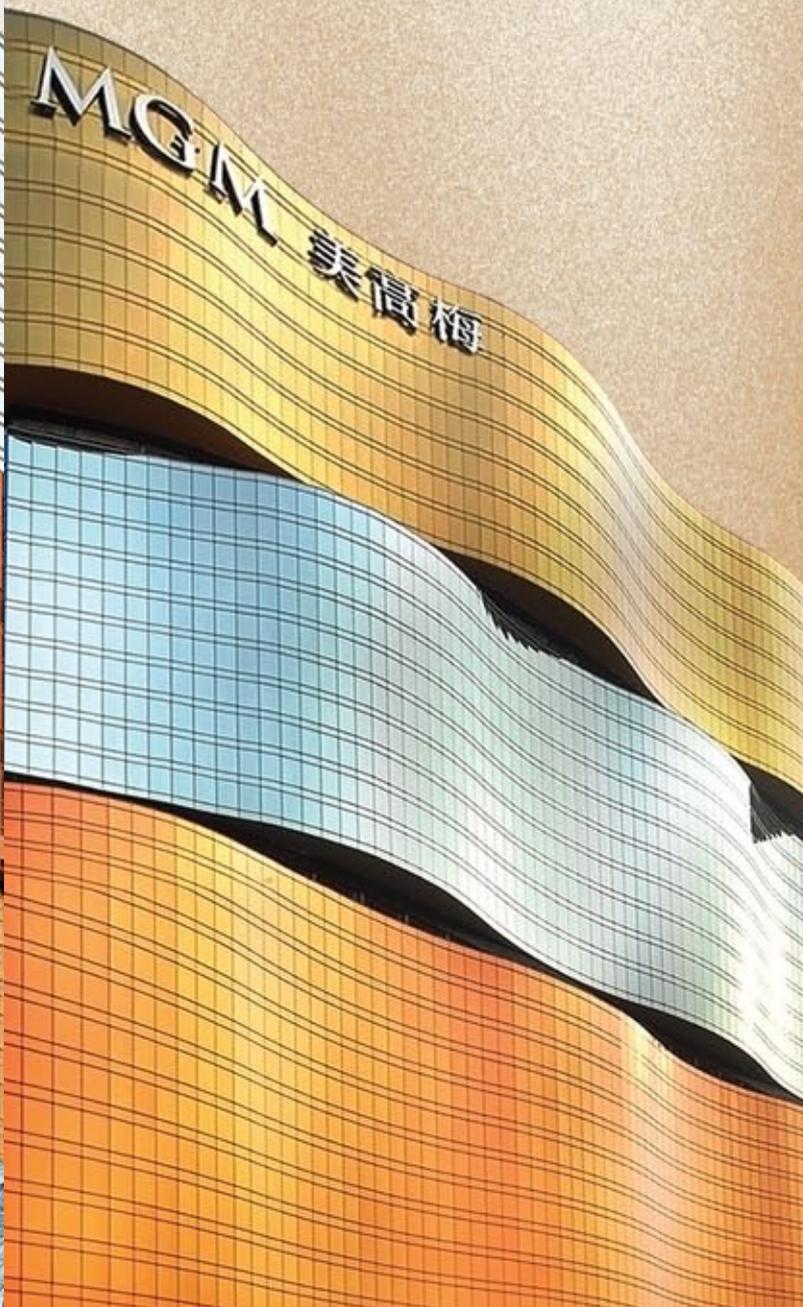


ANNUAL REPORT OF 2019

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



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



2019 is the most rewarding year as we were recognized over 75 major awards from reputable local and international organizations, showcasing MGM China's achievements and honor in Macau.

- **GUINNESS WORLD RECORDS**
Spectacle at MGM COTAI - the largest free-span gridshell glazed roof (self-supporting)
- **World's Best New Skyscraper**
- **Co-Chairperson & Executive Director, Ms. Pansy Ho for Bestowment of "Medal of Merit - Tourism" by Macau SAR Government**
- **15 Awards on Investor Relations**
- **8 Hotel Awards**
- **21 Awards on Human Resources**
- **9 Awards on Sustainability**
- **5 Awards on Corporate Social Responsibility**
- **15 Awards on Occupational and Culinary Skills**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

William Joseph Hornbuckle
*(Chairperson) (appointed as
Chairperson on March 26, 2020)*

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

Chen Yau Wong

Grant R. Bowie *(Chief Executive Officer)*

John M. McManus
*(appointed as Non-executive Director
on March 6, 2019) (re-designated as
Executive Director on March 26, 2020)*

James Joseph Murren *(Chairperson) (resigned as
Executive Director and Chairperson
on March 26, 2020)*

NON-EXECUTIVE DIRECTORS

Kenneth Xiaofeng Feng

James Freeman *(appointed on March 6, 2019,
resigned on June 27, 2019 and re-appointed on
August 1, 2019)*

Daniel J. Taylor *(appointed on March 26, 2020)*

Daniel J. D'Arrigo *(resigned on March 1, 2019)*

William M. Scott IV *(resigned on February 22, 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhe Sun

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng *(appointed on December 9, 2019)*

Peter Man Kong Wong*

AUDIT COMMITTEE

Russell Francis Banham *(Chairperson)*

Daniel J. D'Arrigo *(resigned on March 1, 2019)*

Zhe Sun

Kenneth Xiaofeng Feng *(retired as a member of the
Audit Committee on November 1, 2019)*

James Freeman *(appointed on March 6, 2019,
resigned on June 27, 2019 and re-appointed on
November 1, 2019)*

Simon Meng *(appointed on December 9, 2019)*

Peter Man Kong Wong*

REMUNERATION COMMITTEE

Zhe Sun *(Chairperson)*

Pansy Catilina Chiu King Ho

William Joseph Hornbuckle

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng *(appointed on December 9, 2019)*

Peter Man Kong Wong*

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Sze Wan Patricia Lam *(Chairperson)*

William M. Scott IV *(resigned on February 22, 2019)*

Chen Yau Wong

Zhe Sun

Russell Francis Banham

John M. McManus *(appointed on March 6, 2019)*

Simon Meng *(appointed on December 9, 2019)*

Peter Man Kong Wong*

COMPANY SECRETARY

Antonio Jose Menano

AUTHORIZED REPRESENTATIVES

Antonio Jose Menano

William Joseph Hornbuckle
(appointed on February 22, 2019)

William M. Scott IV *(resigned on February 22, 2019)*

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

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

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

REGISTERED OFFICE IN CAYMAN ISLANDS

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN MACAU

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

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

1402 China Merchants Tower
200 Connaught Road
Central, Hong Kong

HONG KONG LISTED SHARE REGISTRAR

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

CAYMAN ISLANDS UNLISTED SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town, Grand Cayman KY1-9005
Cayman Islands

COMPANY WEBSITE

www.mgmchinaholdings.com

STOCK CODE

2282

* Mr. Peter Man Kong Wong passed away on March 11, 2019.

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



CHAIRPERSON'S STATEMENT

The achievements and progress that Macau has made over the past two decades is a source of pride to every member of the community. As a major enterprise with deep roots in Macau, MGM China continues to grow with the city and goes the extra mile to drive its development into a World Center of Tourism and Leisure. Such efforts received wide acclaim and once again translated into promising results in 2019.

CHAIRPERSON'S STATEMENT



WILLIAM JOSEPH HORNBUCKLE
Chairperson



Dear Shareholders,

Macau witnessed countless scenes of merriment in 2019 as the city celebrated its double jubilation — the 20th anniversary of the establishment of the Macau Special Administrative Region and the 70th anniversary of the founding of the People's Republic of China. The achievements and progress that Macau has made over the past two decades is a source of pride to every member of the community. In the period since Macau departed the Portuguese colonial era to become a Special Administrative Region of the People's Republic of China in 1999 followed by the opening of the gaming sector to foreign participation in 2001 and until now, Macau has transformed into an international hub for leisure and business travelers, with more than 35 million visitors for the year ended December 31, 2019. As a major enterprise

with deep roots in Macau, MGM China continues to grow with the city and goes the extra mile to drive its development into a World Center of Tourism and Leisure. Such efforts received wide acclaim and once again translated into promising results in 2019.

Since opening in February 2018, MGM COTAI has significantly diversified the offerings of MGM China and become a new growth driver in our portfolio. The property was awarded two architectural honors in 2019. MGM COTAI won Macau's first architectural and structural "Guinness World Records" title, and racked up our tally with the recognition of "The World's Best New Skyscraper". The prestigious honors have further boosted our allure for visitors from around the world. For the year ended December 31, 2019, we saw the Group's operating revenue increases by 19% to HK\$22.8 billion. Main floor gross table games

CHAIRPERSON'S STATEMENT



win — our focus business segment — saw a year-over-year growth of 37%. Adjusted EBITDA grew by 28% to HK\$6.2 billion. 2019 was the first full year of operation for MGM COTAI. MGM COTAI delivered impressive performance and recorded growth across all business segments. MGM COTAI Adjusted EBITDA was up 177% to HK\$2.4 billion. Main floor gross table games win in MGM COTAI witnessed a year-over-year growth of 77% to HK\$6.9 billion. VIP gross table games win in MGM COTAI was up 220% to HK\$4.0 billion. Meanwhile, MGM MACAU on the Macau Peninsula remained resilient during the year. With completion of renovation of our casino floor in October 2019, MGM MACAU achieved encouraging initial results from main floor table games. MGM MACAU recorded an Adjusted EBITDA of HK\$3.8 billion for the year ended December 31, 2019 with a solid margin of 30.9%.

Our impressive performance has further underpinned MGM China's distinctive positioning in the industry, marked by being a hub of distinctive cultural and entertainment events that has complemented our hospitality and gaming businesses. At MGM COTAI, with our innovative facilities at MGM Theater, we successfully facilitated a new rendition of Chinese traditional cultural performances, allowing them to take on a new look which appealed to people of different generations. We also featured "JABBAWOCKEEZ — true to yourself", the acclaimed hip-hop dance crew which utilized MGM Theater's cutting-edge audio, visual and light technology to present an innovate combination of choreography, drama and comedy. For the first time in Macau, our theater presented "The Harry Potter Film Concert Series", allowing audiences to relive the magic of



the movies in high-definition on our giant indoor LED screen while hearing the Orchestra Italiana del Cinema perform the unforgettable scores live. The dynamic MGM Theater also hosted the “Legend Fighting Championship”, the pioneer of Mixed Martial Arts (“MMA”) in China. The venue gave the fighters a canvas to display Chinese MMA against the backdrop of immersive LED content and interactive in-venue entertainment.

As a commitment to promoting cultural tourism, our resolve remains strong to offer one-of-a-kind art and culture as well as entertainment experience to our guests. Riding on our success in redefining public art in Macau through building an international art stage at our properties, we continued to enrich our art collection, allowing hotel guests, visitors, the

local community and global travelers to enjoy the cultural diversity of arts. Our entertainment offerings also continued to receive widespread applause in 2019. One of the enthralling events was “MGM Chef Nic Gastronomic Fest”, an original and innovative initiative encompassing gourmet foods, pop music, entertainment as well as art and culture that has further underpinned Macau’s unique position as a UNESCO Creative City of Gastronomy.

The 2019 year also marked a milestone for MGM China. Our gaming sub-concession, held under MGM Grand Paradise, was extended to June 26, 2022, aligned with other concessionaires and sub-concessionaires in Macau. With the signing of the extension to our Sub-Concession, we will be able to continue our contributions to Macau with diversified

CHAIRPERSON'S STATEMENT

art and entertainment experiences through seamlessly integrated technology, and, under the positioning of “One Center, One Platform”, coordinate with the Macau Government in shaping Macau as a World Center of Tourism and Leisure in the Greater Bay Area.

MGM China also contributes to the diversification of the city's economic structure which is crucial for sustainable development. Recognizing that the growth of small and medium-sized enterprises is a key driver to economic diversification, we have persistently supported local small and medium sized enterprises to grow in a sustainable manner, including to broaden their skill sets and enhance their professionalism and adaptability as a way to strengthen their competitiveness. We also strongly supported young entrepreneurs by offering them one-on-one business matching session to explore business opportunities through a program co-organized with Macao Young Entrepreneur Incubation Center.

We continued to invest heavily to develop our internal talent pool to sustain our business and support the city's position as a tourism education and training base for the Greater Bay Area. Our team members are given a wide spectrum of vertical and horizontal career mobility options, which is aligned with the Macau Government's direction in talent development. I would like to take this opportunity to express my gratitude to team members for their dedication and hard work. We would not have come this far without the support of our distinguished team members.

The recent COVID-19 outbreak resulted in a Macau Government decision in February 2020 to temporarily suspend operations of all casinos in the city to prevent the spread locally of the novel coronavirus infection. We are grateful for the decisive actions and leadership of the Macau Government to contain the novel coronavirus. MGM China places high importance on the health and safety of our team members, guests and all Macau citizens, and fighting the epidemic is our current top priority.

In February 2020, MGM China announced a MOP20 million donation, made in coordination with the Liaison Office of the Central People's Government in Macau, to help Hubei province fight against the novel coronavirus epidemic. The donation will be used for the purchase of preventive and medical supplies, as well as urgent-needed materials and equipment, supporting national epidemic relief and prevention.

We are also joining hands with different sectors of the Macau community to combat the epidemic. We have donated 500,000 surgical masks to the Macau Government to support their anti-epidemic initiatives. We have also introduced a financial assistance program for local small and medium sized vendors who will receive an advance down payment from us for future orders or services. Our team will continue to work with the Macau Government as we are resuming our operations.

I am proud of the manner in which our company has responded to this crisis, putting people and community at the center of our efforts and I would like to restate the continuous support of MGM Resorts International to MGM China and to Macau, its community and its endeavors. At this moment of great challenges to Macau, MGM Resorts International is, as always was, committed to the success of Macau. It is my honor to continue to work closely with board Co-chair, Pansy Ho, in my new capacity as the Chairperson. Together, we will continue to contribute to Macau's development into an international center for recreation and tourism.

MGM China is extremely confident about the prospects of Macau's gaming and hospitality market in the long term. We will continue to enliven Macau by introducing more creative, innovative performances and entertainment options to the city, upholding our role as a pioneer in promoting diversification cultural tourism.

Bill Hornbuckle

Chairperson

DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF OUR BOARD

Executive Directors

William Joseph Hornbuckle, aged 62, is the Chairperson and executive Director of the Company. He is a member of the Remuneration Committee of the Company. Mr. Hornbuckle has experience in the gaming industry for 40 years. He serves as a director of MGM Grand Paradise since November 16, 2009. Mr. Hornbuckle was appointed as Chief Operating Officer of MGM Resorts International since March 1, 2019 and was then appointed as acting Chief Executive Officer and President of MGM Resorts International since March 22, 2020. Mr. Hornbuckle also serves as a Director of MGM Growth Properties LLC. Mr. Hornbuckle was previously the Chief Marketing Officer of MGM Resorts International from 2009 until 2012. From April 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He also served as the President and Chief Operating Officer of MGM Grand Las Vegas from 1998 to 2001. Prior to joining MGM Grand Las Vegas, Mr. Hornbuckle served as the President and Chief Operating Officer for Caesars Palace, Las Vegas. Mr. Hornbuckle serves on the Board of Advisors for Andre Agassi Foundation, the Board of Trustees for Three Square Food Bank and is a Founder of the Bank of George. Previously, Mr. Hornbuckle served on the boards for the United Way of Southern Nevada and the University of Nevada, Las Vegas. From 1999 to 2003, he also served as a board member of the Las Vegas Convention and Visitors Authority. Mr. Hornbuckle graduated with a Bachelor of Science degree in Hotel Administration from University of Nevada, Las Vegas.

Pansy Catilina Chiu King Ho, JP, aged 57, is the Co-Chairperson, an executive Director and a member of the Remuneration Committee of the Company. She has served as a director of MGM Grand Paradise since June 1, 2005. She is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. Ms. Ho is the Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, a position she has held since 1999. In June 2017, she was appointed as Group Executive Chairman of Shun Tak Holdings Limited. In addition, Ms. Ho is a Director on the Board of Directors of Estoril-Sol, SGPS, SA, a Portuguese listed gaming company. She is also the Chairman of its Executive Committee and a member of its Remuneration Committee. Ms. Ho is the Vice Chairman and an executive director of the board of directors of Macau International Airport Company Limited and an independent non-executive director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. She is also a Chairperson of Hong Kong Federation of Women. In China, she is also a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Vice President of Women's Chamber and Chamber of Tourism of the All-China Federation of Industry and Commerce. In Macau, Ms. Ho is a Committee Member of the Committee for Cultural Industries, the Chairperson of Global Tourism Economy Research Center and the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Council, and was appointed as a Tourism ambassador by the United Nations World Tourism Organization in October 2018. Ms. Ho was appointed as Honorary Professor of School of Political Communication, Central China Normal University in November 2013. She was appointed as Honorary Fellowship from the Hong Kong Academy for Performing Arts and University of Hong Kong in June 2014 and September 2015 respectively, and appointed as Justices of Peace in July 2015. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the Santa Clara University in the United States.

Chen Yau Wong, aged 66, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong is a director of MGM Grand Paradise, a position he has held since September 2007. Mr. Wong was a director of Grand Paradise Group (HK) Limited from December 2004 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a Financial Advisor and Operations Controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

Grant R. Bowie, aged 62, is the Chief Executive Officer and an executive Director of the Company. Mr. Bowie is responsible for the overall management, strategic development and expansion of the Company including the direction and operations of MGM MACAU and MGM COTAI, the latest addition to the MGM portfolio in China. Mr. Bowie joined MGM Grand Paradise in August 2008 as President. Prior to this, he was President and General Manager of Wynn Resorts (Macau) S.A. from 2003 to 2007. Before coming to Macau, Mr. Bowie spent 16 years with Park Place Entertainment Corporation in Australia, holding senior positions in gaming, general finance and hotel operations. His last position held was Area Senior Vice President for Park Place Entertainment Corporation overseeing their Australian operations. Mr. Bowie was educated in New Zealand and obtained a Bachelor's degree in Commerce from the University of Otago in 1980. He was recognized by leading financial publication "Institutional Investor" as "Best CEO" in the All-Asia Executive Team survey for three consecutive years from 2015 to 2017. He is currently a Governor of the American Chamber of Commerce in Macau, a Member to Advisory Board of the Institute for the Study of Commercial Gaming at University of Macau and an adjunct professor of Tourism and Leisure Management at University of Queensland. Previously, he was a member of Australian Federal Government's Tourism Forecasting Council, Chairman of Queensland's Responsible Gambling Advisory Committee and a member of the National Advisory Body on Gambling.

John M. McManus, aged 53, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. He also serves as the Executive Vice President, General Counsel and Secretary of MGM Resorts International since July 2010. Mr. McManus served as MGM Resorts International's Senior Vice President, Acting General Counsel and Secretary from December 2009 to July 2010, Senior Vice President, Deputy General Counsel and Assistant Secretary from September 2009 to December 2009 and Senior Vice President, Assistant General Counsel and Assistant Secretary from July 2008 to September 2009. Mr. McManus acted as counsel to various operating MGM subsidiaries from May 2001 to July 2008. Mr. McManus also serves as director of MGM Growth Properties LLC. Mr. McManus holds a Bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree from University of Miami.

DIRECTORS AND SENIOR MANAGEMENT

James Joseph Murren, aged 58, was the Chairperson and an executive Director of the Company. He was the Chairman and Chief Executive Officer of MGM Resorts International. He resigned from his positions with the Company and with MGM Resorts International, effective from March 26, 2020 and March 22, 2020, respectively. He served as a director of MGM Grand Paradise since January 19, 2010 and resigned on March 26, 2020. Mr. Murren served as Chairman of the Board of MGM Growth Properties LLC, a real estate investment fund listed on the New York Stock Exchange that is engaged in acquisition, ownership and leasing of large-scale destination entertainment and leisure resorts, whose diverse amenities include casino gaming, hotel, convention, dining, entertainment and retail offerings, from April 22, 2016 to March 22, 2020. In 1998, Mr. Murren joined MGM Grand Inc. (a predecessor of MGM Resorts International) as Chief Financial Officer and a member of the board. He completed significant acquisitions over the next seven years, overseeing the transformation of MGM Resorts International into one of the world's leading gaming companies. In 1999, the board promoted Mr. Murren to President and then to Chief Operating Officer in 2007. As Chief Financial Officer, Mr. Murren directed the implementation of an extensive reorganization of MGM Grand Inc. and started the development of CityCenter. Before he joined MGM Grand Inc., Mr. Murren served as a Managing Director of U.S. Equity Research at Deutsche Bank AG. Mr. Murren graduated with a Bachelor's degree in art history and urban studies from Trinity College, Hartford in 1983. Prior to joining the board of MGM Grand Paradise, Mr. Murren was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Non-executive Directors

Kenneth Xiaofeng Feng, aged 49, is a non-executive Director since May 24, 2018 and serves as President, Chief Strategic Officer since August 1, 2019. He was a member of the Audit Committee from May 24, 2018 to November 1, 2019. Mr. Feng is the Executive Vice President of MGM Asia Pacific Limited and has been employed by MGM Resorts International since 2001 in a variety of finance, advisory, strategic and development positions. Mr. Feng was closely involved in the negotiations and developments of both for the MGM MACAU and for Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government). Mr. Feng was promoted first to Vice President — International Operations in 2007, Senior Vice President of MGM Resorts International in 2009, and to his present post in 2013. He is active in strategic, development and operations roles both with MGM China Holdings Limited and with Diaoyutai MGM Hospitality. Mr. Feng graduated from Nankai University in China with a degree in Bachelor of Science and also holds a Master of Science degree from Columbia University, USA.

James Freeman, aged 51, is a non-executive Director and a member of the Audit Committee of the Company. He was appointed on March 6, 2019, resigned on June 27, 2019 and was re-appointed as a non-executive Director on August 1, 2019 and as member of the Audit Committee on November 1, 2019. Mr. Freeman joined MGM Resorts International in March 2010 and currently serves as Senior Vice President, Capital Markets and Strategy. Mr. Freeman's role with MGM Resorts International is to reshape the company's balance sheet through his leadership of debt and equity capital raising activities. In addition, Mr. Freeman assists with strategic planning, market analysis and strategic development. Mr. Freeman also serves as the lead, from a financial perspective, on merger and acquisition activity and continues to be active in special projects. Since joining the company, Mr. Freeman has overseen significant capital markets transactions for MGM Resorts International and its subsidiaries including the initial public offering of the Company, the initial public offering of MGM Growth Properties LLC, and the US\$2.0 billion refinancing of CityCenter Holdings LLC, a 50% venture between MGM Resorts International and Infinity World Development Corp. Prior to joining MGM Resorts International, Mr. Freeman served as Senior Vice President and Chief Financial Officer of Fontainebleau Resorts. Prior to that, Mr. Freeman served as an Investment Banking Principal at Banc of America Securities. In this role, he executed significant debt and equity transactions for clients in the gaming, lodging and leisure industries. Mr. Freeman's experience includes a broad range of financial execution including project finance, acquisition finance, bank syndications, high yield offerings, convertible debt offerings and initial public offerings. Mr. Freeman earned his Bachelor of Science degree in Accounting from the University of Illinois and his Master of Business Administration with concentrations in Finance and Business Economics from the University of Chicago Booth School of Business.

Daniel J. Taylor, aged 63, is a non-executive Director of the Company since March 26, 2020. He currently sits on the board of MGM Resorts International since 2007 and MGM Growth Properties LLC since April 2016. He is the non-executive chairman of the board of directors of Light Efficient Design, a division of TADD LLC and a manufacturer and distributor of LED lighting products, primarily for the retrofit market, since July 2014. Mr. Taylor was an executive of Tracinda from 2007 to 2019. Mr. Taylor served as the President of Metro-Goldwyn-Mayer Inc. ("MGM Studios") from April 2005 to January 2006 and as the Senior Executive Vice President and Chief Financial Officer of MGM Studios from June 1998 to April 2005. He was the Vice President-Taxes at MGM/UA Communications Co., the predecessor company of MGM Studios, from 1985 to 1991. From 1978 to 1985 he worked as a Tax Manager at Arthur Andersen & Co., specializing in the entertainment and gaming practice. He was a Director of Inforte Corp. from October 2005 to 2007. Mr. Taylor acted as chairman of the board of directors of Delta Petroleum Corporation from May 2009 to August 2012, and as director from February 2008 to August 2012, and was also a member of the Audit Committee and Nominating and Corporate Governance Committee. Mr. Taylor graduated with a Bachelor of Science in Business Administration from Central Michigan University.

DIRECTORS AND SENIOR MANAGEMENT

Daniel J. D'Arrigo, aged 51, was a non-executive Director and a member of the Audit Committee of the Company until March 1, 2019. Mr. D'Arrigo served as the Executive Vice President, Chief Financial Officer and Treasurer of MGM Resorts International until March 1, 2019. He has held the positions of Executive Vice President and Chief Financial Officer since August 2007 and the position of Treasurer of MGM Resorts International since 2009 to 2016 and since 2018 to March 1, 2019. Mr. D'Arrigo previously served as Senior Vice President-Finance of MGM Resorts International from February 2005 to August 2007 and as Vice President-Finance of MGM Resorts International from December 2000 to February 2005. Mr. D'Arrigo holds a Bachelor's degree in Business Administration from West Virginia University in 1991. Mr. D'Arrigo resigned as a non-executive Director of the Company with effect from March 1, 2019 due to having agreed the termination of his position with MGM Resorts International and the Company as part of the MGM Resorts 2020 voluntary resignation program. Mr. D'Arrigo has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a non-executive Director of the Company which need to be brought to the attention of the Shareholders of the Company.

William M. Scott IV, aged 59, was a non-executive Director and a member of the Nomination and Corporate Governance Committee of the Company until February 22, 2019. Mr. Scott also served as President of MGM Asia Pacific and its corporate predecessors since June 2014 and was the executive director and General Manager of Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government) for the development of hospitality resources in Greater China. Previously, Mr. Scott served as an Executive Vice President-Corporate Strategy and Special Counsel of MGM Resorts International and various executive positions with that company from August 2009 to June 2014. From 1986 to 2009, Mr. Scott practiced law with firm Sheppard, Mullin, Richter & Hampton, LLP, specializing in financing transactions, being a partner of the firm commencing January 1993. Mr. Scott holds a Bachelor's degree in history from the Dartmouth College in 1982 and a Juris Doctor degree from Union University in 1985. He also obtained a Master of Laws in Banking and Financial Services Law from Boston University in 1986. Mr. Scott resigned as a non-executive Director of the Company with effect from February 22, 2019 due to having agreed the termination of his position with MGM Resorts International and the Company. Mr. Scott has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a non-executive Director of the Company which need to be brought to the attention of the Shareholders of the Company.

Independent non-executive Directors

Zhe Sun, aged 54, is an independent non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company since September 27, 2010. Mr. Sun is an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange, a position he has held since April 18, 2017. He is currently an adjunct senior research scholar and co-director of the China Initiative at Columbia University's School of International and Public Affairs. Mr. Sun is the founding director of the Center for U.S.-China Relations at Tsinghua University at Beijing. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of eighteen books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

Sze Wan Patricia Lam, aged 53, is an independent non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since March 16, 2011. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng University of Hong Kong. Now based in Hong Kong, Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

DIRECTORS AND SENIOR MANAGEMENT

Russell Francis Banham, aged 66, is an Independent Non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since November 2014. Mr. Banham is also a Non-executive Director, chairperson of the Audit Committee and a member of the Nomination and Remuneration Committee of Eureka Group Holdings Limited. He is a Non-executive director of National Atomic Company Kazatomprom, the Chairperson of its Audit Committee and Nomination and Remuneration Committee, and a member of the Strategic Planning and Investments and Health, Safety and Environment Committees. He is also a Non-executive director of Wiggins Island Coal Export Terminal Pty. Ltd. since November 2017; and a member of the Audit and Risk Management Committee of the Queensland Audit Office since November 2017. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a Partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. In 2016, Mr. Banham completed the Company Directors' course at the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia.

Simon Meng, aged 62, is an independent non-executive Director, a member of the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee of the Company since December 9, 2019. Mr. Meng was a corporate M&A partner at Linklaters in Shanghai since May 1, 2017, specialized in cross-border M&A, direct investments and joint ventures in China. He has significant experience in project development relating to energy, real estate and urban transportation sectors in China and has advised numerous Chinese and multinational corporations. Mr. Meng is admitted to practice law in the New York State and in France. He practiced in Paris, New York and Hong Kong with Cleary Gottlieb Steen & Hamilton between 1990 and 1996 before joining Freshfields in Hong Kong in late 1996. Prior to joining Linklaters, Mr. Meng was a partner of King & Wood Mallesons from 2012 until April 2017, Herbert Smith from April 2000, and Sidley Austin from October 1998. Mr. Meng obtained a Bachelor of Laws from Beijing University, a Master of Public Law, a Master of Business Law and a Doctor of Law from Bordeaux University, and a Master of Comparative Jurisprudence from the New York University.

Peter Man Kong Wong. It is with great sorrow that the Board informs that Mr. Wong passed away on March 11, 2019. Mr. Wong was an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of the Company since November 30, 2012. Mr. Wong had over forty years of industrial, commercial and public service experience. He served as a deputy to the 12th National People's Congress of the People's Republic of China and as a deputy to the 13th National People's Congress. Mr. Wong was the Chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. Mr. Wong had a Bachelor of Science Degree from the University of California, Berkeley. He was nominated a Justice of the Peace in 1987 and was awarded Bronze Bauhinia Star in 2003 for his valuable contributions to promote public services in Hong Kong. Mr. Wong had an extensive record in public services. From 1979 to 1992, he served as a director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee during 1996 and 1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. At the time Mr. Wong passed away, he was a director of a number of public companies listed on the Hong Kong Stock Exchange. He was an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co., Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Energy Corporation Limited. He was a non-executive director of Hong Kong Ferry (Holdings) Company Limited. Before he was an independent non-executive director of Chinney Investments, Limited from March 27, 2004 to August 25, 2017. Mr Wong made invaluable contribution to the Company during his tenure of office. The Board would like to express its sincere gratitude to Mr. Wong for his dedication.

Senior Management

Zhi Qi (Hubert) Wang, aged 52, is our President, Hospitality & Chief Financial Officer. Mr. Wang has been with the Company since July 2011. He oversees several key business units including Finance, Digital Technology Services and Hospitality Operations for both MGM MACAU and MGM COTAI. Mr. Wang is a seasoned executive with a wealth of knowledge in the operation of integrated resorts and corporate finance, and plays a key role in both daily operations and corporate strategies and affairs. Mr. Wang has been instrumental in leading yield management and continuous improvement business initiatives. He has also successfully led the execution of key technology and business process innovations for our business. Mr. Wang was in charge of many rounds of successful refinancing and amendments, and played a key role in the senior notes offering in 2019. He had worked for a number of large integrated resort companies in the United States before he joined the Company. Mr. Wang holds a graduate degree in Master of Business Administration.

DIRECTORS AND SENIOR MANAGEMENT

Antonio Jose Menano, aged 57, is our Company Secretary and Executive Vice President, Legal & General Counsel. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than ten years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Acção Social de Macau. He graduated with a law degree from the University of Coimbra.

Yuen Ying (Wendy) Yu, aged 52, is our Executive Vice President, Human Resources with responsibilities for all Human Resources functions at both MGM MACAU and MGM COTAI. Ms. Yu has been with the Company since July 2009 after having spent two decades being actively involved in the transformation of Macau's hospitality and human resources industries. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then was hired as Human Resources Manager of Holiday Inn Macau from its pre-opening stage. Subsequently she moved and worked for an assignment in Shanghai with the New World Group. Upon returned to Macau, she left the corporate world for a one-year stint as a lecturer for the Institute of Tourism Education in Macau. She then joined the Westin Resort Macau where she held the position of Director of Human Resources and was in charge of the organizational realignment when the Westin brand was integrated into the Starwood Family. From 2003 to 2008, Ms. Yu was the Vice President of Human Resources for Wynn Resorts (Macau) S.A. as part of the opening team. Prior to joining our Company, Ms. Yu returned to Starwood Hotels and Resorts to set up their opening teams for their Sheraton and St. Regis projects in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in Personnel Management from the University of East Asia Macau (now University of Macau).

Han Tian, aged 40, is our Senior Vice President of Gaming Operations & Strategic Marketing. Mr. Tian has been with the Company since November 2007. He has a proven track record of developing company's data driven management culture from enterprise data warehouse to advanced customer analytics. In addition, he is responsible for the strategy and execution of the Company's gaming product optimization as well as gaming marketing programs including loyalty and customer relationship management programs. Prior to joining our Company, Mr. Tian worked for MGM Resorts International in Las Vegas. Mr. Tian holds a graduate degree in Master of Business Administration from University of Nevada, Las Vegas.

Michael G. Holubowskyj, aged 55, is our Senior Vice President of Security & Safety. Mr. Holubowskyj has been with the Company since November 2008. He is responsible for overseeing all security and safety operations in MGM MACAU and MGM COTAI. Mr. Holubowskyj has 32 years of experience in the security and policing field. Before joining our Company, Mr. Holubowskyj was the Head of Security Services for the Hong Kong Jockey Club from 2007 to 2008. Prior to that he was the Director of Security for Wynn Resorts (Macau) S.A. from 2006 and 2007 where he helped establish the security department in preparation for the opening of the resort and from 2004 to 2006 Mr. Holubowskyj worked as the Director of Security, Safety, Fire and Health Services for Hong Kong Disneyland. Before joining the private sector, Mr. Holubowskyj spent 17 years in law enforcement with the Hong Kong Police Force where he attained the rank of Superintendent of Police. He graduated from the University of London with a Bachelor of Science (Honors) in Mathematics and Statistics. He also obtained a Master's degree in Business Administration from Heriot Watt University in the United Kingdom.

Weng Kei (Catarina) Lio, aged 42, is our Vice President of Brand Marketing. Ms. Lio has been with the Company since July 2017. She is responsible for leading the Brand marketing to protect and promote MGM brand message by harnessing the combined capabilities of Public Relations, Arts & Culture and Brand & Campaign, to trigger interest and translate this into sales by leveraging the persuasive power of Digital marketing, Program & Events and Creative Services. Prior to joining the Company, Ms. Lio served as Chief Operating Officer of Ogilvy Group Hong Kong. Her extensive experience in transforming multi-million dollar global accounts equips her with the knowledge and insights to lead operating strategies that transform businesses, lead on accounts like Sands China, Hongkong Land, Asia Miles, Huawei and Philips since 2009. Prior to that she was Executive Director of Conde Group. Ms. Lio started her career in Macau with TDM — Teledifusão de Macau, S.A. as journalist and journalism background came in handy later when she worked in Macao Water as Public Relations & Communications officer during on-going Salinity social issue. Ms. Lio graduated with a Bachelor's degree in Business Administration, majoring in Marketing at University of Macau.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

MGM China, a leading developer, owner and operator of gaming and lodging resorts. MGM MACAU, a Forbes Five-Star luxury integrated resort inspired by the arts with every element of the resort infused with creativity and style. MGM COTAI, the latest addition to the MGM portfolio in China. Designed as the “jewelry box” of Cotai, it offers gaming area and approximately 1,400 hotel rooms and suites, meeting space, retail, food and beverage and other non-gaming offerings, as well as The Mansion for the ultimate luxury experience.

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

MANAGEMENT DISCUSSION AND ANALYSIS



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;

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 report, all individuals who are not residents of mainland China, Hong Kong or Taiwan are prohibited from entering Macau. Residents of mainland China, Hong Kong and Taiwan are prohibited from entering Macau if they have been to overseas countries in the past 14 days or are subject to 14-day medical observation at a designated location if they have been to Hong Kong or Taiwan in the past 14 days. Macau residents are not restricted from entering Macau but are subject to 14-day medical observation at a designated location if they have been to overseas countries, Hong Kong or Taiwan in the past 14 days. The temporary suspension of the visa scheme and ferry services to

Macau 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 20 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;

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

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

	For the year ended	
	December 31	
	2019	2018
	HK\$'000	HK\$'000
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)
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
Adjusted EBITDA (unaudited)	6,183,131	4,837,180
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$'000	2018 HK\$'000
MGM MACAU	12,371,138	13,488,705
Casino revenue	11,409,455	12,502,405
Other revenue	961,683	986,300
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
Operating revenue	22,765,036	19,200,721

⁽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	2018
	HK\$'000	HK\$'000
	(unaudited)	(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 31	
	2019	2018
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	290	291
Slot machines	1,085	806

MANAGEMENT DISCUSSION AND ANALYSIS

MGM COTAI ⁽³⁾ (in thousands, except for number of gaming units, percentage, and REVPAR)	For the year ended	
	December 31	
	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, complimentarys 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, complimentarys 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, complimentarys and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.

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

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS



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-

MANAGEMENT DISCUSSION AND ANALYSIS

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)

MANAGEMENT DISCUSSION AND ANALYSIS

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 COTAL 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 10 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 COTAL, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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)
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)
Cash and cash equivalents at the end of the year	3,270,296	3,992,107

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 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 2019 HK\$'000	December 31 2018 HK\$'000
Contracted but not accounted for	110,651	144,442

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$'000	December 31 2018 HK\$'000
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)
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

MANAGEMENT DISCUSSION AND ANALYSIS

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

On April 9, 2020, a second amendment of the financial covenants under the Revolving Credit Facility was executed, to reflect a further amendment of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
June 30, 2020	Not Applicable	Not Applicable
September 30, 2020	Not Applicable	Not Applicable
December 31, 2020	Not Applicable	Not Applicable
March 31, 2021	Not Applicable	Not Applicable
June 30, 2021	Not Applicable	Not Applicable
Each accounting date occurring on and after September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 COTA and shared services team members.

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

- Competitive — in the local labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.
- Comprehensive — to be viewed through the lens of total rewards, including 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.



2019 World Challenge Day
世界挑戰日

SUSTAINABILITY



An Experience of a Life-time
with MGM China

SUSTAINABILITY

This section of our Annual Report provides a summary of our Company's approach, progress and performance in implementing our sustainability program.

Reporting Framework & Scope

The content of this sustainability summary is prepared in accordance with the requirements of the Hong Kong Stock Exchange Environmental, Social and Governance ("ESG") Reporting Guide ("ESG Guide"), as well as with additional guidance from international reporting frameworks such as the Global Reporting Initiative's Sustainability Reporting Guidelines.

As this report is in summary form, for full disclosure against the ESG Guide, as well as for more detailed sustainability reporting, please visit the sustainability section of our corporate website at www.mgmchinaholdings.com.

We have adopted an operational control approach in reporting our environmental parameters. Environmental data (energy, emissions, water and waste) for MGM MACAU and MGM COTAI are reported.

OUR APPROACH TO SUSTAINABILITY

At MGM China, sustainability is about doing well by doing good. To ensure the long-term success of our business, it is fundamental we look after those who mean the most to us, including: our employees, business partners, suppliers, customers, the community and our shareholders. It is also equally important to take care of the earth and its precious natural resources, which we depend on for life itself.

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

MGM SUSTAINABILITY POLICY

Our Sustainability Policy outlines commitments to three overarching pillars: Responsible Business, Social Responsibility and Environmental Sustainability, with the following objectives:

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

SUSTAINABILITY

FOCUSING ON WHAT MATTERS

Based upon these pillars, the following have been identified as the most material areas to our business through internal and external analysis and consultation which is updated on an ongoing basis. Our sustainability strategy along with this sustainability summary is structured according to these material areas.

	Material areas
Commitment to Responsible Business	<ul style="list-style-type: none"> — Sustainability governance — Stakeholder engagement — Privacy policy and product responsibility — Business conduct
Commitment to Social Responsibility	<p>Employees:</p> <ul style="list-style-type: none"> — Recruitment and development — Diversity and equal opportunity — Health, safety and wellbeing <p>Suppliers and Business Partners:</p> <ul style="list-style-type: none"> — Code of conduct, safety and hygiene standards — Procurement — Supporting local small and medium-sized businesses — Greater Bay Area opportunities <p>Community:</p> <ul style="list-style-type: none"> — Community engagement — Inspiring the next generation — Charitable contributions — Spearheading the regional art and cultural development — Responsible gaming — Anti-human trafficking
Commitment to Environmental Responsibility	<ul style="list-style-type: none"> — Emissions — Natural resource use — Waste management — Green Building — Biodiversity — Employee engagement — Community outreach

SUPPORTING GLOBAL GOALS

In 2016, the United Nations set a new global agenda for human progress and social impact through 17 Sustainable Development Goals (“SDGs”) to make dramatic progress on development issues by 2030. MGM China has identified three SDGs where we believe our sustainability strategy can make the greatest impact including: Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption. For more information on how we are achieving these goals, see: www.mgmchinaholdings.com.

COMMITMENT TO RESPONSIBLE BUSINESS

SUSTAINABILITY GOVERNANCE

Formed in 2012, the MGM Sustainability Committee (“Committee”) is responsible for establishing policies, programs and procedures that help move us towards fulfilling our sustainability vision and goals. The Committee includes senior representatives from across our departments, ensuring that a committee member champions each of our important impact areas. We also have a team of dedicated sustainability professionals that are responsible for the daily implementation of our sustainability objectives and targets.

Department-specific teams support our Committee and help to bring an integrated approach to our efforts and communicate top down. Our Resource Efficiency Team champions the technical aspects of the resource efficiency of our operations, meeting monthly to discuss environmental management opportunities and implementation. Our Green Team includes employees from across our operations with the aim of finding ways to engage and inspire fellow team members to help us achieve our environmental objectives.

We are proud of our team members who actively volunteer their time to help fulfil our role as a corporate citizen in community engagements to shape a better Macau. In 2019, we held 111 different community activities with our Golden Lion Volunteer Team, who dedicated 22,580 hours to volunteering, more than double compared to 2018. Our senior management and team members’ families also actively participated in the activities, showing care and love to those who matter in the community.

Ultimately our Board has overall responsibility for our sustainability strategy and reporting. In line with the Corporate Governance Code, the Board is responsible for evaluating and determining the Company’s sustainability-related risks, and ensuring that appropriate and effective sustainability risk management and internal control systems are in place. Senior management provide confirmation to the board on the effectiveness of these systems. Where relevant, executive compensation is tied to achievements in sustainability objectives.

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

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

Table 1: Stakeholder Engagement Process

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

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

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

SUSTAINABILITY

PRIVACY POLICY AND PRODUCT RESPONSIBILITY

Our company Privacy Policy is available on our website: <https://www.mgm.mo/en/macau/privacy>. Our Privacy Policy and Information Security Policy and Standards outline our responsibility to protect information resources and customer data and must strictly be adhered to by all employees, contractors, consultants, temporary employees, and other workers.

We are governed by clear policies and practices to ensure no unfair or misleading marketing information is delivered to consumers. Feedback is actively sought from our customers, with any material feedback provided being seriously considered by senior management and used to update our policies and practices.

To date no customer data privacy breaches or unfair marketing cases have been reported.

BUSINESS CONDUCT

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

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

An Integrity Hotline is maintained by an independent third party service provider and operates on a 24/7 basis to report concerns of unethical behavior related to us.

Training on ethical business conduct is provided to all employees upon induction and comprehensive training is provided to all assistant-managers and above, as well as to selected suppliers.

Our suppliers are required to adhere to our Vendor Code of Conduct, as well as our Sustainability Policy. Site visit inspections are carried out to ensure compliance with contractual obligations and company sustainability expectations such as health and safety, environmental compliance and ethical business conduct.

In 2019, the Group was in compliance with all applicable laws and regulations. Further, there have been no legal cases regarding corrupt practices brought against us or our employees during 2019.

COMMITMENT TO SOCIAL RESPONSIBILITY

EMPLOYEES

Recruitment and development

We have invested heavily in building a formidable pool of talent for Macau in order to support our city's position as a tourism education and training base for the Greater Bay Area. In 2019, we have provided more than 814,000 training hours with an average of over 74 hours per team member, outperforming our industry peers. Our initiatives go hand in hand with Macau Government's direction in local development. Our team members are given a wide spectrum of vertical and horizontal career mobility options, complete with comprehensive training and developmental opportunities to help them reach their full potential and career growth. Today, over 90% of MGM China's management team are Macau locals.

In support of the government's effort to develop Macau into a tourism education and training base in the Greater Bay Area, MGM China provides a spectrum of learning opportunities for team members to acquire professional knowledge and skills in respective areas. To celebrate team members' learning achievements, a graduation ceremony was held in September 2019 for nearly 1,200 team members from three major categories:

1. **Local Leadership Development** — PRIDE Program;
2. **Continuing Education** — MGM Academy, MGM eAcademy and other diploma courses in collaboration with tertiary and secondary educational institutions, such as MGM High School Diploma Program and Diploma in Gaming Management;
3. **Professional Skills and Vocational Training** — in partnership with Labour Affairs Bureau ("DSAL"), Macau Federation of Trade Unions and other educational institutions.



SUSTAINABILITY

CASE STUDY: Learning Month in 2019

Our Learning Month in 2019 saw our learning partners, including Hong Kong Polytechnic University and Sun Yat-Sen University, showcasing learning opportunities available to adult learners in Macau and the Greater Bay Area. This also brought about more exchange opportunities, inclusive of a visit of over 40 entrepreneurs and management elites from mainland China to MGM COTAI for a sharing session with our management and a hotel property tour.



Pioneering New Training Initiatives: To keep pace with the rapid changing market, we have launched several new talent development initiatives towards the professional development for the hospitality industry in the Greater Bay Area. In collaboration with Macau Polytechnic Institute (“MPI”), MGM China has tailored a Certificate Course in Management for its PRIDE’s Specialist Track members and introduced the Diploma in Gaming Management. On the other hand, our team members also participated in the 1.5 year Diploma in Gaming Machine Management co-organized by Gaming Inspection and Coordination Bureau (“DICJ”), DSAL, and MPI.



In September 2019, MGM China announced the introduction of the first culinary professional diploma for integrated resort, which is co-organized with Macao Institute for Tourism Studies (“IFT”).



We also partnered with the University of Macau Centre for Continuing Education and Faculty of Business Administration to organize the “Certificate in Future Leadership Skills in a Smart Era” program, sponsoring 26 team members to upgrade their personal competitiveness, and therefore promoting vertical and horizontal mobility of Macau talents.



We support the “Hospitality and Catering Industry Safety Card Program” organized by DSAL. To date, more than 4,000 employees attended the training and received the safety card.

SUSTAINABILITY

DIVERSITY AND EQUAL OPPORTUNITY

Human Rights: As per our Human Rights Policy, we respect the human rights of our employees and follow the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labor, and civil and political rights. Our ethos is to treat all employees with equity and fairness, and provide a proper process and forum where grievances can be heard, discussed and resolved. Our labor policies and practices, which are often above minimum compliance, are laid out in our Employee Handbook and available to all employees in new hire orientation including important information such as compensation and benefits, working hours, and leave entitlement. Rigorous background checks, and relationships with established and trusted contracting agencies support our stance to protect human rights and avoid any child or forced labor.

Diversity and Equal Opportunity: We support equal opportunities and diversity in our workforce, in knowing that a diverse team is a stronger team. In 2019, we have employees of more than 33 different nationalities with a gender ratio of 52% male and 48% female.

Workplace equality is indispensable for social inclusion. As part of our endeavor to create a cohesive company culture, we have over 40 disabled team members serving at different departments, enabling them to unleash their potentials and pursue continuous development. Our commitment earned us recognitions in both “Employer” and “Employee” categories of the 2019 Excellent Disabled Employees & Hiring Disabled Staff Recognition Scheme, a program co-organized by the DSAL and the Social Welfare Bureau of the Macau Government. Inclusive of the new acclaim, we received honors in the “Employer” category for 6 straight years and saw its employees earn distinctions for the 4th time.



HEALTHY, SAFETY AND WELLBEING

MGM China places great emphasis on the general well-being of team members. Our Employee Assistance Program (“EAP”) includes the provision of a free 24/7 hotline and face-to-face counselling service for team members and their family who suffer from personal life stress. In April 2019, a themed employee roadshow called “Self-confidence: Unleashing Your Potential” was held at back-of-house areas of MGM COTAI and MGM MACAU as part of EAP promotional campaigns.



We hosted the first “Employee Culinary Contest” at MGM COTAI, where team members presented their extraordinary creativity and talent to a panel of judges. The aim of the contest was to discover team members’ talent and interests outside of their daily lives.



SUSTAINABILITY

Promoting a Wholesome Lifestyle: Coming up with the slogan of “Wellness for Life, Work Safety in Mind”, the MGM Health and Safety Month 2019 was held in October 2019 to raise team members’ awareness of health and safety and help them develop an effective training regimen.



At MGM China, we strive to promote an active lifestyle for employees with a holistic view of wellbeing. To boost team spirit, we have established different sports teams for basketball, soccer, dragon boat team, and more.



SUPPLIERS AND BUSINESS PARTNERS

CODE OF CONDUCT, SAFETY AND HYGIENE STANDARDS

Acceptance of our Vendor Code of Conduct (“VCOC”) is a requirement in the vendor registration process so all new suppliers to us understand and share MGM China’s commitment to the highest standards of business integrity and ensuring that working conditions in our supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally and socially responsible.

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

PROCUREMENT

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

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

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

SUPPORTING LOCAL SMALL AND MEDIUM-SIZED BUSINESSES

Our creative mind continues to drive our innovation in supporting our small and medium-sized businesses (“SMEs”). We strive to explore new opportunities to motivate them to grow in a sustainable manner, with a primary focus on “Micro SMEs”, “Made in Macau” and “Young Entrepreneurs”. The win-win partnerships that we have fostered are testaments to our commitment towards the diversification of Macau’s economy.

SUSTAINABILITY

Our success in achieving greater supplier diversity has been evident since we set up our MGM SME Advisory Committee in 2015. At present, over 25% of our total procurement spending goes to local SMEs and 80% of our total procurement spending goes to local Macau enterprises. We stay at the forefront of bringing SMEs to the mainland China and global audience and paving the way for local creative industries to cooperate with us.

CASE STUDY: Facilitating Macau as a Trade Platform

To further the close trade ties between Macau and the mainland, we make every effort to introduce premium mainland products to Macau with the help of local SMEs.

In November 2019, we signed Sichuan Product Procurement Agreements with 3 SME members of Macau Union Suppliers Association (“MUSA”), namely Vang Kei Hong, Seng Kei Hong and Yau Heng Frozen Meat & Food. These were the positive outcome of our participation in a Sichuan inspection tour of agricultural by-products organized by MUSA in October 2019. Seizing an opportunity to partner with SMEs, we decided to purchase specialty products including liquor and oil products from Sichuan through MUSA members as part of our endeavor to help them expand business network.



CASE STUDY: MGM Business Matching Sessions



Our commitment to local SMEs is also manifested by the regular MGM SME Business Matching Session. In November 2019, we hosted the 7th SME Business Matching Session in collaboration with Macao Chamber of Commerce and other organizations. Participating vendors were mostly from design & advertising, facility management, food & beverage and information technology sectors. Management members from over 20 departments met with 200 SME representatives one-on-one to foster mutual communication, which was crucial to successful matching.

CASE STUDY: Equipping SMEs For The Typhoon Season

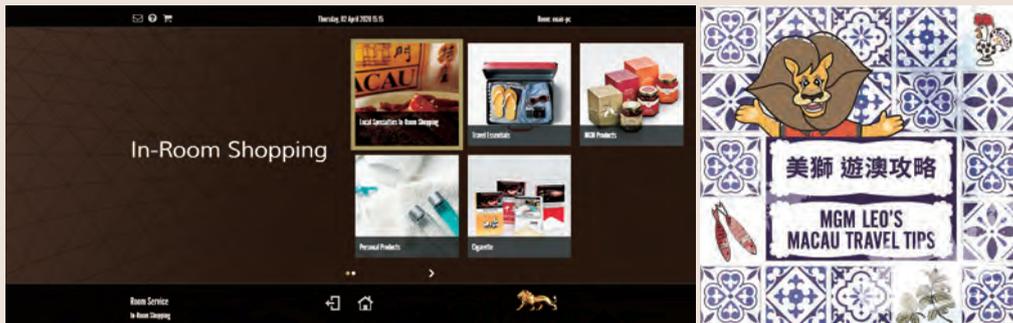
The disastrous Typhoon Hato has been a daunting experience to SMEs. Since then, we have initiated a number of programs to support SMEs in their recovery journey, such as the launch of cloud data backup service, assisting them to handle damages as well as installation of flood protection. Before the typhoon season in 2019, we started a new campaign of distributing over 100 emergency kits to the SMEs in the low-lying areas, to prepare them for possible adverse situations. Our team members have visited their SME partners located at the Inner Harbor area and gave every of them an emergency kit. Each kit contains useful tools including poncho, whistle and light torch, along with the specially designed leaflets of preparation tips and emergency contacts, which are useful for critical situations.



SUSTAINABILITY

CASE STUDY: MGM SMEs In-Room TV Shopping Program

As one of MGM China's long term support initiatives to local SMEs, we launches "MGM SMEs In-Room TV Shopping Program" in 2019 to help micro SMEs, young enterprises and Made-in-Macau brands to promote their products. Guest at MGM COTA can ordered the products through our TV portal and products will be delivered by our in-room-dining team. We believe the shopping information can enhance the image and boost the revenue of local SMEs.



GREATER BAY AREA OPPORTUNITIES

We took on title sponsorship of the "Work Hand-in-hand to Explore Greater Bay Area Opportunities 2019" series of activities organized by The Industry and Commerce Association of Macau. The program featured an exchange forum, road shows, themed talks and an inspection tour of young entrepreneurs to mainland cities and other countries to explore business opportunities in the Greater Bay Area ("GBA").

The exchange forum held in April 2019 was attended by guests from GBA cities, other mainland areas as well as Singapore and Brazil. It came with two business matching sessions, during which we signed a letter of intent with representatives of Ceará Industrial Centre of Brazil and Vang Kei Hong Trading Co., Ltd. on the purchasing of certified food and agricultural products.



CASE STUDY: Empowering the Next Generation of Entrepreneurs

Co-organized by MGM China and Macao Young Entrepreneur Incubation Center (“MYEIC”) in May 2019, we had provided a professional training seminar to MYEIC members to share about our procurement operation, bidding process and our vendor selection policies and procedures. MGM China forged a deep partnership with MYEIC in procurement information exchange, business matching and professional training, to jointly create opportunities for young entrepreneur members.



The “MYEIC ProQ Alliance” program also offered young entrepreneurs a one-on-one business matching session to explore business opportunities. We selected Barra Studio, a startup member of MYEIC, to create an unconventional pre-show for Fuerza Bruta Wayra, an immersive 360-degree performance staged at MGM Theater. This was the first time Barra Studio worked with a large-scale enterprise, and the collaboration has proven to be a milestone for their business.



SUSTAINABILITY

Stepping up our efforts to support youth entrepreneurship, we signed the Memorandum of Understanding with Parafuturo de Macau (“PFM Macau”) in November 2019 to stage the MGM X MYEIC Young Entrepreneur Mentorship Program. The collaboration demonstrated a great symbolic significance, as we are the first large-scale enterprise to conclude such agreement with PFM Macau. Members of MYEIC are mentored by MGM China’s management and industry experts, who share experiences and knowledge with the entrepreneurs.



CASE STUDY: A Celebration of Local Creativity

The creative industries is an important vehicle for Macau’s economic diversification. In collaboration with Macau Cultural and Creative Integrated Services Center (“cCenter”), we presented the “MGM Art Camp X cMarket” at MGM MACAU to expedite the commercialization of the business of local small and medium creative enterprises and young creative professionals. An integration of creative workshops, industry talks and a local design shop, the project brought about an ideal arena for them to showcase their distinctive creativity to locals and visitors alike.



COMMUNITY

While we adhere to our corporate culture of “Developing the City and Building our Community”, we believe we can do more than volunteer activities. Aiming to build lasting friendships with our community, we focus on the continuity of our community activities to grow together with our friends. Besides bringing in new ideas to the community, we also continue to host our signature events every year to constantly bring joy to our community, in particular our senior buddies, the younger generation and our disabled and underprivileged friends.

COMMUNITY ENGAGEMENT

Chinese New Year is the most important Chinese festival; cleaning homes and giving haircuts for our senior buddies has become one of the pre-Chinese New Year traditions for the MGM Volunteer Team. Back to the beginning of the year, we launched the 8th “Spring Clean for Love” with 180 MGM volunteers helping around 230 households of senior citizens from Fai Chi Kei Social Housing Unit clean and decorate their homes before the Chinese New Year.



SUSTAINABILITY

To many couples, wedding photos are important as they capture beautiful moments and a solemn promise of love. Yet, many senior citizens have never had their wedding photos taken back in their wedding times. In 2019, we brought back the “Love Moments” to MGM COTAI. A total of 20 elderly couples with an average age of 70 took their first-ever wedding photos at the Spectacle to celebrate their enduring love and fond memories. Among them, the oldest couple were 92 and 81 years old, and the longest married couple celebrated their 62 years of marriage.



The well-appreciated “Weaving for Warmth” activity has made its return since 2011. The reprise drew overwhelming response from 450 MGM team members, who knitted 2,500 scarves at the 20th anniversary of Macau Special Administrative Region. The scarves were donated to various community associations, spreading love to every corner of our city.



CASE STUDY: Together We Add Colors to Our Community

In celebration of the 20th Anniversary of Macau Special Administrative Region, we invited our community partners and volunteers to channel their creativity into an art installation named “Together, we add colors to our community”. A tribute to an inclusive and harmonious Macau community, the installation is a wood engraved wall art featuring iconic historical landmarks of Macau, embellished with 150 hand-painted wooden letter boxes created by members of 20 local welfare organizations and our volunteers. This collaborative artwork celebrates love, passion and teamwork, and captures the city’s unique East-meet-West beauty. It represents a common thread connecting MGM China with the community’s past, present and future and serves as a commitment to creating a better Macau.



INSPIRING THE NEXT GENERATION

In April 2019, MGM China sponsored the annual social inclusion conference “Parenting and Education of People with Intellectual Disability” organized by the Charity Association of Macau Business Readers. On the day of the conference, MGM Volunteer Team members and local artists from Art for All Association joined hands with 45 athletes with disabilities to create designs for motorbike toy models and helmets with social inclusion at their hearts.



SUSTAINABILITY

To commemorate the “World Mental Health Day”, we sponsored the “Different Draw · Different We Are” circle painting workshop organized by the Fuhong Society of Macau. Our volunteers joined hands with Fuhong Society of Macau and other organizations to create a special artwork.



With our pivotal role in promoting traditional lion dance among the youth in Macau, the 5th Junior Lion Dance Training Program, which took place for a course of seven weeks, saw a total of 76 graduates aged between five and eight this year. Since the launch of this program in 2014, 350 little masters have been trained.



We also organized an exchange visit to Guangzhou for 43 children of the “MGM Junior Lion Dance Continuous Training Program” during the summer, aiming to enhance the knowledge and skills of the young lion dancers and continue their interest in this traditional Chinese sport that has connected Chinese communities from all over the world.



CASE STUDY: Planning a Future for our Youth

In 2019, 56 interns completed their six-month internship program in various fields, including Hotel Operation, Art and Culture, and Entertainment.

Since 2005, we have sponsored the University of Macau study tour to Las Vegas. This year, 35 students in the Faculty of Business Administration participated in the trip to gain an in-depth understanding of the operations of MGM Resorts International as well as the hospitality and gaming landscape in Las Vegas.



SUSTAINABILITY

CASE STUDY: A Taste of Culinary Fun

We invited local youths to tour our properties for a closer look at the professional hospitality, food and beverage industry. Through “A Fun Serving Up Experience”, 60 students from Lar de S. Jose Ká-Hó had the chance to be our food and beverage ambassadors, while learning the intricacies of restaurant service and sequence. 15 teenagers from Sheng Kung Hui Astor Shore joined the “MGM Culinary Program” that aims to enhance their confidence through a structured cooking program, where they learnt how to prepare meals. During the Fun Culinary Day, we also invited 60 children from the Family Service Center of The Women’s General Association of Macau for a cooking class, where they learnt how to create tasty dishes alongside the MGM Culinary Team and Volunteer Team.



CASE STUDY: Learn From the Best

Whenever MGM China engages an A-listed performance, not only do we care about how we can mesmerize the audience, but also how we can bring about positive impacts to our community. As a result, we introduced a number of workshops to offer an opportunity for enthusiasts, especially the young people, to broaden their horizons and learn from the best of the best. The maestros included Orchestra Italiana del Cinema, hip-hop dance crew Jabbawoockeez, the Youth Dance Company of Beijing Dance Academy (performers of Chinese folk dance drama Jinggang Jinggang) and world-renowned tenor Warren Mok.



To solidify Macau's designation as a UNESCO Creative City of Gastronomy, we joined hands with Chef Mitsuharu Tsumura, the consultant chef of Aji at MGM COTAI, to share his expertise and demonstrate his culinary skills for students from IFT and Macau University of Science and Technology respectively to inspire local culinary talent.



SUSTAINABILITY

CHARITABLE CONTRIBUTIONS

MGM China is committed to philanthropic work in the belief of sharing its success with every Macau citizen.

- MOP300,000 to the Macau Holy House of Mercy's Welfare Shop project, financing the distribution of food hampers to over 360 local disadvantaged households. We have contributed a total of MOP2 million to this charitable good deed for the 8th consecutive year, benefitting 7,500 people.
- In support of Tung Sin Tong Charitable Society's annual fundraising campaign for the 12th consecutive year, we donated MOP600,000 to assist in their provision of local welfare services at large, bringing its total commitment to the Society to MOP5.4 million.
- For the 12th consecutive year, we donated MOP600,000 to Macao Daily News Readers' Foundation to support the "Walk for a Million" campaign.
- To get the community prepared for typhoon season, we distributed over 400 emergency kits to the elderly as well as SMEs in low-lying areas. Each kit contained first-aid supplies, poncho, whistle, light torch, and leaflets of preparation tips and emergency contacts.

CASE STUDY: Prepared for typhoon season

To get the community prepared for typhoon season, we distributed over 400 emergency kits to the elderly as well as SMEs in low-lying areas. Each kit contained first-aid supplies, poncho, whistle, light torch, and leaflets of preparation tips and emergency contacts.



SPEARHEADING THE REGIONAL ART AND CULTURAL DEVELOPMENT

As an avid supporter of Macau's art and cultural tourism, we have created rich artistic atmosphere by bringing arts closer to people. True to our vision of redefining public art, we consistently collaborate with artists across the globe to build an international art stage at our properties. By facilitating East-meets-West art dialogues and combining tradition and innovation, we have crafted distinctive MGM-style aesthetics that appeal to both the world of art and the public.

We continue to explore the infinite possibilities of cultural performance. This year our state-of-the-art MGM Theater successfully facilitate a brand new rendition of several cultural performances, bringing waves of amazing visual and audio treats to audience of different generations.

In support of Art Macao, the city's mega international art and cultural event, we presented Hua Yuan exhibition at MGM COTAI from June to August in 2019 to celebrate the diversity of ink artistry and how modern technology is reinventing one of the most ancient forms of art. The exhibition included:

Journey to the Dark II: Visual artist Yang Yongliang harnessed technology and videography to create this digital landscape painting, which portrayed a time-lapse sequence of Macau. The artwork was projected at the 28-million-pixel screen of MGM Theater, amplifying the artist's breakthrough in the art of ink painting.



SUSTAINABILITY

A Metamorphosis: No End to End: Jennifer Wen Ma used the diversity of ink to present this large-scale immersive multimedia and art installation at the Spectacle. Comprised of three garden landscapes crafted with the art of Chinese paper flower and the use of laser technology, this installation showed how traditional black-and-white ink layout took on a new look after being overlaid with hints of colors.



Paradise Interrupted: A Grand Finale of Hua Yuan, this unconventional one-act installation opera blended 600-year-old Kun opera with Western opera, constituting an integration of opera, theater, dance, music, poetry and interactive media into one entity.



MGM COTAI was also the venue of the “Artists’ Talk” — an event held by Art Macao in August 2019. Nearly 200 guests from different fields as well as local young artists were invited to discuss how to develop traditional culture in new artistic forms, the very essence for inspiring artists and youth to create works of art with local values.



In Dialogue with World-class Art Collection

In October 2019, our Chairman’s Collection acquired two iconic gunpowder artworks by Chinese artist Cai Guo-Qiang, namely *Alchemist* and *Study for Uffizi: A Bouquet of Flowers No.1*. The renowned artist came for the unveiling ceremony of the two masterpieces, followed by a special screening of his own documentary *Sky Ladder: The Art of Cai Guo-Qiang* and a dialogue with 600 locals and youths on the prospect of art in Macau at the MGM Theater.



Full Backing for Young Artistic Talent

SUSTAINABILITY

At the same period, we also debuted the photo exhibition titled “Rooster, Tiger, Sheep by Snake” by young artist Cai Wen-You, daughter of Cai Guo-Qiang. The exhibition showed the intimate moments of the Cai’s family captured by Cai Wen-You. She affectionately named the photo exhibition based on her family members’ Chinese zodiac signs, reflecting her strong respect for traditional Chinese culture.



INITIATING CONVERSATIONS ON REGIONAL ART AND CULTURE

Our second edition of MGM Art Symposium was held in March 2019 under the theme of “Transforming Art with Technology”. Global art elites shared their insights into how technology will lead the way in art.

We were the forum partner of the “Art Hyperconnectivity International Forum” organized by The Art Newspaper China during Shanghai Art Week in November 2019, which saw mainland Chinese and international artists, curators, and more participating. Ms. Pansy Ho was invited as one of the speakers.



CASE STUDY: New Landmark of Entertainment

JABBAWOCKEEZ – true to yourself: In their first-ever Macau residency, the acclaimed hip-hop dance crew Jabbawockeez utilized MGM Theater’s cutting-edge audio, visual and lighting technology to present an innovative combination of choreography, drama and comedy.



The Harry Potter Film Concert Series: For the first time in Macau, the audience could relive the magic of the first four chapters of the Harry Potter movies in high-definition on our giant indoor LED screen while hearing the Orchestra Italiana del Cinema perform the unforgettable scores live.

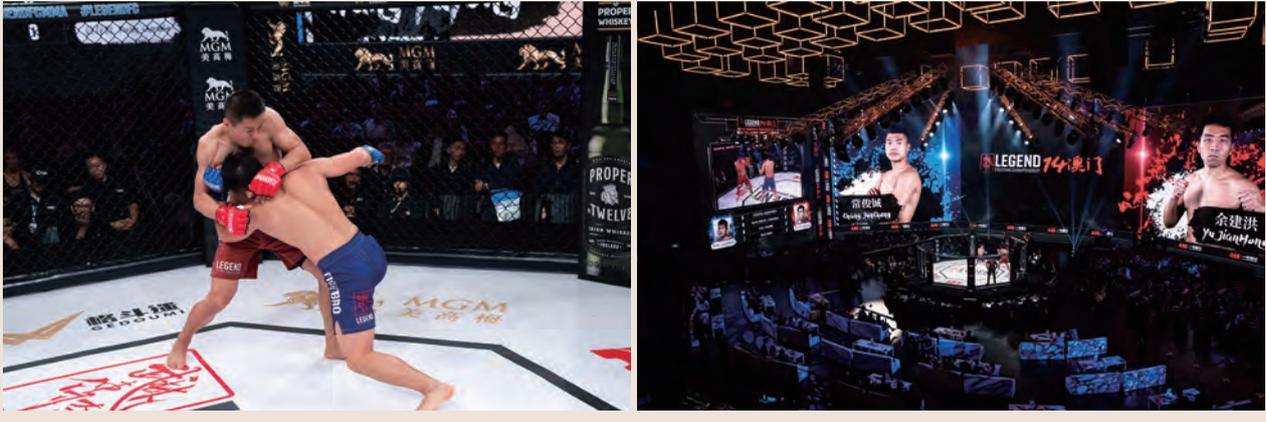
FUERZA BRUTA WAYRA: With no rigid stage or seating arrangement, this Argentine theatrics was an extraordinary, three-dimensional standing show where the audience were at the center stage of the show to interact with performers, offering a unique immersive theater party experience.



SUSTAINABILITY

CASE STUDY: World-class Venue for Combat Sports

Legend Fighting Championship, the pioneer of Mixed Martial Arts (“MMA”) in China, was staged at MGM Theater in September and December 2019 respectively. The dynamic theater gave the fighters a canvas to display Chinese MMA against the backdrop of immersive LED content and interactive in-venue entertainment.



CASE STUDY: Celebratory Performances for Double Jubilation

The 60th anniversary concert of *Butterfly Lovers*: He Zhanhao, composer of the legendary *Butterfly Lovers*, premiered his new Guzheng musical pieces to a full house of fans in August. He also presented a special recognition to MGM China for our contribution in promoting traditional Chinese art and culture.



Jinggang Jinggang: The premiere of the Chinese folk dance drama *Jinggang Jinggang* was staged in September 2019. The performance illustrated the hardships encountered by the Chinese Red Army during the war at Jinggang Mountains, the cradle of Chinese revolution.

New Oriental Chinese Musical Scene: Staged by Shanghai Chinese Orchestra in November 2019, the performance mesmerized the audience with a demonstration of inheriting national music in Shanghai style.



China's Three Tenors Macao Concert: Featuring Warren Mok, Dai Yuqiang and Wei Song, the concert demonstrated Macau's unique position as an exchange center of Eastern and Western culture and a platform for promoting Chinese culture.

SUSTAINABILITY

CASE STUDY: Birthplace of Signature Events

Oktoberfest Macau: For the 11th consecutive year, Oktoberfest Macau at MGM continued to be one of the most anticipated events for locals and tourists, strengthening our role as a main pillar in Macau's cultural tourism. This staple event attracted mountains of guests to enjoy traditional German brews and gourmets under a gigantic beer tent imbued with exhilaration.



MGM Chef Nic Gastronomic Fest: We tapped with Chef Nic, a gourmet brand founded by singer-chef Nicholas Tse, in this original and innovative initiative encompassing gourmet foods, pop music, great entertainment, as well as art and culture that have further underpinned Macau's unique position as a UNESCO Creative City of Gastronomy.



CASE STUDY: Shining on Sports Tourism

Believing that sports tourism can build bridges between different countries and cultures, we have organized and supported a range of sporting activities with a view to bringing in more diversified tourism and entertainment offerings for Macau.

The “MGM Lion Dance Championship”, which has been held for eight consecutive years, saw 27 world-class troupes from 11 countries and regions battle for the thrones in 2019. In the crowd’s favorite

“Junior Lion Dance Performance Competition”, **MGM Golden Lion Troupe – Team A**, which was assembled with graduates from MGM’s Junior Lion Dance Training Program, took home the Gold Trophy.



RESPONSIBLE GAMING

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

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

SUSTAINABILITY

CASE STUDY: Fighting Problem Gambling

In August and September 2019, “MGM Responsible Gaming Roadshow and Workshop” was held to raise team members’ awareness of gambling addiction. Through games, quizzes and counselling sessions, they learned how to identify people with gambling disorder and got tips on providing proper support. Separately, we held an online contest, “Responsible Gaming Prize Quiz — RG Conducts”, to deepen team members’ understanding of attitudes and behavior towards responsible gaming.



ANTI-HUMAN TRAFFICKING

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

We address risks associated with human trafficking through three key areas including recruitment, supply chain and community outreach and partnerships, with events in 2019 including:

- Training provided to all employees in new hire orientation as well as to our Security department
- Expert training provided to senior management by the Mekong Club, an NGO dedicated to combating modern slavery

COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

We incorporate modern eco-friendly concepts into every aspects of our day-to-day operations and stay at the forefront of green innovation. We are the first in Macau to adopt an integrated approach to food waste management and remove single-use plastics from our takeaway packaging.

Our environmental management system was built on the best practice framework, which enabled us to be ISO14001 certified and keep track of our performance. Our comprehensive approach to minimize our environmental footprint has gained us regional recognitions at the Green Building Award 2019, the IFMA Asia Pacific Awards of Excellence 2019, as well as the ASHRAE Technology Awards.

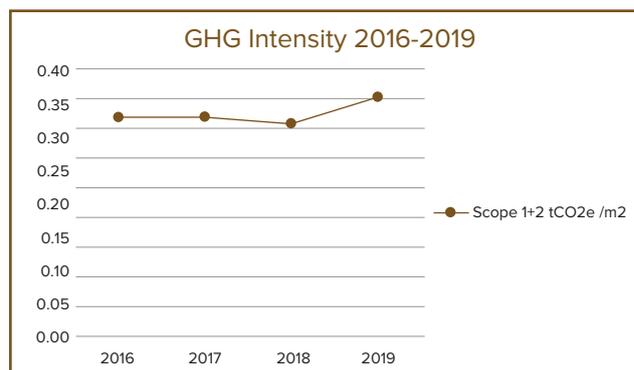
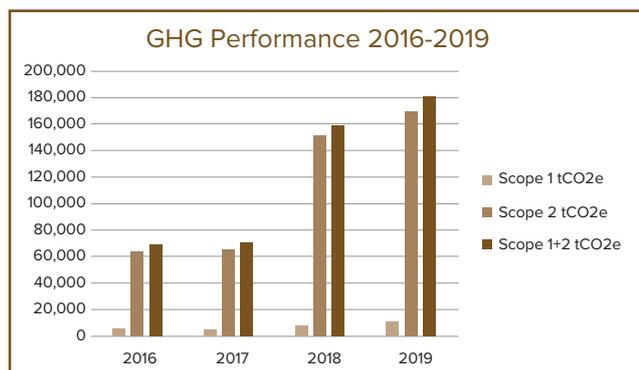
EMISSIONS

In planning for the future, we recognize the potential threat of climate change to our business and the impact on the communities in which we operate. We are committed to reducing our emissions through our resource efficiency initiatives and fostering climate change awareness and action among our people. Further, we disclose our carbon footprint through the Carbon Disclosure Project (“CDP”) as part of our parent company, MGM Resorts International’s report. Through this reporting tool, we have considered the risks and opportunities presented by climate change, as well as future global trends that may affect our business.

With energy accounting for approximately 98% of our emissions, our carbon reduction strategy focuses on the rigorous reduction of our emissions from energy sources (see the below “Energy Performance” section for more detail on our efforts to reduce energy consumption, which will also reduce our emissions from energy sources). In 2019, the total greenhouse gas emissions (Scope 1¹ and Scope 2²) were 180,525 tons of CO₂e, a 14% increase year-over-year, and 31% increase from 2016.

All guest limousines and leased shuttle buses are Euro IV and V compliant, meaning lower levels of pollution. Emissions through our leased shuttle bus service is also an area of focus with ongoing initiatives to reduce the quantity of shuttle buses on Macau roads with the joint aim to reduce traffic and emissions.

SUSTAINABILITY



NATURAL RESOURCE USE

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

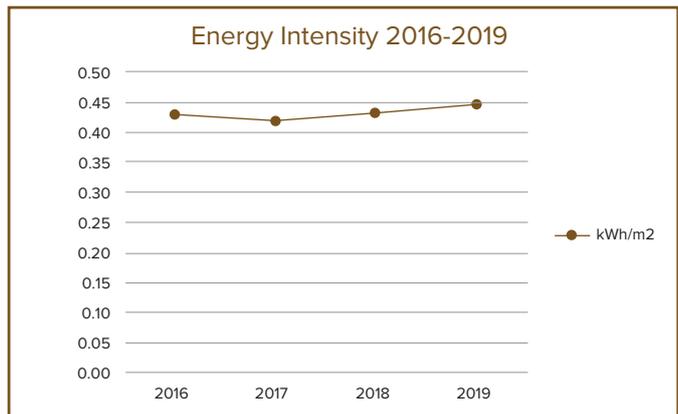
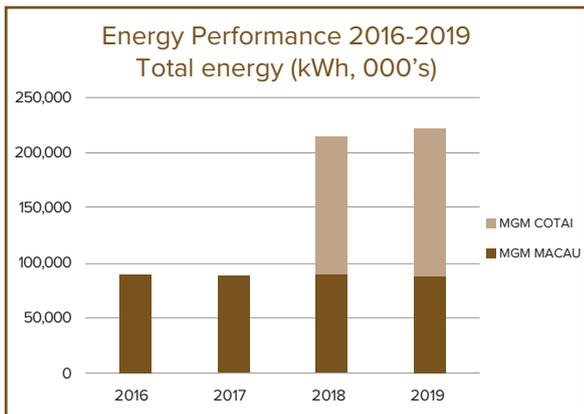
Our Building Management System ensures energy and water consumption is closely monitored and energy and water-intensive equipment is effectively calibrated and maintained. We have also implemented a data management system which allows us to access real-time energy and metered water data in a central, web-based system. Through this system, analytical tools allow us to perform complex analyses to help us better understand our impacts and areas for improvement, as well as to enable us to produce automated reports for distribution.

Energy Performance

Our energy consumption in 2019 was 222,371 kilo watt hours in thousands ("kWh in 000s"), which included purchased electricity, liquefied petroleum gas ("LPG"), Natural Gas, diesel and gasoline.

Energy type	Amount consumed	Energy Unit	Emissions (tons of CO ₂ e)
	in 2019 (kWh in 000s)	Consumed Per m ² (Intensity)	
Purchased electricity	192,311	0.325	171,136
LPG	13,074	0.062	2,900
Natural Gas	5,415	0.014	1,701
Gasoline	1,677	0.003	468
Diesel	9,894	0.017	2,558

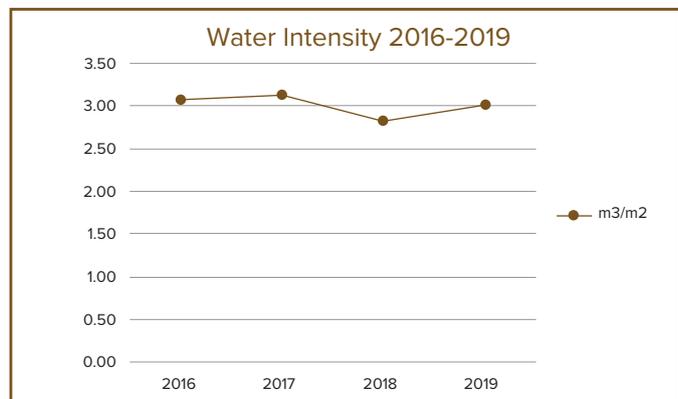
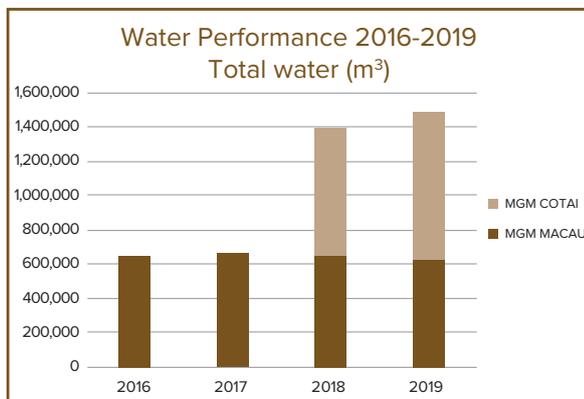
Year-over-year, we have increased our energy consumption by 3% and 7% since our 2016 baseline³. For MGM MACAU, we reduced energy consumption by 1% from our 2016 baseline³. We remain dedicated to continuous improvement and finding new and innovative ways to continue our enhancement, despite a growing business and a progressively warming climate. Targeted retrofitting of our properties with more energy efficient equipment and focusing on employee behavior change in favour of energy conservation will continue to be areas of focus.



Water Performance

Water scarcity is a pressing and urgent issue for many countries around the world and it is therefore everyone’s responsibility to ensure this vital resource is conserved.

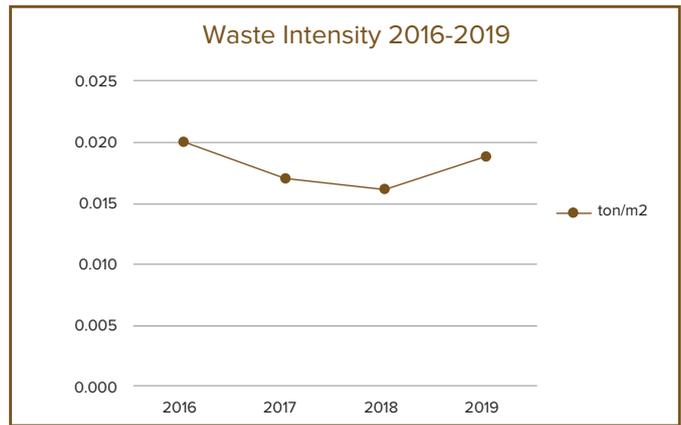
In 2019, we continued to conserve our water usage through our ongoing program of upgrading our fixtures and fittings (for example, shower heads and faucets) with low-flow alternatives, as well as adjusting our flow rates where possible. Throughout the year, we also continued to increase the scope of our water recycling program which serves to recycle the condensate from our air handling units, as well as the cooling tower bleed-off, to be reused for flushing. In 2019, we consumed 1,494,352 m³ of water, 14% increase (all properties) from our 2016 baseline³. For MGM MACAU, we reduced water consumption by 4% from our 2016 baseline³.



SUSTAINABILITY

WASTE MANAGEMENT

We recognize the importance of responsible waste management, and endeavor to reduce waste (hazardous and non-hazardous) sent to the landfill and incineration by managing our resources wisely. In 2019, the Group generated 4,127 tons of waste for MGM MACAU and 5,254 tons of waste for MGM COTAI, 1% decrease for MGM MACAU and 31% increase (all properties) from our 2016 baseline³.



Innovation in Food Waste Management

Macau’s First Food Digester: We are the only company with a commitment to deploying multi-solutions in managing food waste generated from our facility in the most cost effective and environmentally conscious manner. We are the first enterprise to pioneer ORCA in Macau. This innovative technology allows us to dispose of food waste on-site and will digest the organic waste into earth-friendly liquid within 24 hours. The ORCA program in MGM MACAU will take our existing sustainability initiatives one-step further by diverting around 398 tons of food waste per annum from the incineration plant.



Turning Food Waste into Fertilizer: At MGM COTA, we have implemented a food waste composting program to turn kitchen scraps into a nutrient-rich landscaping compost since 2018. Our food waste have been converted into organic soil fertilizer and applied to over 100,000 plants at our properties, reduced the use of fungicide and pollution. We also send the rest of our biodegradable compost, approximately 300kg, to a local horticulture SME every month. The initiative has helped them reduce up to 25% of their fertilizing cost and encourage them to use less chemical fertilizer that adversely affects the environment.



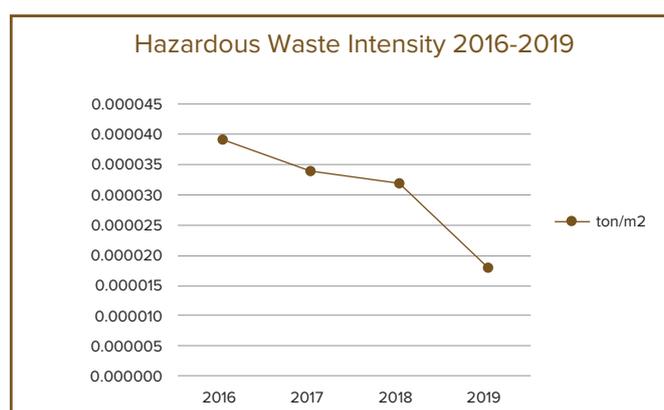
Realizing a No Plastic Future: We are the first integrated resort operator to step up our drive to eliminate single-use plastic in takeaway packaging. In April, our efforts paid off as we successfully removed all single-use plastics and replaced them with eco-friendly alternatives at all of our restaurants. Our practices included swapping plastic takeout bags to paper bags, using compostable and biodegradable takeout containers and cutlery, and offering customers with biodegradable straws upon request. The move has already saved 4.5 million pieces of single-use plastic per year from being disposed of into the environment.

Shortly after, we phased out bottled waters provided in our casinos in stages. Drinking water and other beverages used to serve our guests are now hold in glasses or other reusable containers. This initiative will eliminate over 2 million plastic bottles per year from the environment.



SUSTAINABILITY

Typical non-hazardous waste includes organic waste, plastics, metals, paper & cardboard, fabrics and textiles. Common hazardous wastes include diesel, compressed gases, oil-based paint, cooking oil, solvent adhesives, dry clean oil, acidic/alkaline and chlorine solutions (for pool water treatment), and batteries. Our hazardous waste management procedure ensures that such wastes are used up or returned to suppliers for safe disposal. Items such as cooking oil, toner cartridges and rechargeable batteries are recycled. In 2019, 0.002% of waste, or 9 tons, was hazardous waste, a decrease of 44% year-over-year.



GREEN BUILDING

Opened in February 2018, MGM COTAI has become the largest property and the first mega-size complex project in Macau to achieve the China Green Building Design Label Three-Star Certification, which is the highest and most prestigious ranking available. We are also the only private sector organization in Macau to be awarded with this label. The label is the first informative national standard for green buildings in China, aiming to achieve maximum energy savings in the full life cycle of the buildings, create green buildings and achieve the objectives of saving energy, land, water and materials, protection of the environment and reducing pollution. The accolade recognized MGM China's commitment to designing a property with environmental sustainability at its heart. We incorporate green building techniques into our design, development and construction processes using industry-leading green building frameworks. Some of the key highlights of our green building program at MGM COTAI include: high-tech energy efficient air-conditioning, 100% LED lighting, low-flow water fixtures and fittings, use of recyclable and local construction materials, and systems for advanced indoor air quality.

By making these changes, we can reduce the amount of waste being sent to Macau's incinerators, improve the air quality, and protect the environment for our next generation.

BIODIVERSITY

We are committed to protecting ecosystem biodiversity. When selecting the site for MGM COTAI, an external Environmental Impact Assessment was commissioned to ensure there was no loss to ecosystem biodiversity of the site chosen. Outside of our direct operational impact, we also seek to encourage our employees, suppliers and partners to also adopt responsible practices to support biodiversity through our engagement programs and policies.

We are also bringing the wonders of nature to our visitors through the permanent Nature's Art installation in the Spectacle at MGM COTAI. The vertical and horizontal greenery will comprise over 100,000 plants and over 2,000 plant species from Macau, Hong Kong and mainland China as well as from other world destinations. This display of exquisite biodiversity will also bring back to life several extinct and extremely rare plant species through the use of seed banks in Hong Kong and Europe.

EMPLOYEE ENGAGEMENT

We proactively engage our employees in our efforts to manage our environmental impacts. In 2019, our environmental employee engagement program focused on periodical themed events, and ongoing education and communication.

CASE STUDY: Go Green Campaign

MGM Go Green Campaign, which took place in April 2019, preached the importance of ethical eating that benefits the planet and our wellbeing. We invited NGO Green Future, local business StuffBOX and social startup group Green Monday to our back-of-house area to promote zero-waste lifestyle and plant based diet. We also set up a gaming zone for our team members to learn more about eco-friendly and sustainability knowledge through mini games.



SUSTAINABILITY

CASE STUDY: Creative Upcycling

To encourage team members to turn waste materials into creative reuse, we held “MGM Eco Christmas Tree Challenge” for team members to go green and spread warmth to the community. Using recyclable materials at workplace or home, 188 team members joined the competition with a total of 45 Eco Christmas Trees. Apart from conventional recycled materials like plastic bottles, recycled bags, cardboard, aluminum cans and Styrofoam, we also found broken lampstands, slippers and used clothes hangers perfectly integrated into some of the trees. These one-of-a-kind Christmas trees were not only seen in our front and back of house, but also in local schools and elderly centers as our gifts to celebrate this festive season with the community.



COMMUNITY OUTREACH

We are passionate about sharing and promoting the green initiatives in our daily lives, by hosting events including:

- Cherish Ocean Resources:** We hosted Ocean Conservation Art Workshops for over 150 primary students from School of the Nations, The International School of Macau and Fu Luen School. The art- and nature-themed workshops were designed to raise their awareness of ocean conservations and inspire them to protect the environment. They were encouraged to put their knowledge, ideas and hopes about a plastic-free ocean on paintings and use recycled materials to create eco-friendly sea life crafts as their unique eco-souvenir.



- Food Waste Handling Tour:** We welcomed students, tutors, engineers and chefs from Macao Institute for Tourism Studies to MGM COTAI to view our current food waste handling process and solid waste management framework. We also sparked some chef-approved ideas for reducing food scraps and viable options in sustainable food waste.
- Green and OHS Practice Go Hand in Hand:** In collaboration with the Companhia de Electricidade de Macau (“CEM”), we hosted the “Macau Environmental Protection and Occupational Safety Seminar 2019” in November for over a hundred of sustainability and OHS professionals from CEM, University of Macau and hospitality-related corporations. We shared our experience and insights on building an eco-friendly and safe workplace. The seminar was concluded with a sustainability and workplace safety tour at MGM COTAI.



SUSTAINABILITY

AWARDS IN 2019

In 2019, we are proud to have been recognized with the following awards:

CORPORATE SOCIAL RESPONSIBILITY

- 10 prestigious HR Distinction Awards given by HR Magazine in Hong Kong
- The “Best HR Center of Excellence in Greater China” and was named one of the “Best HR Teams in Greater China” again by HRoot, one of the leading HR media in China
- The first company in Macau to receive recognitions from Hong Kong Management Association (“HKMA”) including “Award for Excellence in Training and Development — Excellence Award” and “Award for Best in Development of Local Talent”
- Earned recognitions in both “Employer” and “Employee” categories at the 2019 Excellent Disabled Employees & Hiring Disabled Staff Recognition Scheme, a program co-organized by DSAL and the Social Welfare Bureau of the Macau Government
- Named “The Best Employer of Tourism & Hospitality Industry” by VeryEast, a renowned HR service platform
- Received the “Asia Best Workplace Award 2019” by AIA China, the School of Public Health of Peking University and HRoot
- MGM Academy received the first ever “China Talent Development Award — Top 50 Corporate University” from China Training Magazine
- MGM eAcademy won the “2019 HR Tech INNO Awards” at “HR Tech China”
- Win the “Top 100 GBA Enterprise Heritage Awards”, organized by the Guangdong-Hong Kong-Macao-Bay Area Economic and Trade Association
- Won the “Asia Responsible Entrepreneurship Award” (“AREA”) from Enterprise Asia
- Recognized at the Outstanding Corporate Social Responsibility Award and Corporate Social Responsibility honor at the 8th Cross-Strait-Four-Region Outstanding Corporate Social Responsibility Award Ceremony organized by Mirror Post of Hong Kong
- Received the Special Recognition in CSR — Mainland China, Hong Kong and Macau at the PropertyGuru Asia Property Awards 2019

SUSTAINABILITY

- Awarded with the “Asia Pacific Best Innovation Award” by the International Facility Management Association Hong Kong Chapter at the Asia-Pacific Facility Management
- MGM COTAI and MGM MACAU struck a gold and bronze respectively from the Macau Green Hotel Awards organized by the Environmental Protection Bureau and the Macao Government Tourism Office
- MGM COTAI won the Energy Saving Concept Award at the “Macau Energy Saving Activity 2019” award ceremony, which was co-organized by CEM and the Office for the Development of Energy Sector
- MGM COTAI and MGM MACAU were awarded Finalist in New Building Category: Completed Projects — Commercial Building and Merit Award in Existing Buildings Category: Facilities Management respectively by the Professional Green Building Council and the Hong Kong Green Building Council
- MGM COTAI been awarded the ASHRAE Technology Award — Honorable Mention Winner in both Region (APAC) and Society (Global) Level for its outstanding achievement in the design and operation of Energy Efficient Buildings
- MGM COTAI attained ISO14001 Environmental Management System Certification

TOURISM AND LEISURE

- MGM MACAU named “Five-Star Hotel” by Forbes Travel Guide for the fourth straight year. Tria Spa at both MGM MACAU and MGM COTAI are awarded Four-Star
- MGM MACAU and MGM COTAI received the accolades of the “Elite Smart Hotel Award” from the first “2019 Macao Smart Hotel Award”, organized by Macao Post and Telecommunications Bureau
- MGM COTAI has taken home the award for “Best New Hotel in Macau” at the 12th Annual TTG China Travel Awards 2019
- MGM COTAI has been recognized as the “Best New Meetings Hotel — Asia” by M&C (Meetings & Conventions) Asia Stella Awards

Notes:

- ¹ Scope 1 emissions include: emissions from stationary combustion sources, such as boilers, emergency generators and fuel stoves; mobile combustion sources, such as company-owned and leased fleet vehicles, including cars, limousines, shuttle buses, etc; and fugitive emissions which are the hydrofluorocarbons (“HFC”) used in refrigeration and AC equipment.
- ² Scope 2 emissions comprise emissions from the generation of purchased electricity.
- ³ Our baseline was updated for energy, water and waste to 2016 for greater consistency and relevance.

CORPORATE GOVERNANCE REPORT

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

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

The Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings.

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

ROLE OF THE BOARD

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

BOARD COMPOSITION

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

The Board is currently comprised of twelve Directors, of whom five are executive Directors, three are non-executive Directors and four are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 12 to 19 of this annual report and on the Company's website.

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

Following the passing of Mr. Peter Man Kong Wong (“Mr. Wong”) on March 11, 2019, the number of independent non-executive directors of the Company has reduced from four to three, falling below one-third of the Board as required under Rule 3.10A of the Listing Rules. Mr. Wong was also a member of the audit committee of the Company and the vacancy thereof resulted in the non-fulfillment of the requirements under Rule 3.21 of the Listing Rules by the Company. The Company had been considering potential candidates for appointment as independent non-executive Directors during such period. However, given that it has taken longer than expected to identify a suitable candidate who would offer the range of skills and experience to best complement the Board and the Company and in view of the additional time required for the appointment of a new independent non-executive director, the Company has applied for, and the Stock Exchange has granted to the Company on June 11, 2019, a waiver and an extension of time to the Company from strict compliance with Rules 3.10A and 3.21 of the Listing Rules in respect of the number of independent non-executive Directors and members of the audit committee of the Company until September 11, 2019. Following the resignation of Mr. James Freeman as a member of the audit committee of the Company on June 27, 2019, the Company re-complied with Rule 3.21 of the Listing Rules. The Company has further applied for, and the Stock Exchange has granted on September 11, 2019, a waiver to further extend the time in respect of compliance with Rule 3.10A of the Listing Rules from September 11, 2019 to December 11, 2019. Following the appointment of Mr. Meng on December 9, 2019, the Company has fully complied with the requirements under Rules 3.10A and 3.11 of the Listing Rules.

CHAIRPERSONS AND CHIEF EXECUTIVE OFFICER

The Chairperson, Mr. William Joseph Hornbuckle, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho lead the Board. The role of the Chief Executive Officer is held by Mr. Grant R. Bowie. While the Chairperson and Co-Chairperson oversee the Board’s overall direction and functions, the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Group.

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2019, the Chairperson, Mr. James Joseph Murren (*) met with the independent non-executive without the presence of the other Directors pursuant to Rule A.2.7 of the Listing Rules.

(*) Mr. James Joseph Murren resigned as executive director and chairperson on March 26, 2020 and Mr. William Joseph Hornbuckle was appointed as chairperson.

NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

DIRECTORS' TRAINING AND DEVELOPMENT

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

The training provided to the Directors for the year ended December 31, 2019 is summarized below:

Directors	Connected and			
	Corporate Governance	Notifiable Transactions	Legal and Regulatory	Business
Executive Directors				
Mr. James Joseph Murren ⁽¹⁾	✓	✓	✓	✓
Ms. Pansy Catilina Chiu King Ho	✓	✓	✓	✓
Mr. Chen Yau Wong	✓	✓	✓	✓
Mr. William Joseph Hornbuckle ⁽²⁾	✓	✓	✓	✓
Mr. Grant R. Bowie	✓	✓	✓	✓
Mr. John M. McManus ⁽³⁾	✓	✓	✓	✓
Non-executive Directors				
Mr. Kenneth Xiaofeng Feng	✓	✓	✓	✓
Mr. James Freeman ⁽⁴⁾	✓	✓	✓	✓
Mr. Daniel J. Taylor ⁽⁵⁾	N/A	N/A	N/A	N/A
Independent Non-executive Directors				
Professor Zhe Sun	✓	✓	✓	✓
Ms. Sze Wan Patricia Lam	✓	✓	✓	✓
Mr. Russell Francis Banham	✓	✓	✓	✓
Mr. Simon Meng ⁽⁶⁾	✓	✓	✓	✓
Mr. Peter Man Kong Wong ⁽⁷⁾	N/A	N/A	N/A	N/A

⁽¹⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

⁽²⁾ William Joseph Hornbuckle was appointed as Chairperson on March 26, 2020.

⁽³⁾ John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.

⁽⁴⁾ James Freeman was appointed as a non-executive Director with effect from March 6, 2019, resigned on June 27, 2019, re-appointed as a non-executive Director on August 1, 2019 and member of the Audit Committee on November 1, 2019.

⁽⁵⁾ Daniel J. Taylor was appointed as non-executive Director on March 26, 2020.

⁽⁶⁾ Simon Meng was appointed as an independent non-executive Director with effect from December 9, 2019.

⁽⁷⁾ Peter Man Kong Wong passed away on March 11, 2019.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board held four meetings during the year ended December 31, 2019. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2019 is summarized in the following table:

Name of Directors	Number of meetings attended/held [#]					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development ^{##}
EXECUTIVE DIRECTORS						
Mr. James Joseph Murren ⁽¹⁾	3/4	N/A	N/A	N/A	1/1	√
Ms. Pansy Catilina Chiu King Ho	3/4	N/A	2/2	N/A	1/1	√
Mr. Chen Yau Wong	4/4	N/A	N/A	2/2	1/1	√
Mr. William Joseph Hornbuckle ⁽²⁾	4/4	N/A	2/2	N/A	1/1	√
Mr. Grant R. Bowie	4/4	N/A	N/A	N/A	1/1	√
Mr. John M. McManus ⁽³⁾	4/4	N/A	N/A	1/2	1/1	√
NON-EXECUTIVE DIRECTORS						
Mr. Kenneth Xiaofeng Feng ⁽⁴⁾	4/4	3/3	N/A	N/A	1/1	√
Mr. James Freeman ⁽⁵⁾	4/4	2/2	N/A	N/A	1/1	√
Mr. Daniel J. Taylor ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Professor Zhe Sun	4/4	4/4	2/2	2/2	1/1	√
Ms. Sze Wan Patricia Lam	4/4	N/A	2/2	2/2	1/1	√
Mr. Russell Francis Banham	4/4	4/4	2/2	2/2	1/1	√
Mr. Simon Meng ⁽⁷⁾	N/A	N/A	N/A	N/A	N/A	√
Mr. Peter Man Kong Wong ⁽⁸⁾	N/A	N/A	N/A	N/A	N/A	N/A

the number of meetings held during the year ended December 31, 2019 where each Director was a member of the Board and/or the relevant Board Committees

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

⁽¹⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

⁽²⁾ William Joseph Hornbuckle was appointed as Chairperson on March 26, 2020.

⁽³⁾ John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.

⁽⁴⁾ Kenneth Xiaofeng Feng retired as a member of the Audit Committee with effect from November 1, 2019.

⁽⁵⁾ James Freeman was appointed as a non-executive Director with effect from March 6, 2019, resigned on June 27, 2019 and re-appointed on August 1, 2019.

⁽⁶⁾ Daniel J. Taylor was appointed as non-executive Director on March 26, 2020.

⁽⁷⁾ Simon Meng was appointed as an independent non-executive Director with effect from December 9, 2019.

⁽⁸⁾ Peter Man Kong Wong passed away on March 11, 2019.

DELEGATION BY THE BOARD

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee is comprised of four members: Mr. Russell Francis Banham (Chairperson), Professor Zhe Sun and Mr. Simon Meng who are independent non-executive directors, and Mr. James Freeman, who is a non-executive director. Mr. Kenneth Xiaofeng Feng retired as the member of the Audit Committee with effect from November 1, 2019. Mr. Daniel J. D'Arrigo resigned as non-executive director and member of the Audit Committee with effect as from March 1, 2019 and Mr. James Freeman was appointed as non-executive director and member of the Audit Committee on March 6, 2019, resigned on June 27, 2019 and was re-appointed as the member of the Audit Committee on November 1, 2019. Mr. Simon Meng was appointed as the independent non-executive director and member of the Audit Committee with effect as from December 9, 2019. Mr. Peter Man Kong Wong, who was a member of the Audit Committee, passed away on March 11, 2019. The Audit Committee held four meetings during the year ended December 31, 2019.

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2019 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2018 and interim results for the six months ended June 30, 2019;
- 2018 annual and 2019 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2018, the review of the financial statements for the six months ended June 30, 2019, the management letter prepared by the independent auditor and management's responses;
- declaration of the 2018 final dividend;
- declaration of the 2019 interim dividend;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- review of financial forecasts, refinancing initiatives and financial covenant compliance under the Group's borrowing arrangements;
- budgeting process;
- approval of internal audit plan for 2019 and the Internal Audit Department Charter;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2019 internal Audit plan;
- compliance with the Deed of Non-Compete Undertakings by MGM Resorts International and Pansy Ho;
- re-appointment of independent auditor;
- external audit plan and audit timetable for the financial year ended December 31, 2019 presented by the independent auditor;
- approval of audit and non-audit fees;
- compliance with obligations in relation to continuing connected transactions under the Listing Rules;
- Cotai Construction Project close-out and cost segregation;
- issuing of bank guarantee within the scope of the gaming sub concession extension process;
- accounting treatment for the transactions associated with the gaming sub concession extension;
- financial statement impact of USD bond issue;
- unsecured revolving credit facility;
- financial covenants and current ratio;
- financial reporting function resources and qualifications;
- matters arising from the meetings of the Compliance Committee of MGM Grand Paradise;

CORPORATE GOVERNANCE REPORT

- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- matters reported on the anti-corruption program as part of the report on the Compliance Committee activities;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with the Sarbanes-Oxley Act;
- review of internal controls and risk management systems; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management.

Following the passing of Mr. Wong on March 11, 2019, who was a member of the audit committee of the Company, the number of independent non-executive directors in the Audit Committee falls short of the requirements under Rule 3.21 of the Listing Rules. The Company had been considering potential candidates for appointment as independent non-executive Directors during such period. However, given that it has taken longer than expected to identify a suitable candidate who would offer the range of skills and experience to best complement the Board and the Company and in view of the additional time required for the appointment of a new independent non-executive director, the Company has applied for, and the Stock Exchange has granted to the Company on June 11, 2019, a waiver and an extension of time to the Company from strict compliance with Rules 3.10A and 3.21 of the Listing Rules in respect of the number of independent non-executive Directors and members of the audit committee of the Company until September 11, 2019. Following the resignation of Mr. James Freeman as a member of the audit committee of the Company on June 27, 2019, the Company re-complied with Rule 3.21 of the Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of six members: Professor Zhe Sun (Chairperson), Ms. Sze Wan Patricia Lam, Mr. Russell Francis Banham and Mr. Simon Meng, all of whom are independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho and Mr. William Joseph Hornbuckle, both of whom are executive Directors. The Remuneration Committee held two meetings during the year ended December 31, 2019 supplemented by circulation of written resolutions of all committee members where appropriate. Mr. Simon Meng was appointed as the Independent Non-executive Director and member of the Remuneration Committee with effect as from December 9, 2019. Mr. Peter Man Kong Wong, who was a member of the Remuneration Committee, passed away on March 11, 2019.

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2019 by the Remuneration Committee included the following:

- recommending to the Board that no fees be payable to new non-executive directors;
- updating of independent non-executive directors fees;
- granting of share options to certain existing and new senior executives;
- bonus payout for senior management and general staff;
- 2019 cost of living adjustment and management salary increment; and
- new senior management appointments.

Details of the remuneration of the Directors for the year ended December 31, 2019 are set out in note 12 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2019 is set out below:

	Number of members of senior management
HK\$2,500,001 to HK\$3,000,000	1
HK\$4,500,001 to HK\$5,000,000	1
HK\$6,000,001 to HK\$6,500,000	1
HK\$7,000,001 to HK\$7,500,000	1
HK\$8,000,001 to HK\$8,500,000	1
HK\$9,500,001 to HK\$10,000,000	1
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CORPORATE GOVERNANCE REPORT

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee is comprised of six members: Ms. Sze Wan Patricia Lam (Chairperson), Professor Zhe Sun, Mr. Russell Francis Banham and Mr. Simon Meng, all of whom are independent non-executive Directors, Mr. Chen Yau Wong, and Mr. John M. McManus, both of whom are executive Directors. Mr. William M. Scott IV resigned as non-executive Director and member of the Nomination and Corporate Governance Committee with effect as from February 22, 2019. Mr. John M. McManus was appointed as non-executive Director and member of the Nomination and Corporate Governance Committee on March 6, 2019. He was re-designated as executive director on March 26, 2020. Mr. Simon Meng was appointed as independent non-executive Director and member of the Nomination and Corporate Governance Committee with effect as from December 9, 2019. Mr. Peter Man Kong Wong, who was a member of the Nomination and Corporate Governance Committee, passed away on March 11, 2019. The Nomination and Corporate Governance Committee held two meetings during the year ended December 31, 2019.

The duties of the Nomination and Corporate Governance Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012, and amended by a resolution of the Board passed on November 9, 2018 which are available on the websites of the Hong Kong Stock Exchange and the Company, include making recommendations to the Board on nominations and appointments of Directors, reviewing the size, diversity and composition of the Board, assessing the independence of independent non-executive Directors and performing corporate governance functions as set out in code provision D.3.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

SELECTION AND APPOINTMENT OF DIRECTORS

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

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

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

- skills, competencies and qualifications;
- status under applicable independence requirements (i.e. serving more than nine years could be relevant to the determination of an independent non-executive Director's independence and his further appointment should be subject to a separate resolution to be approved by the Company's shareholders);
- personal and professional ethics and integrity;
- business and professional experience in fields relevant to the Company's business (including whether that experience complements the expertise and experience of the other Directors);

- other directorships held in other listed companies (Hong Kong or overseas) (previously and currently) (for example, independent non-executive Directors sitting on multiple boards will need to ensure that they devote sufficient time to each Board and Board committees);
- ability to devote sufficient time to perform their duties as a Director;
- contribution to the overall balance of the composition of the Board;
- commitment to represent the interests of all shareholders of the Company; and
- contribution to the diversity of the Board, including gender, age, cultural and educational background or professional experience.

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2019 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2019 annual report;
- review of the Environmental, Social and Governance (“ESG”) Report;
- review of the structure, size and composition of the Board, in particular relating to Board diversity, and monitoring the implementation of the board diversity policy;
- independence of independent non-executive Directors;
- review of compliance with deed of non-compete undertakings by substantial Shareholders;
- appointment of non-executive directors and independent non-executive directors;
- appointment of directors as members of Board Committees; and
- retirement of Directors by rotation at the 2019 annual general meeting and re-election of retiring Directors.

CORPORATE GOVERNANCE REPORT

DISCLOSURE COMMITTEE

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

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

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

FINANCIAL REPORTING

DIRECTORS' RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY AND AUDITOR'S REMUNERATION

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 173 to 178 of this annual report.

During the year ended December 31, 2019, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	9,616
Non-audit services	
Taxation and advisory services	498

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

INVESTOR RELATIONS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

RISK MANAGEMENT

Key principles

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

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

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

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

Management Risk Committee

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

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

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

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

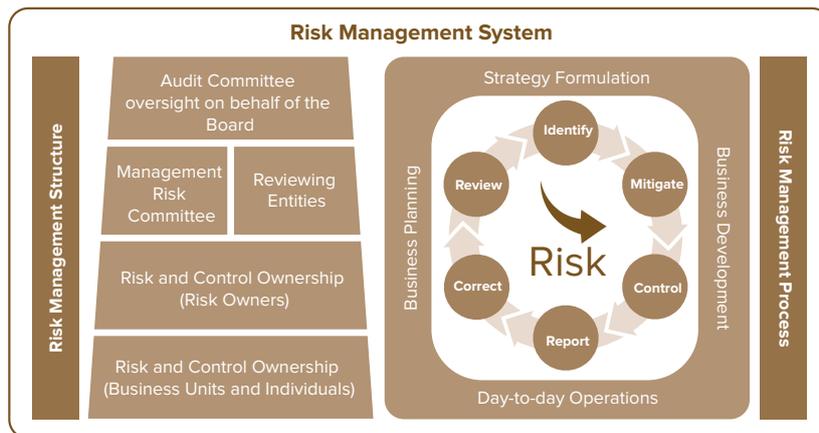
CORPORATE GOVERNANCE REPORT

Risk Management System

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

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

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



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

Initiative in 2019

The major Risk Management initiative in 2019 was the following:

- Rendering added robustness to the Risk Management System by providing an operational focus on the reviewing parties and their responsibilities in regard to the risk mitigation plans.

INTERNAL CONTROLS

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

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

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

CORPORATE GOVERNANCE REPORT

The Company's Internal Audit Department ("IA") is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee. IA plans its internal audit projects annually based upon applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team occurred. Status of follow up and the management team's remedial actions are reported to the Audit Committee. To preserve IA's independence, the director of IA reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. During 2019, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2019, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and risk management, and through the review and findings of the Audit Committee, considered that (i) the Group's risk management and internal control systems were effective and adequate and that the Group had complied satisfactorily with the provisions on risk management and internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions were adequate.

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

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

To put forward a proposal to elect a person (other than a retiring Director and other than the Shareholder himself/herself) as a Director (the "Candidate") at a general meeting of the Company, the Shareholder shall deposit a written notice of such proposal (signed by the Shareholder who is duly qualified to attend and vote at the general meeting) providing the biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules at the Company's principal place of business and head office in Macau as detailed above or the Company's registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands for the attention of the Company Secretary, and a written consent signed by the Candidate indicating his/her willingness to be elected. Unless otherwise determined by the Directors and notified by the Company to the Shareholders, the period for lodgement of such a written notice will commence on the day after the dispatch of the notice of the relevant general meeting and end no later than seven days prior to the date of such general meetings.

CODE OF BUSINESS CONDUCT AND ETHICS AND CONFLICT OF INTEREST POLICY

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

WHISTLE-BLOWING POLICY

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

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the development and operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018 respectively. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and other particulars, is set out in note 32 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis and Chairperson's Statement set out on pages 22 to 51 and pages 4 to 11 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis and Sustainability sections set out on pages 22 to 51 and pages 52 to 101 respectively, and as described on pages 131 to 133 of this annual report. Discussions on the Group's environmental policies and performance are included in the Sustainability section set out on pages 52 to 101. This discussion forms part of this directors' report.

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

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

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

Gaming is a highly regulated industry in Macau. The continuation of operations is contingent upon maintaining all necessary regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to the Macau Law. The laws, regulations and ordinances requiring these licenses, permits and approvals generally impose on the Group specific requirements related to responsibility, financial stability and character of the owners, their shareholders, directors and key employees of the gaming operations, as well as gaming promoters involved in gaming operations.

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

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

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

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 179 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 288 of this annual report.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

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

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

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

DIVIDENDS

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

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

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.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

Except as disclosed in note 23 to the consolidated financial statements and the subsection headed “Share Option Scheme” in this report of the Directors, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries during the year ended December 31, 2019.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

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

During the year ended December 31, 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 HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2019	192,900	15.40	15.30	2,976
June 2019	112,100	12.38	12.28	1,386
September 2019	65,400	13.18	13.00	863
December 2019	133,200	12.86	12.80	1,717
	503,600			6,942

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2019, the Company's reserves available for distribution to Shareholders were as follows:

	2019 HK\$'000	2018 HK\$'000
Share premium	10,404,373	10,403,377
Retained earnings	6,382,587	6,769,770
	16,786,960	17,173,147

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

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2019, the Group made charitable contributions totaling HK\$23.0 million.

EMPLOYEES

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

REPORT OF THE DIRECTORS

CUSTOMERS

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

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

Further information about our relationship with our customers is included in the Management Discussion and Analysis and Sustainability sections.

For the year ended December 31, 2019, the aggregate amount of operating revenues attributable to the Group's five largest customers represented less than 30% of the Group's total operating revenues.

None of our Directors, their associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2019.

SUPPLIERS

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

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

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

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

Further information about our relationship with our suppliers, including engagement of local SME, are included in the Sustainability section.

For the year ended December 31, 2019, the aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

REPORT OF THE DIRECTORS

DIRECTORS

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

EXECUTIVE DIRECTORS:

William Joseph Hornbuckle (*Chairperson*) ⁽¹⁾

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

Chen Yau Wong

Grant R. Bowie (*Chief Executive Officer*)

John M. McManus ⁽²⁾

James Joseph Murren ⁽³⁾

NON-EXECUTIVE DIRECTORS:

Kenneth Xiaofeng Feng

James Freeman ⁽⁴⁾

Daniel J. Taylor ⁽⁵⁾

William M. Scott IV ⁽⁶⁾

Daniel J. D'Arrigo ⁽⁷⁾

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Zhe Sun

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng ⁽⁸⁾

Peter Man Kong Wong ⁽⁹⁾

⁽¹⁾ William Joseph Hornbuckle was appointed as Chairperson on March 26, 2020.

⁽²⁾ John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.

⁽³⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

⁽⁴⁾ James Freeman was appointed as a non-executive Director with effect from March 6, 2019, resigned on June 27, 2019 and re-appointed on August 1, 2019.

⁽⁵⁾ Daniel J. Taylor was appointed as non-executive Director on March 26, 2020.

⁽⁶⁾ William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.

⁽⁷⁾ Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.

⁽⁸⁾ Simon Meng was appointed as an independent non-executive Director with effect from December 9, 2019.

⁽⁹⁾ Peter Man Kong Wong passed away on March 11, 2019.

In accordance with article 105 of the amended Articles of Association of the Company adopted at the extraordinary general meeting held on November 30, 2012, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any other Directors to retire shall be determined on the basis that (a) at least one executive Director shall retire each year, (b) at least one non-executive Director (who is not an independent non-executive Director) shall retire each year, and (c) at least one independent non-executive Director shall retire each year, provided that no Director shall be required by the Board to retire by rotation if the last re-election or appointment of that Director is more recent than the last re-election or appointment of any other Director who is not being required to retire by rotation. Any Director appointed pursuant to article 102(2) or 102(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Details of the Directors who shall retire from office of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting will be set out in the circular and notice of the annual general meeting to be sent to the Shareholders.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 21 of this annual report.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of the Directors since disclosure made in the Company's 2019 interim report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. James Freeman was re-appointed as member of the Audit Committee on November 1, 2019.
2. Mr. Kenneth Xiaofeng Feng retired as the member of the Audit Committee with effect from November 1, 2019.

REPORT OF THE DIRECTORS

3. Mr. Russell Francis Banham was appointed as member of the Health Safety and Environmental Committee of National Atomic Company Kazatomprom in late 2019 and Chairperson of its Nomination and Remuneration Committee in February 2020.
4. Mr. Simon Meng was appointed as an independent non-executive Director, member of the Audit Committee, member of the Remuneration Committee and member of the Nomination and Corporate Governance Committee with effect from December 9, 2019.
5. Mr. James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.
6. Mr. William Joseph Hornbuckle was appointed as the acting Chief Executive Officer and President of MGM Resorts International on March 22, 2020 and he was appointed as Chairperson of the Company on March 26, 2020.
7. Mr. John McManus was re-designated as executive Director on March 26, 2020.
8. Mr. Daniel J. Taylor was appointed as non-executive Director on March 26, 2020.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The Directors' emoluments are determined by the Board with reference to their duties and responsibilities. In addition, the emoluments of the Chief Executive Officer are also based upon performance and on the results of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Except as disclosed in note 31 to the consolidated financial statements on pages 277 to 280 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2019 in which the Group was a party and in which a Director was materially interested.

PERMITTED INDEMNITY

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

DEED OF NON-COMPETE UNDERTAKINGS WITH PANSY HO AND MGM RESORTS INTERNATIONAL

The Company entered into a Deed of Non-compete Undertakings with Pansy Ho and MGM Resorts International on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party as set out in pages 134 to 137 of the Company's IPO Prospectus. On September 30, 2019, the parties entered into the First Renewed Deed of Non-Compete Undertakings to renew and replace the Deed of Non-Compete Undertakings, effective from April 1, 2020. The renewal of the Deed of Non-Compete Undertakings pursuant to the First Renewed Deed of Non-Compete Undertakings aligns the term of such undertakings with the extended term of the Sub-Concession. The terms of the First Renewed Deed of Non-Compete Undertakings were arrived at after arm's length negotiations between the relevant parties, and are substantially the same as the Deed of Non-Compete Undertakings. The Directors (including the independent non-executive Directors) consider that the entry into the First Renewed Deed of Non-Compete Undertakings is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2019 from Pansy Ho and MGM Resorts International. Based upon the confirmations received from Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2019.

REPORT OF THE DIRECTORS

Except as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2019.

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

As at December 31, 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Grant R. Bowie	22,937,200 ⁽³⁾	—	—	22,937,200	0.60%

(B) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS — MGM GRAND PARADISE

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares held	Percentage of issued share capital
Pansy Ho	20,000 ⁽⁴⁾	—	—	20,000	10.00%

C) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS — MGM RESORTS INTERNATIONAL⁽⁵⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren ^(*)	62,215 ⁽⁶⁾	—	—	—	62,215	0.0124%
	307,423 ⁽⁷⁾	—	—	—	307,423	0.0611%
	9,709 ⁽⁸⁾	—	—	—	9,709	0.0019%
	257,649 ⁽⁹⁾	—	—	—	257,649	0.0512%
	697,755 ⁽¹⁰⁾	—	—	—	697,755	0.1387%
	26,182 ⁽¹¹⁾	—	—	—	26,182	0.0052%
	144,997 ⁽¹²⁾	—	—	—	144,997	0.0288%
	—	—	—	175,152 ⁽¹³⁾	175,152	0.0348%
	—	175,152 ⁽¹⁴⁾	—	—	175,152	0.0348%
	—	419,707 ⁽¹⁵⁾	—	—	419,707	0.0834%
—	342,446 ⁽¹⁶⁾	—	—	342,446	0.0681%	
—	131,373 ⁽¹⁷⁾	—	—	131,373	0.0261%	
—	131,372 ⁽¹⁸⁾	—	—	131,372	0.0261%	
Pansy Ho	—	—	9,200,121 ⁽¹⁹⁾	—	9,200,121	1.8285%
William Joseph Hornbuckle ^(**)	30,657 ⁽²⁰⁾	—	—	—	30,657	0.0061%
	91,318 ⁽²¹⁾	—	—	—	91,318	0.0181%
	2,530 ⁽²²⁾	—	—	—	2,530	0.0005%
	98,729 ⁽²³⁾	—	—	—	98,729	0.0196%
	278,272 ⁽²⁴⁾	—	—	—	278,272	0.0553%
	10,321 ⁽²⁵⁾	—	—	—	10,321	0.0021%
	69,329 ⁽²⁶⁾	—	—	—	69,329	0.0138%
	—	—	—	227,884 ⁽²⁷⁾	227,884	0.0453%
Kenneth Xiaofeng Feng	46,007 ⁽²⁸⁾	—	—	—	46,007	0.0091%
	3,871 ⁽²⁹⁾	—	—	—	3,871	0.0008%
	8,008 ⁽³⁰⁾	—	—	—	8,008	0.0016%
	229 ⁽³¹⁾	—	—	—	229	0.00005%
	11,074 ⁽³²⁾	—	—	—	11,074	0.0022%
James Freeman ^(***)	49,099 ⁽³³⁾	—	—	—	49,099	0.0098%
	14,462 ⁽³⁴⁾	—	—	—	14,462	0.0029%
	261 ⁽³⁵⁾	—	—	—	261	0.00005%
	43,308 ⁽³⁶⁾	—	—	—	43,308	0.0086%
	825 ⁽³⁷⁾	—	—	—	825	0.0002%
	37,778 ⁽³⁸⁾	—	—	—	37,778	0.0075%

REPORT OF THE DIRECTORS

C) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS — MGM RESORTS INTERNATIONAL⁽⁵⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
John M. McManus (****)	3,030 ⁽³⁹⁾	—	—	—	3,030	0.0006%
	40,766 ⁽⁴⁰⁾	—	—	—	40,766	0.0081%
	837 ⁽⁴¹⁾	—	—	—	837	0.0002%
	16,350 ⁽⁴²⁾	—	—	—	16,350	0.0032%
	122,523 ⁽⁴³⁾	—	—	—	122,523	0.0244%
	3,129 ⁽⁴⁴⁾	—	—	—	3,129	0.0006%
Daniel J. Taylor (*****)	125,742 ⁽⁴⁵⁾	—	—	—	125,742	0.0250%
	73,411 ⁽⁴⁶⁾	—	—	—	73,411	0.0149%
	51,494 ⁽⁴⁷⁾	—	—	—	51,494	0.0105%
	5,843 ⁽⁴⁸⁾	—	—	—	5,843	0.0012%
	3,390 ⁽⁴⁹⁾	—	—	—	3,390	0.0007%

(D) LONG POSITIONS IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS — MGM GROWTH PROPERTIES⁽⁵⁰⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren(*)	37,705 ⁽⁵¹⁾	—	—	—	37,705	0.0331%
	—	250,000 ⁽⁵²⁾	—	—	250,000	0.2197%
Pansy Ho	—	—	1,000,000 ⁽⁵³⁾	—	1,000,000	0.8787%
William Joseph Hornbuckle (**)	31,671 ⁽⁵⁴⁾	—	—	—	31,671	0.0278%
	—	—	—	7,541 ⁽⁵⁵⁾	7,541	0.0066%
James Freeman (***)	14,311 ⁽⁵⁶⁾	—	—	—	14,311	0.0126%
John M. McManus (****)	27,582 ⁽⁵⁷⁾	—	—	—	27,582	0.0242%
Daniel J. Taylor (*****)	23,120 ⁽⁵⁸⁾	—	—	—	23,120	0.0176%
	19,250 ⁽⁵⁹⁾	—	—	—	19,250	0.0147%
	4,174 ⁽⁶⁰⁾	—	—	—	4,174	0.0032%
	4,066 ⁽⁶¹⁾	—	—	—	4,066	0.0031%

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) These represent the Shares held by Grand Paradise Macau Limited, a company which Pansy Ho has control.
- (3) This represents 22,937,200 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 23 to the consolidated financial statements.

- (4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.
- (6) This represents 62,215 vested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 307,423 unvested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 9,709 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (9) This represents 161,031 vested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (10) This represents 436,097 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) This represents 16,364 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (12) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (13) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.
- (14) These represent the common stock of MGM Resorts International held by GRAT FBO HM.

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- (15) These represent the common stock of MGM Resorts International held by SLAT FBO HM.
- (16) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (17) These represent the common stock of MGM Resorts International held by Trust FBO JM.
- (18) These represent the common stock of MGM Resorts International held by Trust FBO TM.
- (19) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (20) This represents 30,657 vested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (21) This represents 91,318 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (22) This represents 2,530 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (23) This represents 61,706 vested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (24) This represents 173,920 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (25) This represents 6,450 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (26) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (27) These represent the common stock of MGM Resorts International indirectly held through trust.
- (28) This represents 46,007 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (29) This represents 3,871 unvested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.

- (30) This represents 8,008 unvested RSUs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (31) This represents 229 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (32) These represents the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (33) This represents 49,099 vested SARs in the common stock of MGM Resorts International granted to James Freeman.
- (34) This represents 14,462 unvested RSUs in the common stock of MGM Resorts International granted to James Freeman.
- (35) This represents 261 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Freeman.
- (36) This represents 27,068 unvested PSUs in the common stock of MGM Resorts International granted to James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (37) This represents 516 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (38) These represent the common stock of MGM Resorts International held by James Freeman.
- (39) This represents 3,030 vested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (40) This represents 40,766 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (41) This represents 837 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (42) This represents 10,219 vested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (43) This represents 76,577 unvested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

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- (44) This represents 1,956 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (45) These represent the common stock of MGM Resorts International held by John M. McManus.
- (46) This represents 73,411 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (47) This represents 51,494 vested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (48) This represents 5,843 unvested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (49) This represents 3,390 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.
- (50) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years respectively. MGM Growth Properties' practice is to issue new shares upon vesting of awards.
- (51) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (52) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (53) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (54) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (55) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (56) These represent the common stock of MGM Growth Properties held by James Freeman.
- (57) These represent the common stock of MGM Growth Properties held by John M. McManus.

- (58) This represents 23,120 deferred stock units in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (59) This represents 19,250 vested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (60) This represents 4,174 unvested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (61) This represents 4,066 dividend equivalent rights for the outstanding RSUs equity awards of MGM Growth Properties held by Daniel J. Taylor.
- (*) James Joseph Murren resigned as a chairperson and executive director with effect from March 26, 2020.
- (**) William Joseph Hornbuckle was appointed as Chairperson on March 26, 2020.
- (***) James Freeman was appointed as a non-executive Director with effect from March 6, 2019, resigned on June 27, 2019 and re-appointed on August 1, 2019.
- (****) John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.
- (*****) Daniel J. Taylor was appointed as non-executive Director on March 26, 2020.

Except as disclosed above, as at December 31, 2019, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at December 31, 2019 so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(A) LONG POSITION IN THE SHARES OF THE COMPANY

Name	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
MGM Resorts International ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	56.00%
Pansy Ho ⁽²⁾	Direct interest	380,000,000	10.00%
	Interest in a controlled corporation	474,561,200	12.49%
Grand Paradise Macau Limited ⁽²⁾	Direct interest	474,561,200	12.49%

Notes:

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

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2019, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administrative matters and further amended by the Shareholders at the Annual General Meeting held on May 24, 2017 (“Share Option Scheme”) to approve changes to paragraphs 1.1, 6, 7 and 11 of the Share Option Scheme, details of which were set out in the circular of the Company dated April 20, 2017.

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

The Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date, after which period no further options shall be granted. For options remaining outstanding on the expiration of the ten-year period, the provisions of the Share Option Scheme shall remain in full force and effect.

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

As at December 31, 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 98,167,388, representing approximately 2.6% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme of the Company as at the date of this annual report is 283,895,112, which is approximately 7.5% of the issued share capital as at the date of this annual report.

REPORT OF THE DIRECTORS

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares of the Company in issue at the date of approval of the Share Option Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The maximum number of Shares issued and to be issued upon the exercise of all options granted and to be granted (including exercised, cancelled and outstanding options) pursuant to the Share Option Scheme to each Eligible Person within any twelve month period is limited to 1% of the total number of Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

The vesting periods for all of the options granted were 25% per year on each of the subsequent four anniversary dates of the date of grant.

The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the scheme.

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

The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2019 is as follows:

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R. Bowie	June 3, 2011	June 2, 2012 — May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 — May 10, 2021	15.620	4,109,400	—	—	—	4,109,400
Employees	August 22, 2011	August 21, 2012 — May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 — May 10, 2021	14.780	750,000	—	—	—	750,000
Consultant	February 23, 2012	February 22, 2013 — May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 — February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 — May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 — February 24, 2024	32.250	700,000	—	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 — June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 — June 2, 2024	26.850	11,625,000	—	—	(275,000)	11,350,000
Consultant	June 3, 2014	June 2, 2015 — June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 — August 14, 2024	26.350	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 — November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 — February 24, 2025	19.240	257,500	—	—	—	257,500
Employees	May 15, 2015	May 15, 2016 — May 14, 2025	15.100	595,000	—	(87,500)	(337,500)	170,000
Grant R. Bowie	June 3, 2015	June 3, 2016 — June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 — June 2, 2025	14.090	5,219,888	—	(27,100)	(28,400)	5,164,388
Consultant	June 3, 2015	June 3, 2016 — June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 — August 16, 2025	16.470	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 — November 15, 2025	11.450	780,000	—	—	—	780,000
Employees	February 23, 2016	February 23, 2017 — February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 — May 15, 2026	10.480	187,500	—	(25,000)	(25,000)	137,500
Grant R. Bowie	June 3, 2016	June 3, 2017 — June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 — June 2, 2026	10.900	8,674,000	—	(275,400)	(334,000)	8,064,600
Consultant	June 3, 2016	June 3, 2017 — June 2, 2026	10.900	550,000	—	—	—	550,000
Grant R. Bowie	August 23, 2016	August 23, 2017 — August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 — August 22, 2026	11.740	7,101,300	—	(76,100)	(53,000)	6,972,200

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Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	400,000	—	—	(50,000)	350,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,307,500	—	(12,500)	(20,000)	1,275,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	382,500	—	—	(12,500)	370,000
Grant R. Bowie	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,719,200	—	—	(523,100)	7,196,100
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	355,000	—	—	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	400,000	—	—	(37,500)	362,500
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,215,000	—	—	(50,000)	1,165,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	—	—	—	370,000
Grant R. Bowie	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	6,358,800	—	—	(403,400)	5,955,400
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	110,000	—	—	(60,000)	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	—	150,000 ⁽¹⁾	—	—	150,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	—	550,000 ⁽²⁾	—	(50,000)	500,000
Grant R. Bowie	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	—	3,992,400 ⁽³⁾	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	—	11,806,000 ⁽³⁾	—	(126,400)	11,679,600
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	—	275,200 ⁽³⁾	—	—	275,200
Employees	August 15, 2019	August 15, 2020 – August 16, 2029	11.564	—	410,000 ⁽⁴⁾	—	—	410,000
Kenneth Xiaofeng Feng	November 15, 2019	November 15, 2020 – November 16, 2029	12.176	—	1,000,000 ⁽⁵⁾	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 16, 2029	12.176	—	200,000 ⁽⁵⁾	—	—	200,000
				82,698,188	18,383,600	(503,600)	(2,410,800)	98,167,388

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$17.54 and the estimated weighted average fair value of share options granted on that date was HK\$6.26 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$13.68 and the estimated weighted average fair value of share options granted on that date was HK\$4.71 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$11.62 and the estimated weighted average fair value of share options granted on that date was HK\$4.27 per Share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$11.30 and the estimated weighted average fair value of share options granted on that date was HK\$4.23 per Share.
- (5) The closing price of the Shares immediately before the date of this grant was HK\$11.86 and the estimated weighted average fair value of share options granted on that date was HK\$4.37 per Share.

CONNECTED TRANSACTIONS

During the year ended December 31, 2019, the Group engaged in transactions with MGM Resorts International, Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Second and Third Renewed MGM Marketing Agreements

As disclosed in the IPO Prospectus, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company entered into the MGM Marketing Agreement on May 17, 2011. The MGM Marketing Agreement was replaced and renewed by the First Renewed MGM Marketing Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014.

REPORT OF THE DIRECTORS

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 56% of the issued share capital of the Company and is the controlling shareholder of the Company. MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are both wholly-owned subsidiaries of MGM Resorts International and are therefore also connected persons of the Company. As MGM Resorts International, MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are connected persons, the transactions contemplated under the MGM Marketing Agreement, and the subsequent renewed MGM Marketing Agreements as set out below, constitute continuing connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

The purpose of the MGM Marketing Agreement, and the subsequent renewed MGM Marketing Agreements as set out below, is to continue to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to the Company's existing and future properties, and to enable MGM Resorts International to maintain a marketing presence at MGM MACAU and the Company's future gaming developments.

Upon the expiry of the term of the First Renewed MGM Marketing Agreement on December 31, 2016, the parties entered into the Second Renewed MGM Marketing Agreement on December 12, 2016 to replace and renew the First Renewed MGM Marketing Agreement for a term of three years, commencing from January 1, 2017. The details of the terms of the Second Renewed MGM Marketing Agreement were set out in the Company's announcement dated December 12, 2016.

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

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

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

The annual caps for the continuing connected transactions contemplated under the Second Renewed MGM Marketing Agreement for each of the three years ending December 31, 2017, 2018 and 2019 were HK\$55,000,000, HK\$60,000,000 and HK\$65,000,000, respectively.

The annual caps under the Second Renewed MGM Marketing Agreement were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals in the next three years and in general the trend of the gaming market's gaming revenue growth in Macau and, in particular, at the time of the relevant announcement, the expected commencement of operation of MGM COTAI in 2017; (iii) the development of the Cotai area in Macau and the conclusion of the infrastructure developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming customers; (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; (v) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited) under the First Renewed MGM Marketing Agreement; and (vi) the arrangements under the Second Renewed Macau Marketing Agreement and the Second Renewed BEH Marketing Agreement (fully-exempt continuing connected transactions of the Company, the details of which were disclosed in the Company's 2016 annual report).

For the year ended December 31, 2019, the aggregate total consideration paid to the MGM Group by our Group pursuant to the Second Renewed MGM Marketing Agreement was HK\$14.4 million which fell within the annual cap of HK\$65,000,000 for the year ended December 31, 2019.

As the term of the Second Renewed MGM Marketing Agreement expired on December 31, 2019, the parties entered into the Third Renewed MGM Marketing Agreement on December 27, 2019 to replace and renew the Second Renewed MGM Marketing Agreement for a term of one year, commencing from January 1, 2020. The details of the terms of the Third Renewed MGM Marketing Agreement were set out in the Company's announcement dated December 27, 2019.

REPORT OF THE DIRECTORS

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

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

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

The marketing fees payable are equal to 3% of the theoretical win (refer to note on page 155) associated with gaming play by customers referred (excluding any play with gaming promoters). The marketing fees payable under the Third Renewed MGM Marketing Agreement have been determined based upon, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangement under the Second Renewed MGM Marketing Agreement.

The annual cap for the continuing connected transactions contemplated under the Third Renewed MGM Marketing Agreement for the year ending December 31, 2020 is HK\$35,000,000.

The annual cap under the Third Renewed MGM Marketing Agreement was determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals and in particular the trend of the gaming market's gaming revenue growth in operation of MGM COTA I ; (iii) the conclusion of the infrastructure developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming

customers; (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; and (v) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited) under the Second Renewed MGM Marketing Agreement.

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

Note:

For the purposes of the Second and Third Renewed MGM Marketing Agreements, "theoretical win" means, in respect of any customer (i) in the case of cash chip play, the total amount wagered multiplied by the game house advantage, and (ii) in the case of rolling chip, the turnover amount multiplied by the theoretical rolling chip win percentage of 2.7%, in each case ignoring the actual win or loss experienced as a result of that customer's play and provided in each case that "theoretical win" shall not exceed, as to any customer, 12.5% of the available credit line for that customer on the related visit.

2. Second and Third Renewed Development Agreements

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

REPORT OF THE DIRECTORS

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

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

Upon the expiry of the term of the First Renewed Development Agreement on December 31, 2016, the parties entered into the Second Renewed Development Agreement on December 12, 2016 to replace and renew the First Renewed Development Agreement for a term of three years, commencing on January 1, 2017. The details of the terms of the Second Renewed Development Agreement were set out in the Company's announcement dated December 12, 2016.

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

Pursuant to the Second Renewed Development Agreement, the Company has agreed to appoint MGM Branding, and MGM Branding has agreed to provide, certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects.

MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the Second Renewed Development Agreement.

The Group agreed to pay development fees to MGM Branding in consideration for the development services provided. The development fee payable is equal to 2.625% of the project costs for each project commenced in China, Macau, Hong Kong and Taiwan during the term of the Second Renewed Development Agreement (whether or not completed during the term).

The development fees payable under the Second Renewed Development Agreement were determined based upon factors including the possibility of an increase in the requirement for development services relating to MGM COTAI and other potential projects that the Company may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

The Group was entitled to terminate the appointment of MGM Branding as provider of development services if it failed to comply with its obligations to provide the services. MGM Branding was entitled to terminate the provision of development services if the Group failed to comply with its obligations under the Second Renewed Development Agreement, including the payment of the development fee.

The annual caps for each project contemplated under the Second Renewed Development Agreement were US\$32,210,000 for each of the three years ending December 31, 2017, 2018 and 2019 provided that the aggregate amount of the development fees related to the project that concerns MGM COTAI shall not exceed an aggregate cap, payable over the duration of that project, of US\$70,000,000 (including, for the avoidance of doubt, all development fees paid previously pursuant to the Development Agreement and the First Renewed Development Agreement).

The annual caps under the Second Renewed Development Agreement were determined based upon factors including, (i) the Group's expected future developments; and (ii) the historical development fees paid by the Group to MGM Branding for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited) under the First Renewed Development Agreement.

REPORT OF THE DIRECTORS

No consideration had been paid pursuant to the Second Renewed Development Agreement during the year ended December 31, 2019.

As the term of the Second Renewed Development Agreement expired on December 31, 2019, the parties entered into the Third Renewed Development Agreement on December 27, 2019 to replace and renew the Second Renewed Development Agreement for a term of three years, commencing on January 1, 2020. The details of the terms of the Third Renewed Development Agreement were set out in the Company's announcement dated December 27, 2019.

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

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

Pursuant to the Third Renewed Development Agreement, the Company has agreed to appoint MGM Branding, and MGM Branding has agreed to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects.

MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE has severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the Third Renewed Development Agreement.

The Group has agreed to pay development fees to MGM Branding in consideration for the development services provided. The development fee payable is equal to 2.625% of the project costs for each project commenced in China, Macau, Hong Kong and Taiwan during the term of the Third Renewed Development Agreement (whether or not completed during the term). The development fees payable under the Third Renewed Development Agreement were determined based on, amongst others, the potential projects that the Company may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

The Group is entitled to terminate the appointment of MGM Branding as provider of development services if it fails to comply with its obligations to provide the services. MGM Branding is entitled to terminate the provision of development services if the Group fails to comply with its obligations under the Third Renewed Development Agreement, including the payment of the development fee.

The annual caps for each project contemplated under the Third Renewed Development Agreement are US\$5,000,000 for the year ending December 31, 2020 and US\$15,000,000 for each of the years ending December 31, 2021 and December 31, 2022.

The annual caps under the Third Renewed Development Agreement were determined based on, amongst others, (i) the Group's expected future developments; and (ii) the historical development fees paid by the Group to MGM Branding for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited) under the Second Renewed Development Agreement.

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

3. Second and Third Renewed Master Service Agreements and Related Arrangements

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

REPORT OF THE DIRECTORS

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

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

Upon the expiry of the term of the First Renewed Master Service Agreement on December 31, 2016, the parties entered into the Second Renewed Master Service Agreement on December 12, 2016 to replace and renew the First Renewed Master Service Agreement for a term of three years, commencing from January 1, 2017. The details of the terms of the Second Renewed Development Agreement were set out in the Company's announcement dated December 12, 2016. The terms of the Second Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) consider that the entry into the Second Renewed Master Service Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The services and products provided by the Shun Tak Group under the Second Renewed Master Service Agreement included sale of ferry tickets at discounted bulk purchase rate, sale of travel products including accommodation and transportation, provision of laundry services, transportation services provided by Shun Tak & CITS Coach Macao Ltd, advertising services and property cleaning services to the Group. The services and products provided by the Group included provision of rental of hotel rooms at wholesale room rates to the Shun Tak Group.

Terms of each specific service were further detailed separately in an agreement or a service contract which could be constituted by the acceptance of a price quotation, sales order or other written documents and were negotiated on arm's length negotiations between the parties and by reference to prevailing market price. Existing agreements entered into under the Master Service Agreement and the First Renewed Master Service Agreement remained, unless stated otherwise, in full force and effect and subject to the terms of the Second Renewed Master Service Agreement. Further details of the terms of the existing transactions under the Second Renewed Master Service Agreement were set out in the Company's announcement dated December 12, 2016. Agreements or service contracts entered into under the Second Renewed Master Service Agreement were in writing for a fixed term of not more than three years.

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

The annual caps on net amounts payable under the Second Renewed Master Service Agreement by our Group to the Shun Tak Group and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated under the Second Renewed Master Service Agreement for the three years ending December 31, 2017, 2018 and 2019 are as follows:

Period (for the year ended)	Annual cap on payments to Shun Tak Group (HK\$)	Annual cap on payments from Shun Tak Group (HK\$)
December 31, 2017	350,000,000	3,500,000
December 31, 2018	400,000,000	4,000,000
December 31, 2019	450,000,000	4,500,000

REPORT OF THE DIRECTORS

The annual caps on amounts payable by the Group to the Shun Tak Group under the Second Renewed Master Service Agreement were determined by reference to (i) historical amounts paid for services contemplated by the First Renewed Master Service Agreement for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited); (ii) the estimated quantity of ferry tickets sales and the volume of services in respect of the travel agency services, transportation services, laundry services, advertising services, property cleaning services, meet and greet services and provision of rental of hotel rooms at agreed rates which may be required by the Group during each of the three years ending December 31, 2017, 2018 and 2019; and (iii) the anticipated increase in demand for services from the Shun Tak Group due to the Group's expected increase in business volume and revenue over the next few years and in particular, at the time of the relevant announcement, the expected commencement of operation of MGM COTAL in the second half of 2017.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Second Renewed Master Service Agreement were determined by reference to (i) historical amounts of revenues received for services contemplated by the First Renewed Master Service Agreement for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited); (ii) the anticipated demand for the relevant products and services; (iii) the expected commencement of operation of MGM COTAL in 2017 at the time of the relevant announcement and increase of the Group's capacity to provide services to the Shun Tak Group; and (iv) the anticipated room rates for hotel rooms during each of the three years ending December 31, 2017, 2018 and 2019.

For the year ended December 31, 2019, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$90.6 million, which fell within the revised annual cap of HK\$450,000,000 for the year ended December 31, 2019; and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$498 thousand which fell within the annual cap of HK\$4,500,000 for the year ended December 31, 2019.

As the term of the Second Renewed Master Service Agreement expired on December 31, 2019, the parties entered into the Third Renewed Master Service Agreement on December 27, 2019 to replace and renew the Second Renewed Master Service Agreement for a term of three years, with effect from January 1, 2020. The details of the terms of the Third Renewed Development Agreement were set out in the Company's announcement dated December 27, 2019.

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

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

The services and products provided or to be provided by the Shun Tak Group under the Third Renewed Master Service Agreement include sale of ferry tickets at discounted bulk purchase rate, sale of travel products including accommodation and transportation, provision of laundry services, transportation services, advertising services and property cleaning services to the Group. The services and products provided or to be provided by the Group include provision of rental of hotel rooms at wholesale room rates to the Shun Tak Group.

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length negotiations between the parties and by reference to prevailing market price. Existing agreements entered into under the Master Service Agreement, the First Renewed Master Service Agreement and the Second First Renewed Master Service Agreement shall, unless stated otherwise, remain in full force and effect and subject to the terms of the Third Renewed Master Service Agreement. Further details of the terms of the existing transactions under the Third Renewed Master Service Agreement were set out in the Company's announcement dated December 27, 2019. Agreements or service contracts entered into under the Third Renewed Master Service Agreement are in writing for a fixed term of not more than three years.

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

REPORT OF THE DIRECTORS

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

The annual caps on net amounts payable under the Third Renewed Master Service Agreement by our Group to the Shun Tak Group and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated under the Third Renewed Master Service Agreement for the three years ending December 31, 2020, 2021 and 2022 are as follows:

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

The annual caps on amounts payable by the Group to the Shun Tak Group under the Third Renewed Master Service Agreement were determined by reference to (i) historical amounts paid for services contemplated by the Second Renewed Master Service Agreement for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited); (ii) the estimated quantity of ferry tickets sales and the volume of services in respect of the travel agency services, transportation services, laundry services, advertising services, property cleaning services, meet and greet services and provision of rental of hotel rooms at agreed rates which may be required by the Group during each of the three years ending December 31, 2020, 2021 and 2022; and (iii) the anticipated increase in demand for services from the Shun Tak Group due to the Group's expected increase in business volume and revenue over the next few years and in particular, the operation of MGM COTAI.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Third Renewed Master Service Agreement were determined by reference to (i) historical amounts of revenues received for services contemplated by the Second Renewed Master Service Agreement for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited); (ii) the anticipated demand for the relevant products and services; (iii) the operation of MGM COTAI and increase of the Group's capacity to provide services to the Shun Tak Group; and (iv) the anticipated room rates for hotel rooms during each of the three years ending December 31, 2020, 2021 and 2022.

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

4. Branding Agreement and First Renewed Branding Agreement

As disclosed in the IPO Prospectus, the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE entered into the Branding Agreement on May 17, 2011, pursuant to which the Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a term co-extensive with that of the Sub-Concession, ending on March 31, 2020, i.e. the original expiry date of the Sub-Concession under the Sub-Concession Contract.

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 55.95% of the issued share capital of the Company and is the controlling shareholder of the Company. MRIH is an indirect wholly-owned subsidiary of MGM Resorts International. Ms. Pansy Ho holds directly and indirectly approximately 22.49% of the entire issued share capital of the Company and is a substantial shareholder of the Company. She is also the Co-Chairperson and an Executive Director of the Company. NCE is wholly owned by Ms. Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. As MGM Branding, MGM Resorts International, MRIH and NCE are connected persons, the transactions contemplated under the Branding Agreement and the First Renewed Branding Agreement (as set out below) constitute continuing connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

REPORT OF THE DIRECTORS

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

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

Pursuant to the Branding Agreement, our Company and the Group have been granted a revocable, non-assignable and non-transferable sublicense to use the marks "MGM", "MGM Grand", "MGM Grand Macau" and the MGM lion and other MGM-related service marks, trademarks, registrations and domain names owned by MGM Resorts International and its subsidiaries (the "Subject Marks") in connection with the marketing and operation of our casino resort businesses within the Restricted Zone (as defined in the Branding Agreement), excluding certain reserved zones within the PRC in which MGM Resorts International will not license the parties to conduct casino gaming business within the Restricted Zone and will only create reserved zones if it permits the Company to either use MGM Resorts International's alternative proprietary branding or permits the Company to develop and use our own intellectual property.

The license fee for MGM MACAU is calculated on a basis equal to 1.75% of our consolidated gross monthly revenues (determined in accordance with IFRS) and was subject to an annual cap of US\$30 million for the calendar year 2012. This annual cap increases by 20% for each subsequent calendar year during the term of the Branding Agreement.

License fees of MGM MACAU	
Period (for the year ended)	Annual cap (US\$)
December 31, 2014	43,200,000
December 31, 2015	51,840,000
December 31, 2016	62,208,000
December 31, 2017	74,649,600
December 31, 2018	89,579,520
December 31, 2019	107,495,424
December 31, 2020	128,994,509

In the event that additional properties are opened during the term of the Branding Agreement, the amount of the annual cap is increased by US\$20 million during the calendar year in which the relevant property is opened for business (the “Additional Property Cap Increase”). The Additional Property Cap Increase is applicable to subsequent calendar years and increased at the rate of 20% per year.

License fees of any additional property	
Period	Annual cap (US\$)
1	20,000,000
2	24,000,000
3	28,800,000

Note: The above considers the opening of MGM COTAI on February 13, 2018.

Pursuant to the Branding Agreement, the license fees for MGM MACAU and MGM COTAI paid by the Group for the year ended December 31, 2019 amounted to HK\$216.1 million (equivalent to approximately US\$27.6 million) and HK\$181.7 million (equivalent to approximately US\$23.2 million) which were within the annual cap of US\$107,495,424 and US\$24,000,000 respectively for year ended December 31, 2019 as disclosed in our IPO Prospectus.

REPORT OF THE DIRECTORS

A waiver from the announcement and independent Shareholders' approval requirements, as required under the Listing Rules, for the initial term of the Branding Agreement of approximately nine years commencing on June 3, 2011 and ending on March 31, 2020, has been granted by the Hong Kong Stock Exchange.

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

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

Pursuant to the First Renewed Branding Agreement, the Company agrees to pay MGM Branding license fees in consideration of the license granted to the Company to use certain trademarks owned by MGM Resorts International and its subsidiaries. The Company has agreed to pay MGM Branding monthly license fees calculated on a basis equal to 1.75% of our consolidated reported monthly revenues (determined in accordance with IFRS). The license fees payable under the First Renewed Branding Agreement were determined based on, amongst others, the intellectual property licensing fees charged by comparable market peers and the historical fee arrangements under the Branding Agreement.

The annual caps for the continuing connected transactions contemplated under the First Renewed Branding Agreement for the two years ending December 31, 2020 and 2021 and the period ending June 26, 2022 are as follows:

Annual cap of license fees payable for:	For the year ending December 31, 2020 (US\$'000)	For the year ending December 31, 2021 (US\$'000)	For the period ending June 26, 2022 (US\$'000)
MGM MACAU and MGM COTAI	82,300	88,200	45,600
Additional properties the Group may develop	20,000	24,000	28,800
Total	102,300	112,200	74,400

The annual caps under the First Renewed Branding Agreement were determined by reference to, amongst others, (i) the historical license fees paid by the Group to MGM Branding for the two years ended December 31, 2017 and 2018, and the six months ended June 30, 2019 under the Branding Agreement; (ii) the anticipated revenues of the Company; (iii) an increase of US\$20 million in the annual caps during the calendar year in which an additional property is opened for business and an increase in the respective annual caps by 20% for each calendar year during the term of the First Renewed Branding Agreement; and (iv) the Group's expected future developments of resort and casino projects.

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

Pursuant to the Branding Agreement Side Letter, MGM Grand Paradise undertook that, if: (a) there is an extension of the term of the Sub-Concession; and (b) MGM Grand Paradise notifies the Company, MGM Branding, MGM Resorts International, MRIH, and NCE in writing that it desires to enter into a replacement branding agreement in connection with an extension of the term of the Sub-Concession, subject to compliance with the Listing Rules requirements or, alternatively, any waivers obtained from strict compliance with such requirements, it would enter into such replacement branding agreement on the basis that any such replacement branding agreement will be on similar terms and conditions to the First Renewed Branding Agreement (as amended and/or modified).

REPORT OF THE DIRECTORS

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

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

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

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2019:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
and

- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 151 to 170 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set out by the Company.

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

The independent non-executive Directors of the Company have reviewed these transactions, considered the internal control procedures that are in place to monitor these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2019 have been entered into:

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

AUDITOR

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

On behalf of the Board

William Joseph Hornbuckle

Chairperson and Executive Director

Pansy Catilina Chiu King Ho

Co-chairperson and Executive Director

Hong Kong, March 26, 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Members of MGM China Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 179 to 287, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2019 and for the year then ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Casino Receivables	
<p>We identified the valuation of the estimated recoverable amount of the Group's trade receivables of HK\$531.9 million as at December 31, 2019 as a key audit matter due to the inherent level of estimation uncertainty. As disclosed in note 4 to the consolidated financial statements, the valuation of trade receivables, requires significant accounting estimates and judgment.</p> <p>As disclosed in notes 18 and 26 to the consolidated financial statements, management's assessment of trade receivables, most of which are casino receivables, under the expected credit loss model is based on a specific review of the customers' accounts by taking into account the age, the counterparty's financial condition, collection history, general economic conditions, forward-looking information and any other known information.</p>	<p>Our procedures in relation to the assessment on the reasonableness of the valuation of trade receivables included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and controls over the granting of credit to customers, collection processes and management's review controls over the assessment of the collectability of casino receivables and the appropriateness of the expected credit loss policy and estimated loss allowance; • Evaluating the Group's assessments for specific provisions made for certain individual customers; • Reperforming the underlying calculation on the Group's provision for loss allowance under the expected credit loss model; and • Developing expectations of current year loss allowance based on repayment history and consideration on creditworthiness of individual customers and, examining subsequent settlement to assess the reasonableness of expected credit losses for casino receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

The engagement partner on the audit resulting in the independent auditor's report is Stephen David Smart.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 26, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
OPERATING REVENUE			
Casino revenue	6	20,423,463	17,176,050
Other revenue	6	2,341,573	2,024,671
		22,765,036	19,200,721
OPERATING COSTS AND EXPENSES			
Gaming taxes	7	(10,615,274)	(9,198,431)
Inventories consumed		(677,086)	(653,828)
Staff costs		(3,722,251)	(3,505,758)
Other expenses and losses	8	(2,222,631)	(2,257,406)
Depreciation and amortization		(2,564,457)	(2,150,305)
		(19,801,699)	(17,765,728)
Operating profit		2,963,337	1,434,993
Interest income		21,238	12,113
Finance costs	9	(1,128,075)	(667,876)
Net foreign currency gain/(loss)		85,190	(6,336)
Profit before tax		1,941,690	772,894
Income tax (expense)/benefit	10	(10,462)	295,605
Profit for the year attributable to owners of the Company	11	1,931,228	1,068,499
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		1,931,351	1,065,025
Earnings per Share — Basic	14	HK50.8 cents	HK28.1 cents
Earnings per Share — Diluted	14	HK50.8 cents	HK28.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	26,603,943	27,221,918
Construction in progress	15	104,396	1,781,527
Right-of-use assets	16	1,382,457	—
Sub-concession premium	17	244,845	158,153
Land use right premium	2	—	1,121,541
Other assets		32,137	128,656
Prepayments, deposits and other receivables		37,385	62,816
Total non-current assets		28,405,163	30,474,611
Current assets			
Inventories		163,723	159,696
Trade receivables	18	531,943	322,637
Prepayments, deposits and other receivables		133,727	112,058
Land use right premium	2	—	69,406
Amounts due from related companies	31(a)(i)	1,370	2,060
Bank balances and cash	19	3,270,296	3,992,107
Total current assets		4,101,059	4,657,964
TOTAL ASSETS		32,506,222	35,132,575

	NOTES	2019 HK\$'000	2018 HK\$'000
EQUITY			
Capital and reserves			
Share capital	22(a)	3,800,000	3,800,000
Share premium and reserves	22(b)	6,660,134	5,145,779
TOTAL EQUITY		10,460,134	8,945,779
LIABILITIES			
Non-current liabilities			
Borrowings	20	16,604,526	18,093,205
Lease liabilities	16	191,120	—
Payables and accrued charges	21	13,100	17,492
Construction retention payable		813	18,065
Total non-current liabilities		16,809,559	18,128,762
Current liabilities			
Borrowings	20	—	780,000
Lease liabilities	16	45,349	—
Payables and accrued charges	21	4,825,255	6,856,506
Construction retention payable		307,564	387,778
Amounts due to related companies	31(a)(ii)	48,085	22,531
Income tax payable		10,276	11,219
Total current liabilities		5,236,529	8,058,034
TOTAL LIABILITIES		22,046,088	26,186,796
TOTAL EQUITY AND LIABILITIES		32,506,222	35,132,575

The consolidated financial statements on pages 179 to 287 were approved and authorized for issue by the Board of Directors on March 26, 2020 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	NOTES	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000 Note 22(b)(ii)	Other reserves HK\$'000 Note 22(b)(iii)	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2018		3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,709,179	4,636,908	8,436,908
Profit for the year		–	–	–	–	–	–	–	1,068,499	1,068,499	1,068,499
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(3,474)	–	(3,474)	(3,474)
Total comprehensive income		–	–	–	–	–	–	(3,474)	1,068,499	1,065,025	1,065,025
Exercise of share options	22(a)&23	2,682	48,983	–	(14,801)	–	–	–	–	34,182	36,864
Share repurchase and cancellation											
– repurchases of Shares	22(a)&22(b)(i)	(2,682)	(55,134)	–	–	–	–	–	–	(55,134)	(57,816)
– transfer	22(b)(i)	–	–	2,682	–	–	–	–	(2,682)	–	–
Forfeiture of share options	23	–	–	–	(1,216)	–	–	–	1,216	–	–
Recognition of share-based payments	23	–	–	–	76,639	–	–	–	–	76,639	76,639
Dividends paid	13	–	–	–	–	–	–	–	(611,841)	(611,841)	(611,841)
At December 31, 2018		3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the year		–	–	–	–	–	–	–	1,931,228	1,931,228	1,931,228
Exchange differences on translation of foreign operations		–	–	–	–	–	–	123	–	123	123
Total comprehensive income		–	–	–	–	–	–	123	1,931,228	1,931,351	1,931,351
Exercise of share options	22(a)&23	504	7,434	–	(1,896)	–	–	–	–	5,538	6,042
Share repurchase and cancellation											
– repurchases of Shares	22(a)&22(b)(i)	(504)	(6,438)	–	–	–	–	–	–	(6,438)	(6,942)
– transfer	22(b)(i)	–	–	504	–	–	–	–	(504)	–	–
Forfeiture of share options	23	–	–	–	(4,775)	–	–	–	4,775	–	–
Recognition of share-based payments	23	–	–	–	70,308	–	–	–	–	70,308	70,308
Dividends paid	13	–	–	–	–	–	–	–	(486,404)	(486,404)	(486,404)
At December 31, 2019		3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES			
Profit before tax		1,941,690	772,894
Adjustments for:			
Depreciation and amortization		2,564,457	2,150,305
Interest expense		940,939	654,342
Loss on extinguishment of debt		171,051	5,899
Loss on disposal or write-off of property and equipment, construction in progress and other assets		14,778	194,265
Interest income		(21,238)	(12,113)
Loss allowance on trade receivables, net		28,267	51,260
Share-based payments		70,308	76,639
Net foreign currency gain		(84,473)	—
Operating cash flows before movements in working capital		5,625,779	3,893,491
Increase in inventories		(2,575)	(23,920)
Increase in trade receivables		(237,573)	(194,070)
(Increase)/decrease in prepayments, deposits and other receivables		(5,563)	8,953
Decrease/(increase) in amounts due from related companies		690	(1,623)
Decrease in payables and accrued charges		(1,082,983)	(1,518,316)
Increase/(decrease) in amounts due to related companies		25,554	(6,389)
Cash generated from operations		4,323,329	2,158,126
Income tax paid		(11,973)	(11,357)
Income tax refunded		740	—
Interest received		21,514	12,275
NET CASH GENERATED FROM OPERATING ACTIVITIES		4,333,610	2,159,044
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(1,121,973)	(2,786,128)
Payment of Sub-concession premium	17	(213,592)	—
Proceeds from disposal of property and equipment and other assets		739	80
Payments of developers' fee capitalized to construction in progress		—	(110,529)
Purchase of other assets		—	(75,526)
Proceeds from insurance claims		4,945	57,031
NET CASH USED IN INVESTING ACTIVITIES		(1,329,881)	(2,915,072)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
FINANCING ACTIVITIES			
Proceeds from issuance of senior notes	20	11,772,525	—
Proceeds from draw down on credit facilities	20	1,000,000	4,900,000
Repayments of credit facilities	20	(14,860,000)	(3,825,500)
Payments of debt finance costs		(309,937)	(259,482)
Payments of lease liabilities	16	(19,206)	—
Interest paid		(821,609)	(717,844)
Dividends paid		(486,404)	(611,841)
Proceeds from exercise of share options		6,230	39,550
Payments on repurchase of Shares		(6,942)	(57,816)
NET CASH USED IN FINANCING ACTIVITIES		(3,725,343)	(532,933)
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)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		3,270,296	3,992,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL *(Continued)*

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

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

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

IFRS 16 LEASES

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

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

The Group applied IFRS 16 for the first time in the current year using the modified retrospective approach without restating comparative information. See note 3 for the details of the accounting policy on leases.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRS 16 LEASES *(Continued)*

Adoption and summary of effects arising from initial application of IFRS 16 *(Continued)*

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 LEASES (Continued)

Adoption and summary of effects arising from initial application of IFRS 16 (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 LEASES (Continued)

Adoption and summary of effects arising from initial application of IFRS 16 (Continued)

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

	At January 1, 2019 HK\$'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	219,219
Reclassification of land use right premium ⁽ⁱ⁾	1,190,947
Other	(629)
	1,409,537
	At January 1, 2019 HK\$'000
By class:	
Leasehold land	1,340,337
Buildings	30,779
Equipment and other	38,421
	1,409,537

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRSs IN ISSUE NOT YET ADOPTED

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 17	Insurance Contracts ⁴
Amendments to IFRS 3	Definition of Business ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1 and IAS 8	Definition of Material ²
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ²

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

² Effective for annual periods beginning on or after January 1, 2020

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁴ Effective for annual periods beginning on or after January 1, 2021

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The Group considers that these new standards and amendments would not have significant impact to the Group’s results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

As at December 31, 2019, the Group had net current liabilities of approximately HK\$1,135.5 million (2018: HK\$3,400.1 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 20) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF PREPARATION *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

REVENUE RECOGNITION

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complementaries provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complementaries on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, retail and other transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, retail and other services based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

In determining the transaction price, the promised amount of consideration for the effects of the time value of money is adjusted if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVENTORIES

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

Art works and paintings are not depreciated as their current residual value is expected to be greater than their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY AND EQUIPMENT *(Continued)*

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (OTHER THAN FINANCIAL ASSETS)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (OTHER THAN FINANCIAL ASSETS)

(Continued)

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

TAXATION

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

OTHER ASSETS

Operating equipment

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

Show production costs

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

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

CASH EQUIVALENTS

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Effective interest method

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Initial recognition and subsequent measurement of financial assets

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables that do not contain a significant financing component which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. All other financial assets are subsequently measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognizes lifetime expected credit loss for trade receivables. An assessment is performed including analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired.

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the Group would not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data adjusted by forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Measurement and recognition of expected credit loss *(Continued)*

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities *(Continued)*

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

Non-substantial modifications of financial liabilities

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance; and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

SUB-CONCESSION PREMIUM

Premium payments made for the grant of the Sub-Concession Contract (see note 17) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

RETIREMENT BENEFIT COSTS

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

LEASES

Definition of a lease (upon application of IFRS 16 with transitions in accordance with note 2)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

Definition of a lease (before application of IFRS 16 on January 1, 2019)

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee (upon application of IFRS 16 with transitions in accordance with note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and lease of low-value

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for the lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

The Group as a lessee (upon application of IFRS 16 with transitions in accordance with note 2)

(Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value.

Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

The Group as a lessee (upon application of IFRS 16 with transitions in accordance with note 2)

(Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine lease payments, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

The Group as a lessee (upon application of IFRS 16 with transitions in accordance with note 2)

(Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (before application of IFRS 16 on January 1, 2019)

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Land use right premium under operating leases are payments made on entering into or acquiring land-use rights. The total lease payments are amortized on a straight-line basis over the lease terms in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use right.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

The Group as a grantor for right of use

When assets are granted out under an agreement for the right of use, the asset is included in the consolidated statement of financial position based upon the nature of the asset. Income from right of use (net of any incentives given to retailers) is recognized on a straight-line basis over the terms of the relevant right of use. Contingent fees based upon the net sales of the retailers arising under right of use are recognized as revenue in the period in which they are earned.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

Share options granted to consultants of the Group

Share options issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

USEFUL LIVES OF PROPERTY AND EQUIPMENT

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

LOSS ALLOWANCE

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group follows the requirements of IAS 36 Impairment of Assets to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts. When required, the recoverable amount of the CGU has been determined based upon value-in-use calculations or fair value less costs of disposal. These calculations require the use of estimates of future cash flows based upon projected income and expenses of the business, working capital needs, growth rates and discount rates.

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

VALUATION OF LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Group has several lease contracts that include extension options. In determining the lease term, the Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew the lease including relevant factors that create an economic incentive for it to exercise the renewal. The Group has included the renewal period as part of the lease term for leases of land as stated in note 2. After the initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

In addition, the Group has exercised judgement in relation to determining the discount rate taking into account the nature of the underlying assets and terms and conditions of the leases, at both the commencement date and the effective date of modification, if applicable.

Changes in these judgements could have a material effect to the carrying amount of the lease liabilities and right-of-use-assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

5. SEGMENT INFORMATION

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

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

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

5. SEGMENT INFORMATION *(Continued)*

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

⁽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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

6. CASINO AND OTHER REVENUE

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentaries and other incentives. Casino revenue comprises:

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

Other revenue comprises:

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

6. CASINO AND OTHER REVENUE *(Continued)*

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

⁽¹⁾ The change of HK\$987.8 million in customer advances and other is mainly related to the utilization of funds previously deposited by customers for gaming play which are recorded as revenue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

7. GAMING TAXES

According to the Sub-Concession Contract as described in note 17, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated.

8. OTHER EXPENSES AND LOSSES

	2019 HK\$'000	2018 HK\$'000
Advertising and promotion	658,937	625,108
License fees	397,725	336,676
Other support services	301,131	314,959
Utilities and fuel	253,026	242,843
Repairs and maintenance	261,025	195,341
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	14,778	194,265
Loss allowance on trade receivables, net	28,267	51,260
Other	307,742	296,954
	2,222,631	2,257,406

⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

9. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on secured credit facilities	380,248	695,500
Interest on unsecured senior notes	413,203	—
Interest on unsecured credit facilities	106,262	—
Amortization of debt finance costs	42,646	137,621
Loss on extinguishment of debt (note 20)	171,051	5,899
Interest on lease liabilities	13,677	—
Bank fees and charges	16,085	7,635
Total borrowing costs	1,143,172	846,655
Less: capitalized interest allocated to construction in progress (see note 15)	(15,097)	(178,779)
	1,128,075	667,876

10. INCOME TAX (EXPENSE)/BENEFIT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

10. INCOME TAX (EXPENSE)/BENEFIT *(Continued)*

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%.

10. INCOME TAX (EXPENSE)/BENEFIT *(Continued)*

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

	2019 HK\$'000	2018 HK\$'000
Profit before tax	1,941,690	772,894
Tax calculated at rates applicable to profits in the respective jurisdictions	(225,515)	(92,599)
Effect of tax exemption granted to MGM Grand Paradise	752,324	597,525
Effect of tax losses not recognized	(454,919)	(433,907)
Effect of expenses not deductible for tax purposes	(101,028)	(12,315)
Effect of income not taxable for tax purposes	67,467	6
Effect of utilization of tax losses previously not recognized	78	180
Effect of temporary differences not recognized	(39,374)	(60,203)
Reversal of deferred tax liability previously recognized	—	317,147
Lump sum dividend tax	(9,612)	(19,224)
Over/(under) provision in prior year	124	(1,005)
Others	(7)	—
Income tax (expense)/benefit	(10,462)	295,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

10. INCOME TAX (EXPENSE)/BENEFIT *(Continued)*

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

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

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

11. PROFIT FOR THE YEAR

	NOTE	2019 HK\$'000	2018 HK\$'000
Profit for the year has been arrived at after charging:			
Directors' and chief executive's emoluments		52,031	55,753
Retirement benefits scheme contributions for other staff		93,209	77,175
Share-based payments for other staff		53,050	58,386
Salaries and other benefits for other staff		3,523,961	3,314,444
		3,722,251	3,505,758
Amortization in respect of:			
— Sub-concession premium		126,900	126,900
— land use right premium	2	—	63,359
— other assets		104,882	82,546
Depreciation in respect of:			
— Property and equipment		2,269,022	1,877,500
— Right-of-use assets		63,653	—
		2,564,457	2,150,305
Operating lease expenses under IAS 17	2	—	124,627
Auditor's remuneration		9,616	11,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽¹⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2019						
<i>Executive Directors:</i>						
James Joseph Murren	–	–	–	–	–	–
Pansy Ho	–	–	–	–	–	–
Chen Yau Wong	–	–	–	–	–	–
William Joseph Hornbuckle	–	–	–	–	–	–
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	–	16,581	1,368	14,484	14,234	46,667
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁸⁾	–	1,977	5	258	–	2,240
James Freeman ⁽¹⁾	–	–	–	–	–	–
John M. McManus ⁽²⁾	–	–	–	–	–	–
Daniel J. D'Arrigo ⁽³⁾	–	–	–	–	–	–
William M. Scott IV ⁽⁴⁾	–	–	–	–	–	–
<i>Independent Non-executive Directors:</i>						
Zhe Sun	863	–	–	–	–	863
Sze Wan Patricia Lam	863	–	–	–	–	863
Russell Francis Banham	1,177	–	–	–	–	1,177
Peter Man Kong Wong ⁽⁵⁾	177	–	–	–	–	177
Simon Meng ⁽⁶⁾	44	–	–	–	–	44
Total emoluments	3,124	18,558	1,373	14,742	14,234	52,031

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

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

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽ⁱ⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2018						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	15,841	1,368	14,270	21,216	52,695
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
William M. Scott IV ⁽⁴⁾	—	—	—	—	—	—
Daniel J. D'Arrigo ⁽³⁾	—	—	—	—	—	—
Kenneth A. Rosevear ⁽⁷⁾	—	—	—	—	—	—
Kenneth Xiaofeng Feng ⁽⁸⁾	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	706	—	—	—	—	706
Sze Wan Patricia Lam	706	—	—	—	—	706
Peter Man Kong Wong ⁽⁵⁾	627	—	—	—	—	627
Russell Francis Banham	1,019	—	—	—	—	1,019
Total emoluments	3,058	15,841	1,368	14,270	21,216	55,753

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

Notes:

- (1) James Freeman was appointed as a Non-executive Director with effect from March 6, 2019 and resigned with effect from June 27, 2019. He was re-appointed as a Non-executive Director with effect from August 1, 2019.
- (2) John M. McManus was appointed as a Non-executive Director with effect from March 6, 2019.
- (3) Daniel J. D'Arrigo resigned as a Non-executive Director with effect from March 1, 2019.
- (4) William M. Scott IV resigned as a Non-executive Director with effect from February 22, 2019.
- (5) Mr. Peter Man Kong Wong passed away on March 11, 2019.
- (6) Simon Meng was appointed as Independent Non-executive Director with effect from December 9, 2019.
- (7) Kenneth A. Rosevear resigned as a Non-executive Director with effect from February 14, 2018.
- (8) Kenneth Xiaofeng Feng was appointed as Non-executive Director with effect from May 24, 2018.

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2019 and 2018.

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

Of the five individuals with the highest emoluments in the Group, one (2018: one) was a Director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2018: four) individuals were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	18,233	19,596
Contributions to retirement benefits scheme	586	663
Share-based payments	10,882	11,610
Discretionary and performance related incentive payments ⁽ⁱ⁾	8,443	13,033
	38,144	44,902

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
HK\$8,000,001 to HK\$8,500,000	1	—
HK\$9,000,001 to HK\$9,500,000	1	1
HK\$9,500,001 to HK\$10,000,000	1	—
HK\$10,500,001 to HK\$11,000,000	1	1
HK\$12,000,001 to HK\$12,500,000	—	2

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2019 and 2018.

Note:

⁽ⁱ⁾ The discretionary and performance related incentive payments for the years ended December 31, 2019 and 2018 are determined based upon the Group's performance and the individual's contribution to the Group for the years ended December 31, 2018 and 2017 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

13. DIVIDENDS

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

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

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

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

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

14. EARNINGS PER SHARE

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

The calculation of diluted earnings per Share for the years ended December 31, 2019 and 2018 is based upon the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options (see note 23).

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

	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

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For the year ended December 31, 2019

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Property and equipment total HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST										
At January 1, 2018	5,001,291	2,181,278	613,351	375,311	325,911	48,421	11,410	8,556,973	26,093,051	34,650,024
Additions	84,506	420	43,516	50,370	26,457	1,146	33,164	239,579	1,708,032	1,947,611
Transfers from construction in progress	22,965,306	—	1,841,951	400,878	464,975	132,727	—	25,805,837	(25,805,837)	—
Transfers from/(to) other assets	—	—	31,082	—	4,423	—	—	35,505	(213,719)	(178,214)
Disposal/write-off	(952)	(24,925)	(8,526)	(12,458)	(1,842)	—	—	(48,703)	—	(48,703)
Exchange difference	—	(1,691)	(636)	—	(183)	—	—	(2,510)	—	(2,510)
At December 31, 2018 and January 1, 2019	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	34,586,681	1,781,527	36,368,208
Additions	96,457	361	14,530	62,519	24,601	12,889	6,789	218,146	300,982	519,128
Transfers from construction in progress	1,649,293	—	231,729	5,607	19,477	57,538	—	1,963,644	(1,963,644)	—
Transfers to other assets	—	—	—	—	—	—	—	—	(12,076)	(12,076)
Adjustment upon finalization of costs	(515,765)	—	—	—	—	—	—	(515,765)	—	(515,765)
Disposal/write-off	(15,149)	(2,004)	(7,884)	(18,676)	(3,850)	—	—	(47,563)	(2,393)	(49,956)
Exchange difference	—	99	36	—	10	—	—	145	—	145
At December 31, 2019	29,264,987	2,153,538	2,759,149	863,551	859,979	252,721	51,363	36,205,288	104,396	36,309,684
DEPRECIATION										
At January 1, 2018	(2,600,954)	(1,856,421)	(518,888)	(268,644)	(275,567)	—	(9,246)	(5,529,720)	—	(5,529,720)
Eliminated on disposal/write-off	68	19,307	7,964	12,023	1,842	—	—	41,204	—	41,204
Charge for the year	(1,140,602)	(123,462)	(336,105)	(115,223)	(155,792)	—	(6,316)	(1,877,500)	—	(1,877,500)
Exchange difference	—	843	246	—	164	—	—	1,253	—	1,253
At December 31, 2018 and January 1, 2019	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	—	(15,562)	(7,364,763)	—	(7,364,763)
Eliminated on disposal/write-off	494	1,999	7,642	18,368	3,850	—	—	32,353	—	32,353
Charge for the year	(1,378,630)	(103,790)	(451,328)	(136,309)	(190,601)	—	(8,364)	(2,269,022)	—	(2,269,022)
Exchange difference	—	77	5	—	5	—	—	87	—	87
At December 31, 2019	(5,119,624)	(2,061,447)	(1,290,464)	(489,785)	(616,099)	—	(23,926)	(9,601,345)	—	(9,601,345)
CARRYING AMOUNT										
At December 31, 2019	24,145,363	92,091	1,468,685	373,766	243,880	252,721	27,437	26,603,943	104,396	26,708,339
At December 31, 2018	24,308,663	195,349	1,673,955	442,257	390,388	182,294	29,012	27,221,918	1,781,527	29,003,445

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS *(Continued)*

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (2018: HK\$178.8 million) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% (2018: 4.92%) per annum to expenditure on qualifying assets during the year ended December 31, 2019. During the year ended December 31, 2019, no developers' fees (2018: HK\$13.9 million) were capitalized to construction in progress.

The Company and the principal contractors reached a settlement agreement in connection with the construction costs of MGM COTAL in December 2019. During the years ended December 31, 2019 and 2018, HK\$1,899.8 million and HK\$25,585.7 million was transferred from construction in progress to property and equipment pertaining to the assets in use of MGM COTAL.

16. LEASES

THE GROUP AS A LESSEE

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAL are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5.5 years, but may have extension and termination options as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

16. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

Information about leases for which the Group is a lessee is presented below.

	Right-of-use assets			Total HK\$'000
	Leasehold	Buildings	Equipment and others	
	Land HK\$'000	HK\$'000	HK\$'000	
COST				
At January 1, 2019	1,340,337	30,779	38,421	1,409,537
Addition	—	23,460	12,878	36,338
Foreign exchange difference	—	69	—	69
At December 31, 2019	1,340,337	54,308	51,299	1,445,944
DEPRECIATION				
At January 1, 2019	—	—	—	—
Depreciation charge	36,959	14,709	11,985	63,653
Foreign exchange difference	—	(166)	—	(166)
At December 31, 2019	36,959	14,543	11,985	63,487
CARRYING AMOUNT				
At December 31, 2019	1,303,378	39,765	39,314	1,382,457
At January 1, 2019	1,340,337	30,779	38,421	1,409,537

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

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

	2019 HK\$'000
Within one year	56,181
Over one year but not exceeding two years	39,502
Over two years but not exceeding five years	33,964
Over five years	402,892
	532,539
Less: Effect of discounting at incremental borrowing rate	(296,070)
Balance at December 31, 2019	236,469
Current	45,349
Non-current	191,120
	236,469

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	HK\$'000
Variable lease payments not included in the measurement of lease liabilities	3,555
Expenses relating to short-term leases	82,712
Expenses relating to leases of low value assets	327

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

	HK\$'000
Total cash outflow for leases	106,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

16. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

Apart from the land concession contracts described in note 2, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to these future lease payments pertaining to these extension options is HK\$38.7 million.

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2019, there was no such triggering event.

As at December 31, 2019, there are no lease contracts that contain residual value guarantees provided to the lessor or leases which are not yet commenced.

As at December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the land use right, office premises, warehouse, dormitory and equipment which fall due as follows:

	2018 HK\$'000
Within one year	71,209
More than one year and not longer than five years	97,844
More than five years	94,870
	263,923

Note: The above disclosed commitments also include payments of HK\$32.4 million which are related to arrangements that contain lease and non-lease elements.

16. LEASES *(Continued)***THE GROUP AS THE GRANTOR OF THE RIGHT OF USE**

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers.

The following are the amounts recognized in profit or loss:

	2019 HK\$'000	2018 HK\$'000
Payments that are fixed or depend on an index or a rate	46,645	37,189
Variable payments that do not depend on an index or a rate	75,818	59,648
	122,463	96,837

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	60,814	51,111
More than one year and not longer than five years	58,747	77,248
More than five years	—	43
	119,561	128,402

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For the year ended December 31, 2019

17. SUB-CONCESSION PREMIUM

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

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 28). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

18. TRADE RECEIVABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

18. TRADE RECEIVABLES *(Continued)*

As at December 31, 2019, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$326.0 million (2018: HK\$144.1 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$51.1 million (2018: HK\$46.2 million) are 90 days past due or more and are not considered as in default. The Group's management considers that there is no significant increase in credit risk nor default based upon the repayment history and creditworthiness of these individual customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2019 and 2018 are set out in note 26.

19. BANK BALANCES AND CASH

	2019 HK\$'000	2018 HK\$'000
Cash at bank and on hand	2,067,772	2,676,441
Short-term bank deposits	1,202,524	1,315,666
	3,270,296	3,992,107

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

	2019 HK\$'000	2018 HK\$'000
HK\$	2,927,268	3,698,689
US\$	208,605	91,066
Singapore dollar ("SG\$")	61,612	134,206
Renminbi ("RMB")	42,046	23,725
Other	30,765	44,421
	3,270,296	3,992,107

19. BANK BALANCES AND CASH *(Continued)*

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are placed for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2019 and 2018.

20. BORROWINGS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

20. BORROWINGS (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Unsecured senior notes repayable:		
Over four years but not exceeding five years	5,843,535	—
Over five years	5,843,535	—
	11,687,070	—
Less: Debt finance costs	(157,712)	—
	11,529,358	—
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	—
	5,200,000	—
Less: Debt finance costs	(124,832)	—
	5,075,168	—
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
	—	19,060,000
Less: Debt finance costs	—	(186,795)
	—	18,873,205
Current	—	780,000
Non-current	16,604,526	18,093,205
	16,604,526	18,873,205

20. BORROWINGS *(Continued)*

UNSECURED SENIOR NOTES

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

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

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

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

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

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20. BORROWINGS *(Continued)*

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.

20. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITY *(Continued)*

Financial Covenants *(Continued)*

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).

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For the year ended December 31, 2019

20. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITY *(Continued)*

Events of Default

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

Security and Guarantees

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

SECURED CREDIT FACILITIES

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

The terms of the Sub-Concession Extension (refer note 17) included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the MGM China Credit Facility was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The amendment became effective on April 16, 2019.

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

21. PAYABLES AND ACCRUED CHARGES

	NOTE	2019 HK\$'000	2018 HK\$'000
Outstanding chips liabilities	6	1,682,714	1,694,055
Gaming taxes payables		838,340	931,609
Accrued staff costs		664,026	574,746
Customer advances and other	6	619,946	1,607,727
Other payables and accrued charges		377,809	300,942
Construction payables and accruals		224,822	1,214,164
Other casino liabilities		215,757	387,719
Loyalty programs liabilities	6	145,875	131,636
Trade payables		69,066	31,400
		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 HK\$'000	2018 HK\$'000
Within 30 days	60,316	17,552
31 — 60 days	6,831	9,173
61 — 90 days	1,025	4,283
91 — 120 days	68	35
Over 120 days	826	357
	69,066	31,400

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

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22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) SHARE CAPITAL

	NOTES	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2018, December 31, 2018, January 1, 2019 and December 31, 2019			
		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2018			
		3,800,000,001	3,800,000,001
Share options exercised	23	2,682,200	2,682,200
Share repurchase and cancellation	(i)	(2,682,200)	(2,682,200)
At December 31, 2018 and January 1, 2019			
		3,800,000,001	3,800,000,001
Share options exercised	23	503,600	503,600
Share repurchase and cancellation	(i)	(503,600)	(503,600)
At December 31, 2019			
		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2019, 503,600 Shares (2018: 2,682,200) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$6.9 million (2018: HK\$57.8 million) (see note 22(b)(i) for details).

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 503,600 Shares (2018: 2,682,200) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2019. The premium of HK\$6.4 million (2018: HK\$55.1 million) paid on the repurchase of the 503,600 Shares (2018: 2,682,200) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$0.5 million (2018: HK\$2.7 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the years ended December 31, 2019 and 2018 are summarized as follows:

December 31, 2019

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

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For the year ended December 31, 2019

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(i) *(Continued)*

December 31, 2018

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
September 2018	39,000	12.28	12.12	474
December 2018	41,000	13.90	13.90	572
	2,682,200			57,816

(ii) Equity reserve

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

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

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(iii) Other reserves

Other reserves of HK\$13,133.3 million as at December 31, 2019 (2018: HK\$13,133.3 million) comprise of the following:

- (a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- (b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

23. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017.

The purpose of the Scheme is to provide incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any Director or employee of the Group and any other person including a consultant or adviser) for their contribution and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for Shares in the Company for a period of ten years from the adoption date.

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

As at December 31, 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 98,167,388 (2018: 82,698,188), representing approximately 2.6% (2018: 2.2%) of the Shares of the Company in issue at that date.

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

23. SHARE-BASED PAYMENTS *(Continued)*

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

23. SHARE-BASED PAYMENTS (Continued)

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

December 31, 2019

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Director	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,109,400	—	—	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Director	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	(275,000)	11,350,000
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	595,000	—	(87,500)	(337,500)	170,000
Director	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,219,888	—	(27,100)	(28,400)	5,164,388
Consultant	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	—	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	(25,000)	(25,000)	137,500
Director	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	8,674,000	—	(275,400)	(334,000)	8,064,600
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000

23. SHARE-BASED PAYMENTS (Continued)

December 31, 2019 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Director	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,101,300	—	(76,100)	(53,000)	6,972,200
Consultant	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	400,000	—	—	(50,000)	350,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,307,500	—	(12,500)	(20,000)	1,275,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	382,500	—	—	(12,500)	370,000
Director	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,719,200	—	—	(523,100)	7,196,100
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	355,000	—	—	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	400,000	—	—	(37,500)	362,500
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,215,000	—	—	(50,000)	1,165,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	—	370,000
Director	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	6,358,800	—	—	(403,400)	5,955,400
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	110,000	—	—	(60,000)	50,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	—	150,000	—	—	150,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	—	550,000	—	(50,000)	500,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	3,992,400	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	11,806,000	—	(126,400)	11,679,600
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	275,200	—	—	275,200
Employees	August 15, 2019	August 15, 2020 - August 16, 2029	11.564	—	410,000	—	—	410,000
Director	November 15, 2019	November 15, 2020 - November 16, 2029	12.176	—	1,000,000	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 - November 16, 2029	12.176	—	200,000	—	—	200,000
				82,698,188	18,383,600	(503,600)	(2,410,800)	98,167,388
Weighted average exercise price per Share				HK\$17.54	HK\$11.89	HK\$12.00	HK\$17.37	HK\$16.51
Exercisable at end of the reporting period								60,314,638

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23. SHARE-BASED PAYMENTS (Continued)

December 31, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	—	(524,000)	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	(100,000)	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	(50,000)	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	—	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	(50,000)	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	—	(12,500)	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	(425,000)	—	595,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	—	(465,700)	(95,900)	5,219,888
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	—	(25,000)	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	—	(77,500)	(105,000)	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	—	(12,500)	(25,000)	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	—	—	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200

23. SHARE-BASED PAYMENTS (Continued)

December 31, 2018 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	—	(765,700)	(330,100)	8,674,000
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	—	(79,500)	(185,000)	7,101,300
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	(60,000)	400,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	—	(12,500)	(60,000)	1,307,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	—	—	(87,500)	382,500
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	—	(132,300)	(433,700)	7,719,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	—	—	(225,000)	355,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	450,000	—	—	(50,000)	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	—	1,265,000	—	(50,000)	1,215,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	—	370,000	—	—	370,000
Directors	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	1,629,600	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	6,529,200	—	(170,400)	6,358,800
Consultants	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	153,600	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	—	200,000	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	—	110,000	—	—	110,000
				77,130,588	10,257,400	(2,682,200)	(2,007,600)	82,698,188
Weighted average exercise price per Share				HK\$16.72	HK\$22.38	HK\$13.74	HK\$15.98	HK\$17.54
Exercisable at end of the reporting period								46,358,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

23. SHARE-BASED PAYMENTS *(Continued)*

During the year ended December 31, 2019, options were granted on April 4, 2019, May 15, 2019, June 6, 2019, August 15, 2019 and November 15, 2019 and their estimated weighted average fair values were HK\$6.26, HK\$4.71, HK\$4.27, HK\$4.23 and HK\$4.37 per Share, respectively. During the year ended December 31, 2018, options were granted on February 23, 2018, May 15, 2018, June 4, 2018, August 15, 2018 and November 15, 2018 and their estimated weighted average fair values were HK\$7.88, HK\$7.77, HK\$7.73, HK\$4.59 and HK\$4.27 per Share, respectively. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

The significant inputs into the model for the options granted during the year are as follows:

Options granted on April 4, 2019 and May 15, 2019

Risk-free interest rate	2.109% to 2.184% per annum
Expected dividend yield	1.23% per annum
Expected life	4.15 to 6.18 years
Expected volatility	42.10% per annum

Options granted on or after June 6, 2019

Risk-free interest rate	1.573% to 1.614% per annum
Expected dividend yield	0.87% per annum
Expected life	4.44 to 6.35 years
Expected volatility	43.17% per annum

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The Group recognized a total expense of HK\$70.3 million (2018: HK\$76.6 million) for the year ended December 31, 2019 in relation to share options granted by the Company.

24. RETIREMENT BENEFIT PLAN

DEFINED CONTRIBUTION PLAN

Prior to May 2019, the Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for the eligible Macau resident employees to join the non-mandatory central provident fund (the “CPF”) system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group’s existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to vesting fully of the contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$8.5 million (2018: HK\$6.3 million).

The total expense recognized in the profit or loss of HK\$94.6 million (2018: HK\$78.5 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan during the year ended December 31, 2019. As at December 31, 2019, contributions of approximately HK\$17.8 million (2018: HK\$14.8 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in note 20, less bank balances and cash. Equity comprised all capital and reserves of the Group. As at December 31, 2019, the gearing ratio of the Group was 56.0% (2018: 62.5%).

26. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2019	2018
	HK\$'000	HK\$'000
Financial assets		
Amortized cost:		
Bank balances and cash	3,270,296	3,992,107
Trade receivables	531,943	322,637
Deposits	15,653	15,270
Other receivables	29,206	47,958
Amounts due from related companies	1,370	2,060
	3,848,468	4,380,032
Financial liabilities		
Amortized cost:		
Borrowings	16,604,526	18,873,205
Outstanding chips liabilities	1,682,714	1,694,055
Customer advances and other	500,712	1,467,134
Construction retention payable	308,377	405,843
Lease liabilities	236,469	—
Other casino liabilities	214,747	387,719
Other payables	121,633	33,802
Trade payables	69,066	31,400
Amounts due to related companies	48,085	22,531
Construction payables	4,613	90,151
	19,790,942	23,005,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS *(Continued)*

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

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2019 and 2018:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2019						
Casino receivables (a)	605,818	(143,974)	461,844	–	–	461,844

26. FINANCIAL INSTRUMENTS *(Continued)*

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

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
As at December 31, 2019						
Commission and incentives liabilities (b)	227,694	(12,947)	214,747	—	—	214,747
Deposits received from gaming patrons and gaming promoters (c)	616,441	(131,027)	485,414	—	—	485,414
	844,135	(143,974)	700,161	—	—	700,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS (Continued)

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

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

As at December 31, 2018

Casino receivables (a)	348,917	(97,287)	251,630	—	—	251,630
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	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented	Related amounts not set off in the consolidated statement of financial position	Cash collateral pledged	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	HK\$'000	HK\$'000

As at December 31, 2018

Commission and incentives liabilities (b)	390,051	(2,332)	387,719	—	—	387,719
Deposits received from gaming patrons and gaming promoters (c)	1,542,721	(94,955)	1,447,766	—	—	1,447,766
	1,932,772	(97,287)	1,835,485	—	—	1,835,485

26. FINANCIAL INSTRUMENTS *(Continued)*

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

- (a) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$531.9 million (2018: HK\$322.6 million) in the consolidated statement of financial position as at December 31, 2019.
- (b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$4,838.4 million (2018: HK\$6,874.0 million) in the consolidated statement of financial position as at December 31, 2019.
- (c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$4,838.4 million (2018: HK\$6,874.0 million) in the consolidated statement of financial position as at December 31, 2019.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK

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

Foreign currency risk management

The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in US\$ and SG\$ and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

Assets

	2019 HK\$'000	2018 HK\$'000
US\$	208,605	91,066
SG\$	61,612	134,206

Liabilities

	2019 HK\$'000	2018 HK\$'000
US\$	11,619,630	22,996

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$ and SG\$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates.

As at December 31, 2019, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, it would cause a foreign currency loss of approximately HK\$114.1 million (2018: gain of HK\$0.7 million), mainly as a result of the translation of US\$ denominated Senior Notes (2018: US\$ denominated cash and cash equivalents and trade payables). If the HK\$ had weakened by 1% against the SG\$ with all other variables held constant, profit for the year would have been higher by approximately HK\$0.6 million (2018: HK\$1.3 million), mainly as a result of the translation of SG\$ denominated cash and cash equivalents (2018: same).

INTEREST RATE RISK

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

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS *(Continued)*

INTEREST RATE RISK *(Continued)*

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2018: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2019, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$26.0 million (2018: HK\$95.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

CREDIT RISK

As at December 31, 2019 and 2018, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

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

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers. The provision rates are reviewed and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

The following tables provide information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2019 and December 31, 2018.

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
As at December 31, 2019			
Current (not past due)	0.3%	206,610	(638)
Within 30 days	4.7%	129,678	(6,055)
31 – 90 days	8.5%	165,295	(14,034)
91 – 180 days	18.8%	41,616	(7,807)
Over 180 days	84.4%	111,042	(93,764)
		654,241	(122,298)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS (Continued)

CREDIT RISK (Continued)

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
As at December 31, 2018			
Current (not past due)	2.6%	183,343	(4,853)
Within 30 days	8.0%	47,837	(3,814)
31 — 90 days	10.8%	60,477	(6,531)
91 — 180 days	39.8%	76,648	(30,470)
Over 180 days	100.0%	50,761	(50,761)
		419,066	(96,429)

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

	2019 HK\$'000	2018 HK\$'000
At January 1	96,429	58,750
Impairment losses recognized	77,626	90,623
Impairment losses reversed upon recovery	(49,359)	(39,363)
Amount written off, net	(2,398)	(13,581)
At December 31	122,298	96,429

The impairment losses recognized for the year ended December 31, 2019 are attributable to trade receivables with gross carrying amounts of HK\$589.3 million (2018: HK\$372.1 million). The impairment losses reversed for the year ended December 31, 2019 arise from the recovery of previously impaired doubtful debts with gross carrying amounts of HK\$318.7 million (2018: HK\$141.8 million). Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2019 and which are still subject to enforcement activity was HK\$9.7 million (2018: HK\$22.1 million).

26. FINANCIAL INSTRUMENTS *(Continued)*

LIQUIDITY RISK

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

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2019, the Group has unutilized credit facilities of approximately HK\$4,550.0 million (2018: approximately HK\$2,780.0 million) (See note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

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

	Repayable							Total undiscounted cash flows	Carrying amount
	Weighted average interest rate %	on demand or less than 1 month	3 months to 1-3 months	3 months to 1 year	1-5 years	Over 5 years	HK\$'000		
As at December 31, 2019									
Trade payables	—	69,066	—	—	—	—	69,066	69,066	
Construction payables	—	4,613	—	—	—	—	4,613	4,613	
Other payables	—	18,978	—	89,555	13,100	—	121,633	121,633	
Other casino liabilities	—	214,747	—	—	—	—	214,747	214,747	
Outstanding chips liabilities	—	1,682,714	—	—	—	—	1,682,714	1,682,714	
Customer advances and other	—	500,712	—	—	—	—	500,712	500,712	
Borrowings	5.33	9,273	53,354	758,938	14,272,265	6,358,497	21,452,327	16,604,526	
Construction retention payable	—	10,666	269,414	27,484	813	—	308,377	308,377	
Amounts due to related companies	—	48,085	—	—	—	—	48,085	48,085	
Lease liabilities	6.04	6,939	7,968	41,274	73,466	402,892	532,539	236,469	
Guarantee contracts (note 28)	—	1,095,237	—	—	—	—	1,095,237	—	
		3,661,030	330,736	917,251	14,359,644	6,761,389	26,030,050	19,790,942	

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2018								
Trade payables	—	31,400	—	—	—	—	31,400	31,400
Construction payables	—	90,151	—	—	—	—	90,151	90,151
Other payables	—	16,720	—	1,183	15,899	—	33,802	33,802
Other casino liabilities	—	387,719	—	—	—	—	387,719	387,719
Outstanding chips liabilities	—	1,694,055	—	—	—	—	1,694,055	1,694,055
Customer advances and other	—	1,467,134	—	—	—	—	1,467,134	1,467,134
Borrowings	4.60	76,966	922,479	2,971,378	17,234,445	—	21,205,268	18,873,205
Construction retention payable	—	28,984	352,003	6,791	18,065	—	405,843	405,843
Amounts due to related companies	—	22,531	—	—	—	—	22,531	22,531
Guarantee contracts (note 28)	—	299,120	—	—	—	—	299,120	—
		4,114,780	1,274,482	2,979,352	17,268,409	—	25,637,023	23,005,840

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

FAIR VALUE

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings HK\$'000	Interest payable HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At January 1, 2018	17,914,667	29,591	—	—	17,944,258
Financing Cashflows ⁽ⁱ⁾	815,018	(717,844)	(611,841)	—	(514,667)
Interest expenses	—	695,500	—	—	695,500
Loss on extinguishment of debt	5,899	—	—	—	5,899
Amortization of debt finance costs	137,621	—	—	—	137,621
Dividend declared	—	—	611,841	—	611,841
At December 31, 2018	18,873,205	7,247	—	—	18,880,452
Adjustment upon application of IFRS 16 (note 2)	—	—	—	219,219	219,219
At January 1, 2019 (restated)	18,873,205	7,247	—	219,219	19,099,671
Financing Cashflows ⁽ⁱ⁾	(2,397,412)	(807,932)	(486,404)	(32,883)	(3,724,631)
Interest expenses	—	899,713	—	13,677	913,390
Loss on extinguishment of debt	171,051	—	—	—	171,051
Amortization of debt finance costs	42,646	—	—	—	42,646
Dividend declared	—	—	486,404	—	486,404
New leases/ lease modification	—	—	—	35,781	35,781
Foreign exchange difference	(84,271)	(202)	—	675	(83,798)
Other	(693)	—	—	—	(693)
At December 31, 2019	16,604,526	98,826	—	236,469	16,939,821

⁽ⁱ⁾ The cash flows from borrowings comprise the net amount of proceeds from credit facilities and issuance of senior notes and repayments of credit facilities in the statement of cash flows. During the year ended December 31, 2019, HK\$880.0 million (2018: HK\$1,560.0 million) of the Group's secured term loan was settled through the Group's secured revolving credit facility. On August 14, 2019, HK\$6,080.0 million of MGM China Credit Facility was replaced in their entirety by the Group's unsecured credit facility.

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

28. CONTINGENT LIABILITIES

a) GUARANTEES

As at December 31, 2019, the Group has given bank guarantees totaling HK\$1,095.2 million (2018: HK\$299.1 million) to certain parties, of which HK\$1,091.4 million (2018: HK\$295.3 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (2018: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (2018: HK\$3.2 million) was issued in favor of certain vendors.

b) LITIGATION

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

29. CAPITAL COMMITMENTS

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

	2019 HK\$'000	2018 HK\$'000
Contracted but not accounted for	110,651	144,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. OTHER COMMITMENTS

SUB-CONCESSION

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP368.9 million (equivalent to approximately HK\$358.1 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

31. RELATED PARTY TRANSACTIONS

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

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$12.6 million (2018: HK\$0.2 million), and the ultimate holding company of the Company amounting to HK\$35.5 million (2018: HK\$22.3 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	35,962	22,369
31 – 60 days	306	81
61 – 90 days	3,818	—
91 – 120 days	4,004	81
Over 120 days	3,995	—
	48,085	22,531

- (a)(iii) As at December 31, 2019, the Group had lease liabilities of HK\$7.7 million relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

During the year ended December 31, 2019, the Group entered into several new lease agreements for the use of equipment for approximately 2-3 years. Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group recognized an addition of right-of-use assets and lease liabilities of HK\$4.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

Related parties	Type of transaction	2019	2018
		HK\$'000	HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises ⁽¹⁾	1,687	3,896
	Travelling, accommodation and transportation, net of discounts ⁽¹⁾	79,692	88,710
	Interest expense on lease liabilities	287	—
Ultimate holding company	Marketing referral fees	14,352	15,558
	Marketing referral income	(81)	(461)
	Rental income	(428)	—
Company jointly-owned by Shareholders	Developers' fees capitalized	—	13,915
	License fee	397,725	336,676

⁽¹⁾ At December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million which fall due within the following three years.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase will also apply to subsequent calendar years and will increase at the rate of 20% per year. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI are US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million), respectively. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI were US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million). During the year ended December 31, 2019, a total license fee of HK\$397.7 million (2018: HK\$336.7 million) was recognized in profit or loss.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

31. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Compensation to key management personnel

The remuneration of key management is as follows:

	2019 HK\$'000	2018 HK\$'000
Short term benefits	106,052	140,150
Post-employment benefits	2,972	3,240
Share-based payments	38,440	45,422
	147,464	188,812

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2019	December 31, 2018	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding

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32. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2019	December 31, 2018	
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services

32. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2019	December 31, 2018	
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company
珠海市橫琴新區倍福信息服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

32. SUBSIDIARIES *(Continued)*

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

AT DECEMBER 31, 2019

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	26,268,269	21,868,163
Amount due from subsidiaries	12,961,145	—
Total non-current assets	39,229,414	21,868,163
Current assets		
Prepayments	1,562	988
Bank balances and cash	48,179	46,020
Total current assets	49,741	47,008
TOTAL ASSETS	39,279,155	21,915,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

AT DECEMBER 31, 2019 *(Continued)*

	2019	2018
	HK\$'000	HK\$'000
EQUITY		
Capital and reserves		
Share capital (note 22(a))	3,800,000	3,800,000
Share premium and reserves	17,403,482	17,725,528
TOTAL EQUITY	21,203,482	21,525,528
LIABILITIES		
Non-Current liability		
Borrowings	16,604,526	—
Current liabilities		
Payables and accrued charges	101,472	2,790
Amounts due to subsidiaries	1,369,675	386,853
Total current liabilities	1,471,147	389,643
TOTAL LIABILITIES	18,075,673	389,643
TOTAL EQUITY AND LIABILITIES	39,279,155	21,915,171

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

Note:

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

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2018		10,409,528	11,194	345,883	132,000	5,180,109	16,078,714
Profit for the year and total comprehensive income		—	—	—	—	2,202,968	2,202,968
Exercise of share options	22(a)&23	48,983	—	(14,801)	—	—	34,182
Share repurchase and cancellation							
— repurchases of Shares	22(a)&22(b)(i)	(55,134)	—	—	—	—	(55,134)
— transfer	22(b)(i)	—	2,682	—	—	(2,682)	—
Forfeiture of share options	23	—	—	(1,216)	—	1,216	—
Recognition of share-based payments	23	—	—	76,639	—	—	76,639
Dividends paid	13	—	—	—	—	(611,841)	(611,841)
At December 31, 2018 and January 1, 2019		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528
Profit for the year and total comprehensive income		—	—	—	—	94,950	94,950
Exercise of share options	22(a)&23	7,434	—	(1,896)	—	—	5,538
Share repurchase and cancellation							
— repurchases of Shares	22(a)&22(b)(i)	(6,438)	—	—	—	—	(6,438)
— transfer	22(b)(i)	—	504	—	—	(504)	—
Forfeiture of share options	23	—	—	(4,775)	—	4,775	—
Recognition of share-based payments	23	—	—	70,308	—	—	70,308
Dividends paid	13	—	—	—	—	(486,404)	(486,404)
At December 31, 2019		10,404,373	14,380	470,142	132,000	6,382,587	17,403,482

FINANCIAL SUMMARY

	For the year ended December 31				
	2019	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Operating revenue	22,765,036	19,200,721	14,480,532	14,064,940	16,056,190
Profit before tax	1,941,690	772,894	2,638,479	3,051,609	3,129,127
Profit for the year attributable to owners of the Company	1,931,228	1,068,499	2,320,185	3,036,508	3,112,515

	As at December 31				
	2019	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	32,506,222	35,132,575	36,606,502	27,080,210	21,954,776
Total liabilities	22,046,088	26,186,796	28,094,146	19,863,514	17,039,725
Net assets	10,460,134	8,945,779	8,512,356	7,216,696	4,915,051

The consolidated results, assets and liabilities of the Group for the last five financial years are those set out in the audited consolidated financial statements.

GLOSSARY

DEFINITIONS AND GLOSSARY USED IN THIS ANNUAL REPORT

“Acquisition Note”	the non-interest bearing note issued by the Company to Grand Paradise Macau Limited as part of the Group Reorganization
“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles of Association”	the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“BEH”	Bright Elite Holdings Limited, a company incorporated under the laws of the British Virgin Islands, and which is wholly-owned by Pansy Ho
“BEH Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among BEH, MGM Grand Paradise and Our Company
“Board of Directors” or “Board”	the board of Directors of our Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentaries and other incentives and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this annual report 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

GLOSSARY

“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
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Pansy Ho and our Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of 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
“First Renewed Branding Agreement”	the first renewed Branding Agreement, dated September 30, 2019, entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Deed of Non-Compete Undertakings”	the first renewed non-competition deed, dated September 30, 2019, entered into among MGM Resorts International, Pansy Ho and our Company
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise

“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the 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
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“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
“Group Reorganization”	the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. on April 13, 2011 as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company’s Shares

GLOSSARY

“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
“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China

“Macau Government”	the local government of Macau
“Macau Group”	collectively, the Company, MGM Grand Paradise and their respective controlled affiliates which carry on the casino gaming business
“Macau Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Grand Paradise and our Company
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“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 Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions
“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 (“sociedade anónima”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries

GLOSSARY

“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM Group”	collectively, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and their controlled affiliates which carry on the casino gaming business but shall not include the Macau Group
“MGM MACAU”	the resort and casino property in Macau owned by MGM Grand Paradise
“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned by Ms. Pansy Ho
“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
“Purchase Note”	a note that represents an amount due from MRIH to the Company that will be paid in cash upon consummation of the Listing

“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
“Second Renewed Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise
“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“SJM”	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

GLOSSARY

“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
“Third Renewed Development Agreement”	the third renewed Development Agreement dated December 27, 2019 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Third Renewed Master Service Service Agreement”	the third renewed Master Service Agreement dated December 27, 2019 entered into between Shun Tak and MGM Grand Paradise
“Third Renewed MGM Marketing Agreement”	the third renewed MGM Marketing Agreement dated December 27, 2019 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“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

