. The increase was due primarily to an increase in operating profit in the current year and more cash used in the opening and ramp up of operations at MGM COTAI in the prior year.

Net cash used in investing activities

Net cash used in investing activities was HK\$1,329.9 million in 2019 compared to HK\$2,915.1 million in 2018. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$1,122.0 million and HK\$2,786.1 million in 2019 and 2018, respectively. Other significant payments included HK\$213.6 million of Sub-concession premium related to the Sub-Concession Extension in the current year and HK\$110.5 million of developers' fees due to a related company in the prior year.

Net cash used in from financing activities

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

- HK\$13,860.0 million of net repayments of the MGM China Credit Facility and Revolving Credit Facility
- HK\$11,772.5 million of proceeds from the issuance of the Senior Notes
- HK\$821.6 million of interest payments
- HK\$486.4 million of dividends paid
- HK\$309.9 million of debt finance costs paid

The prior year net cash used was primarily due to HK\$1,074.5 million of net proceeds on the MGM China Credit Facility, HK\$717.8 million of interest payments, HK\$611.8 million of dividends paid and HK\$259.5 million of debt finance costs.

Capital Commitments

As at December 31, 2019, 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	December 31
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not accounted for	110,651	144,442

Contingent Liabilities

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

The Group has been named as a defendant in two legal proceedings filed in the Macau Court of First Instance against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to defend its position that it is not liable. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Indebtedness

	As at	
	December 31 2019 <i>HK\$'000</i>	December 31 2018 <i>HK\$'000</i>
Unsecured Senior Notes	11,687,070	—
Unsecured Credit Facility	5,200,000	—
Secured Credit Facilities	—	19,060,000
Less: debt finance costs	(282,544)	(186,795)
	16,604,526	18,873,205
Total borrowings	16,604,526	18,873,205

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 (the "2024 Notes") and US\$750 million of 5.875% senior notes due May 15, 2026 (the "2026 Notes" and, together with the 2024 Notes, the "Senior Notes"). The net proceeds from the issuance were used to pay down outstanding borrowings under the MGM China Credit Facility. Interest on the Senior Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The Senior Notes are general unsecured obligations of the Company. Each series of Senior Notes ranks equally in right of payment with all of the Company's existing and future senior unsecured indebtedness and ranks senior to all of the Company's future subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of the Company's existing and future secured indebtedness (including the MGM China Credit Facility) to the extent of the value of the collateral securing such debt. None of the Company's subsidiaries have guaranteed the Senior Notes.

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted.

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

The Senior Notes also provide for certain events of default and certain insolvency related proceedings relating to the Group.

Unsecured Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024 (the “Revolving Credit Facility”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the existing senior secured credit facilities of the Group and are used for ongoing working capital needs and general corporate purposes of the Group.

Principal and Interest

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company’s leverage ratio. As at December 31, 2019, HK\$4.55 billion of the Revolving Credit Facility was undrawn and available for utilization up to May 2024. Each drawdown under the revolving credit facility is to be repaid in full no later than May 15, 2024. As at December 31, 2019, the Group paid interest at HIBOR plus 2.25% per annum.

General Covenants

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

Financial Covenants

The leverage ratio under the Revolving Credit Facility is required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

Due to the impact of the outbreak of the novel coronavirus, the Company entered into an amendment of the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00
June 30, 2020	1.25:1.00	Not Applicable
September 30, 2020	1.25:1.00	Not Applicable
December 31, 2020	1.25:1.00	Not Applicable
March 31, 2021	1.25:1.00	Not Applicable
Each accounting date occurring on and after June 30, 2021	2.50:1.00	4.50:1.00

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the year ended December 31, 2019.

Mandatory Prepayments

Pursuant to the Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided by the Group in relation to the Revolving Credit Facility.

Secured Credit Facilities

The Company and MGM Grand Paradise as co-borrowers entered into a credit agreement with certain lenders (the “MGM China Credit Facility”) which pursuant to various amendments, provided for a HK\$15.6 billion term loan facility and a HK\$7.8 billion revolving credit facility. The final maturity date of the MGM China Credit Facility was June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022.

The terms of the Sub-Concession Extension included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the MGM China Credit Facility was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The amendment became effective on April 16, 2019.

During the year ended December 31, 2019, the MGM China Credit Facility was replaced in their entirety by the net proceeds from the unsecured senior notes and the Revolving Credit Facility as described above. As a result, the Group recognized a loss of HK\$171.1 million on extinguishment of debt during the year ended December 31, 2019.

MARKET RISK

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

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in MOP and gaming taxes are paid 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 assets denominated in US\$ and Singapore Dollars and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

Interest Rate Risk

The Group is primarily exposed to cash flow interest rate risk in relation to borrowings which bear interest at floating rates. The Group manages interest rate risk through a mix of long-term fixed rate borrowings under our Senior Notes and variable rate borrowings under our Revolving Credit Facility and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

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 and client preferences, we have made and will continue to incur related capital expenditures on enhancements and refinements for our resorts to increase revenue.

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

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2019, MGM Grand Paradise employed 11,092 (2018: 10,735) 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 base pay, health benefits, incentive pay, bonus, equity and retirement plans, etc.
- 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.

DISCLOSURE OF FINANCIAL RESULTS IN MACAU

In March 2020, MGM Grand Paradise, our subsidiary and the holder of our gaming Sub-concession, will file its statutory consolidated financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("MFRS") for the year ended December 31, 2019 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau, in compliance with the relevant provisions of its Sub-Concession Contract and applicable law. In addition, MGM Grand Paradise expects to publish its MFRS Condensed Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2020. The MFRS Consolidated Financial Statements and the MFRS Condensed Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company, including details on closure of register of members for the purpose of ascertaining the members who are entitled to the Final Dividend, will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

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

During the year ended December 31, 2019, the Company repurchased a total of 503,600 Shares at an aggregate purchase price of HK\$6.9 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid <i>HK\$ '000</i>
March 2019	192,900	15.40	15.30	2,976
June 2019	112,100	12.38	12.28	1,386
September 2019	65,400	13.18	13.00	863
December 2019	133,200	12.86	12.80	1,717
	<u>503,600</u>			<u>6,942</u>

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the year ended December 31, 2019 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

During the year ended December 31, 2019, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the "Code") in terms which are more exacting than the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

The Company has made specific inquiries and has received confirmations from all the Directors that they have complied with the required standard as set out in the Code for the year ended December 31, 2019.

AUDIT COMMITTEE

The Audit Committee is currently comprised of three independent non-executive Directors and one non-executive Director. The major duties of the Audit Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012 and amended by a resolution of the Board passed on November 5, 2015 include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgments contained therein, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting, reviewing the Group's financial controls, internal controls and risk management systems. The Management Risk Committee, appointed by and subject to the oversight of the Audit Committee assists the Audit Committee, the Board and senior management as appropriate, to oversee the overall risk management framework of the Group and to identify and effectively manage risks considered by the Management Risk Committee to be significant to the Group, including strategic, financial, business, operational, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks on ongoing basis. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2019.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Hong Kong Stock Exchange's websites. The Company's annual report for the year ended December 31, 2019 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors of our Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentary and other incentives and in accordance with IFRS

“China” or “mainland China”	the People’s Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire(s)”	the holder(s) of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of our 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
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government

“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002
“GGR” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator

“MGM China Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China Holdings Limited, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemprego Limitada, MGM — Security Services, Ltd. and Bank of America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries
“MGM MACAU”	the resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of our Company

“REVPAR”	Revenue per available room includes commissions, complimentary and other incentives
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“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
“Sub-Concession”, “Sub-Concession Contract” or “Sub-Concession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019
“Sub-Concessionaire(s)”	the holder(s) of a Sub-Concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette

“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP”, “VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based upon information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day
“%”	per cent

By Order of the Board

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, March 26, 2020

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