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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2282 and Debt Stock Codes: 6026, 6028, 40258, 40634)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2022 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	2,752,694	4,133,230
Other revenue	463,162	577,827
	<hr/>	<hr/>
Operating revenue	3,215,856	4,711,057
Adjusted EBITDA	(336,687)	200,352
Operating loss	(1,524,019)	(1,049,788)
Loss for the period attributable to owners of the Company	(2,404,173)	(1,733,311)
Loss per Share		
— Basic	(HK63.3 cents)	(HK45.6 cents)
— Diluted	(HK63.3 cents)	(HK45.6 cents)

Loss attributable to owners of the Company increased from HK\$1,733.3 million for the six months ended June 30, 2021 to HK\$2,404.2 million for the six months ended June 30, 2022. This increase was attributable to the continuing adverse impacts of the global COVID-19 pandemic including outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China in the current reporting period which led to travel restrictions to Macau.

DIVIDENDS

The Board does not recommend an interim dividend payment for the six months ended June 30, 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended June 30	
		2022	2021
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	2,752,694	4,133,230
Other revenue	4	463,162	577,827
		<u>3,215,856</u>	<u>4,711,057</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(1,386,741)	(2,165,895)
Inventories consumed		(187,522)	(224,867)
Staff costs		(1,541,065)	(1,564,102)
Loss allowance on trade receivable, net		(27,306)	(25,304)
Other expenses and losses	5	(563,177)	(699,477)
Depreciation and amortization		(1,034,064)	(1,081,200)
		<u>(4,739,875)</u>	<u>(5,760,845)</u>
Operating loss		(1,524,019)	(1,049,788)
Interest income		2,154	2,499
Finance costs	6	(735,561)	(664,190)
Net foreign currency loss		(138,807)	(10,632)
Loss before tax		(2,396,233)	(1,722,111)
Income tax expense	7	(7,940)	(11,200)
Loss for the period attributable to owners of the Company		<u>(2,404,173)</u>	<u>(1,733,311)</u>
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(3,805)	630
Total comprehensive loss for the period attributable to owners of the Company		<u>(2,407,978)</u>	<u>(1,732,681)</u>
Loss per Share — Basic	9	<u>(HK63.3 cents)</u>	<u>(HK45.6 cents)</u>
Loss per Share — Diluted	9	<u>(HK63.3 cents)</u>	<u>(HK45.6 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At June 30 2022 <i>HK\$'000</i> (unaudited)	At December 31 2021 <i>HK\$'000</i> (audited)
ASSETS		
Non-current assets		
Property and equipment	22,542,402	23,397,105
Right-of-use assets	1,253,732	1,287,946
Sub-concession premium	44,660	46,274
Other assets	43,190	7,681
Prepayments, deposits and other receivables	29,478	31,679
	23,913,462	24,770,685
Total non-current assets		
Current assets		
Inventories	166,091	164,413
Trade receivables	10 265,642	269,712
Prepayments, deposits and other receivables	139,848	122,527
Amounts due from related companies	238	218
Cash and cash equivalents	6,948,669	3,112,020
	7,520,488	3,668,890
Total current assets		
TOTAL ASSETS	31,433,950	28,439,575

		At June 30 2022 <i>HK\$'000</i> (unaudited)	At December 31 2021 <i>HK\$'000</i> (audited)
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Reserves and accumulated losses		(4,987,482)	(2,603,084)
TOTAL (DEFICIT)/EQUITY		(1,187,482)	1,196,916
LIABILITIES			
Non-current liabilities			
Borrowings	11	30,366,736	23,929,106
Lease liabilities		174,049	188,174
Payables and accrued charges	12	7,290	10,671
Construction retention payable		890	1,000
Total non-current liabilities		30,548,965	24,128,951
Current liabilities			
Lease liabilities		25,591	27,895
Payables and accrued charges	12	1,991,538	3,016,350
Construction retention payable		34,575	36,471
Amounts due to related companies		13,107	18,332
Income tax payable		7,656	14,660
Total current liabilities		2,072,467	3,113,708
TOTAL LIABILITIES		32,621,432	27,242,659
TOTAL EQUITY AND LIABILITIES		31,433,950	28,439,575

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

Gaming Sub-Concession

Gaming in Macau is administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one.

Similar to other Concessionaires/Sub-Concessionaires, on June 23, 2022, the Sub-Concession Further Extension Contract has been approved and authorized by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension and committed to provide within three months from the date of signing of the Sub-Concession Further Extension Contract a bank guarantee at first demand of not less than MOP880 million (approximately HK\$854.4 million), to secure the fulfilment of MGM Grand Paradise’s payment obligations towards its employees should MGM Grand Paradise be unsuccessful in tendering for a new concession contract after its Sub-Concession expires on December 31, 2022. As at June 30, 2022, a bank guarantee of MOP820 million (approximately HK\$796.1 million) was in place as a result of our Sub-Concession Extension Contract and MGM Grand Paradise is in the process of replacing or increasing the amount of the bank guarantee according to the Sub-Concession Further Extension Contract.

Pursuant to the Macau's Gaming Law and the Sub-Concession Contract, MGM Grand Paradise's casinos and gaming-related equipment are subject to reversion to the Macau Government, free of charge and without any encumbrances, at the end of the concession term. On the date of execution of the Sub-Concession Further Extension Contract, MGM Grand Paradise executed the Reversion Undertakings approved and authorized by the Macau Government, pursuant to which MGM Grand Paradise undertook to revert to the Macau Government the casino of MGM COTAI and the casino of MGM MACAU at the end of the extended sub-concession period on December 31, 2022. The scope of the casino of MGM MACAU and the casino of MGM COTAI is outlined in the plans attached to the Reversion Undertakings and may be subject to adjustments. Upon reversion, MGM Grand Paradise will cease to have the legal ownership of the relevant casino assets but expects to retain the use of those assets if a gaming concession is awarded to MGM Grand Paradise, subject to the conditions to be agreed with the Macau Government.

Unless the Group is able to secure a new gaming concession, it will cease to generate any revenues from gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considered a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval. On June 22, 2022, Law 7/2022 (the "New Gaming Law"), which amends Law 16/2001 (legal regime for operation of Games of Fortune and Chance or Other Games in Casino in the Macau Special Administrative Region) (the "Gaming Law"), was approved by the Macau Legislative Assembly and published in the Official Gazette.

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

The approval of the New Gaming Law was a precedent step to the launching of the public tender for the awarding of new gaming concessions. On July 1, 2022, the Macau Chief Executive approved Administrative Regulation 28/2022, which amends Administrative Regulation 26/2001, setting up the rules for the re-tendering of the Macau gaming concessions, covering details of the bidding for gaming concessions, the qualifications of bidding companies and the criteria for granting them. On July 28, 2022, the Chief Executive Dispatch No. 136/2022 was published, with the announcement of the opening of the public tender for the award of six concessions for the operation of games of chance in casinos in the Macau Special Administrative Region. The submission of the bids shall be made by the companies interested in participating in the tender by 5:45 pm on September 14, 2022. The bidders shall provide, by means of a cash deposit, bank guarantee or surety bond, a deposit for admission to the tender, in an amount not lower than MOP10,000,000. The maximum term for each concession to be awarded is 10 years. In the selection of bidders and in the evaluation of proposals, the following factors, amongst others, shall be considered: (1) The amount of the variable part of the proposed premium; (2) Plans for the expansion of customer markets in foreign countries; (3) Experience in operating games of chance in a casino or in related areas; (4) The interest for the Macau SAR from their investments in gaming-related and non-gaming-related projects; (5) The casino management plan; (6) The proposal for inspection and prevention of illegal activities in casinos; (7) The corporate social responsibilities they intend to assume. The Group intends to submit a bid on the designated date and believes that it will be in position to satisfy the relevant requirements set out by the Macau Government relating to the tender for a gaming concession.

Impact of COVID-19

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

As local COVID-19 cases were reported in mainland China and Macau from time to time, in response to the risk of COVID-19 outbreak, tightened safeguard measures were reinforced on a temporary basis during the period.

On June 19, 2022, the Macau Government declared a state of immediate prevention in response to the risk of COVID-19 outbreak. Since the declaration, tightened safeguard measures were imposed such as medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result, suspension of non-urgent public services, set up of lockdown zones and precaution zones, rapid antigen self-test and citywide nucleic acid testing. On June 23, 2022, the Macau Government ordered the closure of certain entertainment and leisure facilities and restriction to restaurants that they can only provide takeaway food services. Effective on July 1, 2022, the Macau Government imposed a further requirement of presenting a 48-hours negative nucleic acid test result for entering casinos. On July 9, 2022, the Macau Government further ordered that all industrial and commercial operations including casinos must be suspended for operations effective from July 11, 2022 to July 18, 2022, except for basic public services or services essential to the general public (including hotel and food and beverage operations). Such suspension has been further extended to July 22, 2022 as ordered by the Macau Government on July 16, 2022. Gaming operations

in MGM MACAU and MGM COTAI resumed on July 23, 2022 and with the termination of the state of immediate prevention from August 2, 2022, certain entertainment and leisure facilities are allowed to re-open and restaurant dine-in services are permitted, with certain operating restrictions remaining in place. At the date of this announcement, most of our restaurants and bars and certain of our retail outlets are closed and we have significantly reduced our operating capacity with restrictions in place at present in response to the call from the Macau Government to control the transmission of COVID-19.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during the period due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau.

At the date of this announcement, certain safeguard measures, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect, in addition to the various travel and entry restrictions in Macau, Hong Kong and mainland China including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors. Given the uncertainties in the development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may persist. These restrictions have a significant impact on visitation to MGM MACAU and MGM COTAI and caused a significant adverse effect on the Group's results for the six months ended June 30, 2022 and are likely to continue impacting the Group's results due to the uncertainty of the length of time of the pandemic.

As at June 30, 2022, the Group had a deficiency in shareholders' equity of HK\$1,187.5 million caused primarily by the operating losses incurred in the periods since the COVID-19 pandemic arose (December 31, 2021: total shareholders' equity of HK\$1,196.9 million) and capital commitments of HK\$423.4 million (December 31, 2021: HK\$102.5 million). However, as at June 30, 2022 the Group had total cash and cash equivalents of HK\$6.9 billion (December 31, 2021: HK\$3.1 billion), and had access to approximately HK\$3.8 billion of available undrawn credit facilities under its Unsecured Credit Facilities.

Further to the mitigating measures taken in 2020 and 2021 to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, on February 10, 2022, the Group entered into a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility pursuant to which waivers were received on all financial covenants through to maturity of the credit facilities on May 15, 2024.

In addition, the Group continued to undertake a series of actions to minimize our expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the period and reducing payroll expenses to address the impact from the COVID-19 pandemic.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with IAS 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules. They should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRSs").

As described in note 1, the Sub-Concession Further Extension Contract has an expiry date of December 31, 2022 which falls within twelve months from the end of the reporting period. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's assessment of key variables including future economic conditions (in particular, the expected duration of the impact of COVID-19); competition in Macau including opening of new properties; and the regulatory environment (including an award of a new gaming concession). The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 11) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2021.

Application of amendments to IFRSs

In the current period, the Group has applied, for the first time, the following amendments to IFRSs:

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

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

3. SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the chief operating decision-maker when allocating resources and assessing performance of the Group.

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

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

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

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	(336,687)	200,352
Share-based payments	(23,580)	(24,009)
Corporate expenses	(121,555)	(134,255)
Pre-opening costs	(1,130)	(649)
Loss on disposal/write-off of property and equipment and other assets	(7,003)	(10,027)
Depreciation and amortization	(1,034,064)	(1,081,200)
Operating loss	(1,524,019)	(1,049,788)
Interest income	2,154	2,499
Finance costs	(735,561)	(664,190)
Net foreign currency loss	(138,807)	(10,632)
Loss before tax	(2,396,233)	(1,722,111)
Income tax expense	(7,940)	(11,200)
Loss for the period attributable to owners of the Company	(2,404,173)	(1,733,311)

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

4. CASINO AND OTHER REVENUE

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

	Six months ended June 30	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Main floor gross table games win	2,692,813	3,744,264
VIP gross table games win	365,431	1,158,662
Slot machine gross win	336,292	480,570
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Gross casino revenue	3,394,536	5,383,496
Commissions, complimentaries and other incentives	(641,842)	(1,250,266)
	<hr/>	<hr/>
	2,752,694	4,133,230
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Other revenue comprises:

	Six months ended June 30	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hotel rooms	183,566	239,853
Food and beverage	221,929	267,888
Retail and other	57,667	70,086
	<hr/>	<hr/>
	463,162	577,827
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5. OTHER EXPENSES AND LOSSES

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	136,205	181,733
Repairs and maintenance	120,626	124,141
Utilities and fuel	113,499	112,855
Other support services	91,686	91,433
License fees	56,277	82,443
Loss on disposal/write-off of property and equipment and other assets	7,003	10,027
Auditor's remuneration	4,390	4,168
Other ⁽¹⁾	33,491	92,677
	<u>563,177</u>	<u>699,477</u>

⁽¹⁾ Other expenses for the period ended June 30, 2022 includes a reversal of provisions of HK\$60.6 million, as result of the final settlement of certain litigations related to the Group's joint liability with gaming promoters, further details of which are disclosed in note 13.

6. FINANCE COSTS

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on unsecured senior notes	571,638	499,140
Interest on unsecured credit facilities	96,216	104,358
Amortization of debt finance costs	50,677	43,802
Interest on lease liabilities	6,333	6,441
Bank fees and charges	10,697	10,449
	<u>735,561</u>	<u>664,190</u>

7. INCOME TAX EXPENSE

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	7,337	7,330
Mainland China Income Tax	603	985
Under provision in prior year	—	2,885
	<hr/>	<hr/>
Income tax expense	7,940	11,200
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to approval notices issued by the Macau Government, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to June 26, 2022, the date upon which the Sub-Concession Extension Contract initially expired (refer Note 1). MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods. On August 2, 2022, MGM Grand Paradise applied for an extension of this agreement through December 31, 2022, the date the Sub-Concession Further Extension Contract expires. This extension is subject to approval and the amount of the Macau Complementary Tax for income generated from gaming operations has not been determined by the Macau Government up to the date of approval of these condensed consolidated financial statements.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 and MOP7,390,000 (equivalent to approximately HK\$7,175,000) for the period from January 1, 2022 to June 26, 2022 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. 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 periods. Taxation assessable on profit generated in mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 15% to 20%.

8. DIVIDENDS

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

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2022.

9. LOSS PER SHARE

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

	Six months ended June 30	
	2022	2021
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000)	<u><u>(2,404,173)</u></u>	<u><u>(1,733,311)</u></u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss per Share ('000)	3,800,000	3,801,070
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	<u>—</u>	<u>—</u>
Weighted average number of Shares for the purpose of diluted loss per Share ('000)	<u><u>3,800,000</u></u>	<u><u>3,801,070</u></u>
Loss per Share — Basic	<u><u>(HK63.3 cents)</u></u>	<u><u>(HK45.6 cents)</u></u>
Loss per Share — Diluted	<u><u>(HK63.3 cents)</u></u>	<u><u>(HK45.6 cents)</u></u>

⁽¹⁾ The computation of diluted loss per share for the six months ended June 30, 2022 and 2021 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

10. TRADE RECEIVABLES

	At June 30, 2022 <i>HK\$'000</i> (unaudited)	At December 31, 2021 <i>HK\$'000</i> (audited)
Trade receivables	486,056	513,818
Less: Loss allowance	(220,414)	(244,106)
	<u>265,642</u>	<u>269,712</u>

Trade receivables mainly consist of casino receivables. The Group issues markers and credit to approved gaming customers (“VIP gaming customers”) and gaming promoters following background checks and assessments of creditworthiness. The Group generally allows a credit period up to 14 days to VIP gaming customers and 30 days on issuance of markers to gaming promoters.

Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

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

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

	At June 30, 2022 <i>HK\$'000</i> (unaudited)	At December 31, 2021 <i>HK\$'000</i> (audited)
Within 30 days	77,128	107,210
31 — 90 days	38,616	27,959
91 — 180 days	63,693	52,634
Over 180 days	86,205	81,909
	<u>265,642</u>	<u>269,712</u>

As at June 30, 2022, the Group has specifically provided HK\$132.5 million (December 31, 2021: HK\$152.6 million) of loss allowance on certain credit-impaired trade receivables because of the long aged balance and increasing uncertainty on the customers’ financial standing. The gross carrying amount of trade receivables which have been written off for the six months ended June 30, 2022 and which are still subject to enforcement activity was HK\$46.5 million (for the six months ended June 30, 2021: HK\$29.4 million).

11. BORROWINGS

At June 30, 2022, the Group's unsecured borrowings included senior notes and credit facilities.

	At June 30, 2022 HK\$'000 (unaudited)	At December 31, 2021 HK\$'000 (audited)
Unsecured senior notes repayable:		
Over one year but not exceeding two years	5,885,288	—
Over two years but not exceeding three years	3,923,524	5,847,450
Over three years but not exceeding four years	5,885,288	3,898,300
Over four years but not exceeding five years	5,885,288	5,847,450
Over five years	—	5,847,450
	<u>21,579,388</u>	<u>21,440,650</u>
Less: Debt finance costs	<u>(188,940)</u>	<u>(214,079)</u>
	<u>21,390,448</u>	<u>21,226,571</u>
Unsecured credit facilities repayable:		
Over one year but not exceeding two years	9,070,000	—
Over two years but not exceeding three years	—	2,810,000
	<u>9,070,000</u>	<u>2,810,000</u>
Less: Debt finance costs	<u>(93,712)</u>	<u>(107,465)</u>
	<u>8,976,288</u>	<u>2,702,535</u>
Current	—	—
Non-current	<u>30,366,736</u>	<u>23,929,106</u>
	<u>30,366,736</u>	<u>23,929,106</u>

Borrowings are measured at amortized cost and the estimated fair value of the Group's senior notes as at June 30, 2022 was approximately HK\$16.6 billion (December 31, 2021: HK\$21.2 billion). The estimated fair value of the Group's senior notes is based on recent trades, if available, and indicative pricing from market information (level 2 inputs) (December 31, 2021: same).

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. Interest on the 2024 Notes and 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million due June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

On March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

The 2024 Notes and the 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee. The 2025 and the 2027 Notes were issued pursuant to an indenture, dated June 18, 2020 and March 31, 2021, respectively, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

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

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

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

Under the indentures of the Unsecured Senior Notes, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming license in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

The special put option is considered to be a future uncertain event that had not been triggered at June 30, 2022, and accordingly the Unsecured Senior Notes were classified as non-current liabilities at that date. Refer to Note 1 for further information related to the Gaming Sub-Concession.

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019.

On May 26, 2020, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a second unsecured revolving credit facility in an aggregate amount of HK\$2.34 billion with a final maturity date of May 15, 2024. The Company has the option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions. The Second Revolving Credit Facility is available for drawdown from the date of the agreement to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) has been fully drawn. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group. On June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

As at June 30, 2022, the Group had total available undrawn unsecured credit facilities of HK\$3.80 billion.

Principal and Interest

The Revolving Credit Facility and the Second Revolving Credit Facility bear interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio.

As at June 30, 2022, HK\$9.07 billion of the Revolving Credit Facility was drawn. HK\$0.68 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2022, the Group paid interest at HIBOR plus 2.75% per annum (June 30, 2021: HIBOR plus 2.75% per annum).

General Covenants

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

Financial Covenants

The leverage ratio under the Revolving Credit Facility was required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group was required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end. Under the Second Revolving Credit Facility, the Company was to ensure that the leverage ratio does not, on each accounting date occurring on and after September 30, 2021, exceed 4.50 to 1.00. In addition, the Company was to ensure that, on any accounting date occurring on and after September 30, 2021, the interest coverage ratio is not less than 2.50 to 1.

Due to the impact of the COVID-19 pandemic, the Company entered into an amendment of the financial covenants on February 21, 2020, a second amendment on April 9, 2020, a third amendment on October 15, 2020, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

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

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

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

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2022 and the year ended December 31, 2021.

Cancellation

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, the total commitments shall be cancelled immediately and all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents shall become immediately due and payable if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

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

Any potential default as a result of the material adverse effect due to the loss of the Sub-Concession is considered to be a future uncertain event at June 30, 2022, and accordingly the Unsecured Credit Facilities was classified as non-current liabilities at that date. Refer to note 1 for further information related to the Gaming Sub-Concession.

Security and Guarantees

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

12. PAYABLES AND ACCRUED CHARGES

	At June 30, 2022 HK\$'000 (unaudited)	At December 31, 2021 HK\$'000 (audited)
Customer advances and other ⁽¹⁾	729,067	725,440
Other payables and accrued charges	356,256	718,756
Accrued staff costs	311,987	480,692
Outstanding chips liabilities ⁽¹⁾	232,307	366,993
Loyalty programs liabilities ⁽¹⁾	130,363	160,192
Gaming taxes payables	118,826	442,198
Construction payables and accruals	75,404	91,967
Trade payables	38,615	34,437
Other casino liabilities	6,003	6,346
	<u>1,998,828</u>	<u>3,027,021</u>
Current	1,991,538	3,016,350
Non-current	7,290	10,671
	<u>1,998,828</u>	<u>3,027,021</u>

⁽¹⁾ These balances represent the Group's main types of liabilities associated with contracts with customers. These liabilities are generally expected to be recognized as revenue or redeemed for cash within one year of being purchased, earned or deposited.

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

	At June 30, 2022 HK\$'000 (unaudited)	At December 31, 2021 HK\$'000 (audited)
Within 30 days	29,267	33,276
31 — 60 days	5,316	536
61 — 90 days	1,453	92
91 — 120 days	162	436
Over 120 days	2,417	97
	<u>38,615</u>	<u>34,437</u>

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

13. PROVISIONS AND CONTINGENT LIABILITIES

a) Guarantees

As at June 30, 2022, the Group has given bank guarantees totalling HK\$1,095.2 million (December 31, 2021: HK\$1,095.2 million) to certain parties, of which HK\$1,087.4 million (December 31, 2021: HK\$1,087.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming sub-concession is not renewed, subject to authorization of the Macau Government), HK\$4.0 million (December 31, 2021: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements, HK\$0.6 million (December 31, 2021: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (December 31, 2021: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

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

The Group defended its position that it was not liable with respect to these claims. However, in February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, confirming the decision that the gaming promoter was liable for the refund of the deposits claimed by the plaintiffs and that the Group was jointly and severally liable for the fulfilment of the gaming promoter's monetary obligation. As there were no further appeals available to the Group and given the Group's assessment of the gaming promoter's inability to honor its financial obligation as ordered by the Court, the Group was required to make the payment directly to the plaintiffs of the principal amount of HK\$80 million plus interest. The interest calculated up to the end of the reporting period of December 31, 2021 amounted to HK\$37 million. Upon payment to the plaintiffs the Group would be entitled to claim from the gaming promoter the reimbursement, in all or in part, of the amount paid, in a separate lawsuit, to be filed by the Group against the gaming promoter. In light of the developments impacting the gaming promoter's activities, it was predicted that the chance to recover the loss suffered through the payments to be made by the Group is remote. Consequently, considering the similar nature of the legal proceedings, the Group estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 in payables and accrued charges.

During the six months ended June 30, 2022, the Group reached a final settlement of certain litigations related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million. The estimated possible financial loss arising from the remaining legal proceedings recognized as a liability amounts to HK\$6.3 million at June 30, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

Recent Developments

Financial Impact of the COVID-19 Pandemic

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

As local COVID-19 cases were reported in mainland China and Macau from time to time, in response to the risk of COVID-19 outbreak, tightened safeguard measures were reinforced on a temporary basis during the period.

On June 19, 2022, the Macau Government declared a state of immediate prevention in response to the risk of COVID-19 outbreak. Since the declaration, tightened safeguard measures were imposed such as medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result, suspension of non-urgent public services, set up of lockdown zones and precaution zones, rapid antigen self-test and citywide nucleic acid testing. On June 23, 2022, the Macau Government ordered the closure of certain entertainment and leisure facilities and restriction to restaurants that they can only provide takeaway food services. Effective on July 1, 2022, the Macau Government imposed a further requirement of presenting a 48-hours negative nucleic acid test result for entering casinos. On July 9, 2022, the Macau Government further ordered that all industrial and commercial operations including casinos must be suspended for operations effective from July 11, 2022 to July 18, 2022, except for basic public services or services essential to the general public (including hotel and food and beverage operations). Such suspension has been further extended to July 22, 2022 as ordered by the Macau Government on July 16, 2022. Gaming operations in MGM MACAU and MGM COTAI resumed on July 23, 2022 and with the termination of the state of immediate prevention from August 2, 2022, certain entertainment and leisure facilities are allowed to re-open and restaurant dine-in services are permitted, with certain operating restrictions remaining in place. At the date of this announcement, most of our restaurants and bars and certain of our retail outlets are closed and we have significantly reduced our operating capacity with restrictions in place at present in response to the call from the Macau Government to control the transmission of COVID-19.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI were adversely impacted during the period due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau. Total visitor arrivals decreased by 11.8% and the total visitation from mainland China to Macau decreased by 12.2% for the six months ended June 30, 2022, respectively, over the comparable periods in 2021. The Macau gross gaming revenue decreased by 46.4% to HK\$25.5 billion for the six months ended June 30, 2022 over the comparable period in 2021.

At the date of this announcement, certain safeguard measures, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect, in addition to the various travel and entry restrictions in Macau, Hong Kong and mainland China including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors. Given the uncertainties in the development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may persist. These restrictions have a significant impact on visitation to MGM MACAU and MGM COTAI and caused a significant adverse effect on the Group's results for the six months ended June 30, 2022 and are likely to continue impacting the Group's results due to the uncertainty of the length of time of the pandemic.

Further to the mitigating measures taken in 2020 and 2021 to address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, on February 10, 2022, the Group entered into a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility pursuant to which waivers were received on all financial covenants through to maturity of the credit facilities on May 15, 2024.

In addition, the Group continued to undertake a series of actions to minimize our expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the period and reducing payroll expenses to address the impact from the COVID-19 pandemic.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 23,283 square meters, with 895 slot machines, 294 gaming tables, and multiple VIP and private gaming areas as at June 30, 2022. The hotel comprises a 35-story tower with 585 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM COTAI

MGM COTAI opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 24,270 square meters, with 848 slot machines and 258 gaming tables as at June 30, 2022. The hotel comprises two towers with 1,418 hotel rooms, suites and skylofts, twelve diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. MGM COTAI also features The Mansion, an ultra-exclusive resort within a resort which is available only to our most selective guests. Emerald Villa, the Winner for the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category as well as the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category, is the latest addition to the luxurious accommodation at MGM COTAI. We are the first in Macau to have received these two recognitions that honor exceptional interior design.

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

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

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;

- Utilize The Mansion, Mansion One and Emerald Villa to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

Strategies for business recovery from the COVID-19 pandemic

The COVID-19 pandemic has caused, and is continuing to cause, significant disruption in our operations and has materially impacted our business, results of operations and financial condition. We have taken aggressive efforts to reduce operating expenses and defer non-essential planned capital expenditures during the pandemic to improve the Group's liquidity position.

During the pandemic outbreak, we have kept close communication with our customers in order to maintain relationships. We continue to strictly adhere to the guidance from the Macau Government in controlling the pandemic, maintain extensive hygiene initiatives and support social distancing, which we have highlighted to our customers in order to address their health and safety concerns.

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

- implementing new initiatives in hygiene and social distancing to address customer health and safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces and MGM Theater, resort technology and family and cultural tourism products to drive property visitation and business growth;
- introducing new food and beverage concepts and menu offerings throughout the relaunch process;
- increasing the intensity and scope of our sales and marketing campaigns to drive visitation and business growth, with a prudent approach to reinvestment in order to maintain profit margin;
- continuing to drive social media awareness and sales through e-commerce channels;
- continuing to invest in gaming products, refurbish and upgrade amenities on the gaming floor to drive table yield and customers acquisition; and

- leveraging the newly launched Emerald Villa, as well as Mansion to further strengthen our positioning in the premium mass market.

Factors Affecting Our Results of Operations and Financial Position

Our results of operations and the period-to-period comparability of our financial condition are affected by a number of factors, including:

Macau Gaming Market and Tourism

Macau continues to be one of the largest casino gaming market in the world. Additional capacity has been added in recent years with several new large-scale integrated resorts being opened in Cotai. Infrastructure investment and growth in room supply support increased visitation, including overnight visitors, to Macau.

Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the DSEC, approximately 70.9% of visitors to Macau in 2019 before the COVID-19 pandemic, were from mainland China.

Aside from the COVID-19 pandemic as described above, a number of factors have adversely impacted the Macau gaming market commencing from the second half of 2014 as a result of the effect of certain mainland China and Macau Government policies. Major factors impacting the Macau gaming market include economic disruption or uncertainty in mainland China; global trade tensions; restriction on exit visas from mainland China for travel to Macau and Hong Kong; anti-smoking legislation; anti-corruption campaigns; currency transfer restrictions; depreciation of the renminbi against the US\$; border currency declaration system; monetary outflow policies and legislation on cross-border gambling. These policies may affect the number of visitors and amount of capital outflow from mainland China to Macau. Outbreaks of highly infectious diseases, including the COVID-19 pandemic, and extreme weather conditions such as typhoons also affect the number of visitors to Macau.

Due to outbreaks of COVID-19 cases in neighboring regions including mainland China which led to travel restrictions to Macau, total visitor arrivals decreased by 11.8% and the total visitation from mainland China to Macau decreased by 12.2% for the six months ended June 30, 2022, respectively, over the comparable periods in 2021. The Macau gross gaming revenue decreased by 46.4% to HK\$25.5 billion for the for the six months ended June 30, 2022 over the comparable period in 2021. The total visitor arrivals and Macau gross gaming revenue for the six months ended June 30, 2022 were 82.9% and 82.4% lower than the pre-pandemic comparable period in 2019.

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

- The financial investments made by gaming Concessionaires and Sub-Concessionaires, including MGM Grand Paradise, in the opening of new properties providing superior and diversified products to enhance the position of Macau as a world class tourism center;
- Infrastructure improvements in Macau and the Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge; the expansion of the Macau Airport; the opening of Qingmao border and Hengqin border 24-hour checkpoints; the opening of Macau Light Rapid Transit (“Macau LRT”) System; the development of extension of Macau LRT route to Hengqin Island; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island which together with Macau have been designated as a key tourism hub by the Chinese Government;
- The continuous growth of mainland China outbound tourism, particularly in light of the growing middle class; and
- The strong efforts to control the COVID-19 pandemic by the mainland China and Macau Governments.

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at June 30, 2022, there were 37 casinos in Macau. Several development projects in the Cotai area were completed prior to MGM COTAI’s opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. Our overall gaming market share was 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic. Driven by the premium mass market which both MGM MACAU and MGM COTAI are well positioned to capture, our overall gaming market share increased to 13.6% for the six months ended June 30, 2022.

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

Gaming Sub-Concession

Gaming in Macau is administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one.

Similar to other Concessionaires/Sub-Concessionaires, on June 23, 2022, the Sub-Concession Further Extension Contract has been approved and authorized by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension and committed to provide within three months from the date of signing of the Sub-Concession Further Extension Contract a bank guarantee at first demand of not less than MOP880 million (approximately HK\$854.4 million), to secure the fulfilment of MGM Grand Paradise's payment obligations towards its employees should MGM Grand Paradise be unsuccessful in tendering for a new concession contract after its Sub-Concession expires on December 31, 2022. As at June 30, 2022, a bank guarantee of MOP820 million (approximately HK\$796.1 million) was in place as a result of our Sub-Concession Extension Contract and MGM Grand Paradise is in the process of replacing or increasing the amount of the bank guarantee according to the Sub-Concession Further Extension Contract.

Pursuant to the Macau's Gaming Law and the Sub-Concession Contract, MGM Grand Paradise's casinos and gaming-related equipment are subject to reversion to the Macau Government, free of charge and without any encumbrances, at the end of the concession term. On the date of execution of the Sub-Concession Further Extension Contract, MGM Grand Paradise executed the Reversion Undertakings approved and authorized by the Macau Government, pursuant to which MGM Grand Paradise undertook to revert to the Macau Government the casino of MGM COTAI and the casino of MGM MACAU at the end of the extended sub-concession period on December 31, 2022. The scope of the casino of MGM MACAU and the casino of MGM COTAI is outlined in the plans attached to the Reversion Undertakings and may be subject to adjustments. Upon reversion, MGM Grand Paradise will cease to have the legal ownership of the relevant casino assets but expects to retain the use of those assets if a gaming concession is awarded to MGM Grand Paradise, subject to the conditions to be agreed with the Macau Government.

Unless the Group is able to secure a new gaming concession, it will cease to generate any revenues from gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considered a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval. On June 22, 2022, Law 7/2022 (the “New Gaming Law”), which amends Law 16/2001 (legal regime for operation of Games of Fortune and Chance or Other Games in Casino in the Macau Special Administrative Region) (the “Gaming Law”), was approved by the Macau Legislative Assembly and published in the Official Gazette.

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

The approval of the New Gaming Law was a precedent step to the launching of the public tender for the awarding of new gaming concessions. On July 1, 2022, the Macau Chief Executive approved Administrative Regulation 28/2022, which amends Administrative Regulation 26/2001, setting up the rules for the re-tendering of the Macau gaming concessions, covering details of the bidding for gaming concessions, the qualifications of bidding companies and the criteria for granting them. On July 28, 2022, the Chief Executive Dispatch No. 136/2022 was published, with the announcement of the opening of the public tender for the award of six concessions for the operation of games of chance in casinos in the Macau Special Administrative Region. The submission of the bids shall be made by the companies interested in participating in the tender by 5:45 pm on September 14, 2022. The bidders shall provide, by means of a cash deposit, bank guarantee or surety bond, a deposit for admission to the tender, in an amount not lower than MOP10,000,000. The maximum term for each concession to be awarded is 10 years. In the selection of bidders and in the evaluation of proposals, the following factors, amongst others, shall be considered: (1) The amount of the variable part of the proposed premium; (2) Plans for the expansion of customer markets in foreign countries; (3) Experience in operating games of chance in a casino or in related areas; (4) The interest for the Macau SAR from their investments in gaming-related and non-gaming-related projects; (5) The casino management plan; (6) The proposal for inspection and prevention of illegal activities in casinos; (7) The corporate social responsibilities they intend to assume. The Group intends to submit a bid on the designated date and believes that it will be in position to satisfy the relevant requirements set out by the Macau Government relating to the tender for a gaming concession.

Gaming Patrons

Our results of operations are substantially dependent upon casino revenue in the main floor gaming, VIP gaming and slot machines gaming operations. Our gaming patrons include main floor players, in-house VIP players and gaming promoters.

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the “mass market gaming operation”. Main floor players, including the premium mass market players we aim to attract, come to our properties for a variety of reasons, including our dual locations in the Macau market, direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors, and our non-gaming offerings. Unlike VIP players, main floor players, including premium and mass market players, do not receive commissions from the Group and, accordingly, the profit margin from the main floor business is higher than the VIP operation. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. We believe this operation represents the most potential for sustainable growth in the future.

We have made continuous efforts to improve the gaming experience of our premium and mass market players by renovating the dedicated exclusive gaming spaces for their use. Subject to DICJ’s approval, we continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

VIP Gaming Operations

In-house VIP Players

In-house VIP players are sourced directly through our own marketing channels. These in-house VIP players typically receive a commission and an allowance for hotel rooms, food and beverage based upon a percentage of their rolling chip turnover. We selectively grant credit to certain in-house VIP players whose level of play and financial resources meet our approval criteria.

Gaming Promoters

A portion of our VIP casino play is referred to us by gaming promoters, who introduce high-end VIP players to us and normally assist those customers with their travel and entertainment arrangements. In exchange for their services, like in-house VIP players, the gaming promoters receive a commission and an allowance based upon a percentage of the table games turnover they generate. The allowance can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses. On a case-by-case basis, we grant credit to certain gaming promoters, based on their performance and financial background, to facilitate their working capital requirements.

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. We have established procedures to screen prospective gaming promoters prior to their engagement and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards.

In order to minimize the credit risk with in-house VIP players and gaming promoters, the Group has a designated management team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover all receivables. We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the VIP players and gaming promoters reside. The Group has a legally enforceable right to set off the receivables against the deposits, commissions and incentives liabilities that are to be settled simultaneously. We generally do not charge interest for credit granted but require a personal cheque or other acceptable form of security. The Group regularly reviews the recoverable amount of each individual debt to ensure that adequate loss allowances are made for irrecoverable amounts. We have been successful in collecting some receivables previously considered to be at risk of recoverability.

In December 2021, in view of events surrounding the gaming promotion sector and considering the inherent reputational and financial risks posed to the Company, the Group suspended the VIP operations with our primary gaming promoters. As at June 30, 2022, the Group did not have any revenue sharing arrangements with any gaming promoters. Historically a significant portion of the Group's casino revenue was generated by VIP casino play referred to by our gaming promoters, although the portion has decreased in recent years. The contribution of VIP operations with gaming promoters to our casino revenue is HK\$4,410.2 million, HK\$753.9 million and HK\$657.6 million for the years ended December 31, 2019, 2020 and 2021, representing 22%, 17% and 8% of casino revenue for the respective years.

On June 22, 2022, the New Gaming Law was approved by the Macau Legislative Assembly and published in the Official Gazette. The New Gaming Law comprises certain restrictions relating to gaming promoters, including (1) each gaming promoter can only exercise the activity of gaming promotion in one concessionaire; (2) gaming promoters are prohibited to share, in any way or agreement, with the concessionaires, the revenues from casinos; and (3) gaming promoters are restricted to providing support only to the concessionaires in the promotion of casino gaming activities, through commissions.

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Driven by the premium mass market and cessation of VIP operations with our revenue-sharing gaming promoters, our proportion of GGR from the mass and VIP market was 89% and 11%, respectively, for the six months ended June 30, 2022 compared to 78% and 22% for the six months ended June 30, 2021, respectively.

Non-gaming Attractions and Branding Activities

We recognize the importance of brand awareness in growing our business. We have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relations activities. We continue to improve our customer experience by enhancing our hotel rooms, food, beverage, retail and entertainment offerings, and expanding and refurbishing our non-gaming areas.

MGM MACAU was designed to blend both East and Western design cues and pay homage to Macau's multi-faceted history. Our property features colorful hand-blown glass adornments by Dale Chihuly, including the massive "Fiori di Paradiso" chandelier, which is located at the hotel lobby. Artworks including lion sculptures and paintings by local and international artists are located elsewhere on the grounds. MGM MACAU's centerpiece, the 1,088 square meter Grande Praça features a 25-meter high glass skydome and European-inspired facades, including the main facade which is fashioned after the Estação Rossio, Lisbon's central rail station. The Grande Praça is visible from a number of restaurants as well as areas of the upper gaming floor and is host to a variety of special exhibitions, shows, displays and various special occasions and events. The Grande Praça, with its aquarium tower in the center and seasonal decorations, has become a tourist attraction in Macau. MGM MACAU also featured the Valkyrie Octopus Art Installation, which was created by renowned Portuguese artist Joana Vasconcelos commissioned specially for MGM Macau.

Following the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government’s vision for diversification. MGM COTAI was designed as the “Jewelry Box” of Cotai. The building is designed to redefine the way people experience art and entertainment through innovative technology. Such elements include our innovative Spectacle, which is the world’s largest area of permanent indoor LED screens showcasing an exclusive array of digital art collected from around the globe and our MGM Theater, which is Asia’s first dynamic theater featuring multi-dimensional sensory experience enriched with experiential technology elements which we believe can break the boundaries between imagination and reality to delight and captivate our guests. The MGM Cotai Art Collection features over 300 captivating and thought-provoking works seamlessly integrated with MGM COTAI’s public spaces. Headlining the MGM Cotai Art Collection are 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing. In addition, our Chairman’s Collection, comprised of highly-collectible artworks — paintings, sculptures and installations at MGM COTAI, provides a stunning visual complement to MGM COTAI. The Chairman’s Collection demonstrates our commitment to create world-class destinations that epitomize entertainment, creativity and style.

Supporting the diversification goal of the Macau Government, we have been an advocate of cultural tourism and we have actively promoted originality, creativity, and innovation since the opening of MGM MACAU. In the first half of 2022, we have successfully utilized the advanced technology of MGM Theater to present “Macao: Back to Common Roots Narrative Film”, which chronicles the transformation of Macau over the past centuries. MGM China has joined hands with Cultural Affairs Bureau to present “Film Concert Der Rosenkavalier” for the Macau Arts Festival. We also present “A Landscape of Metamorphosis: No End to End”, the large-scale interdisciplinary art installation by Jennifer Wen Ma who is an internationally acclaimed visual artist. The installation harmoniously complements the Spectacle in MGM COTAI.

Segment Information

The Group has determined its operating segments based upon the reports reviewed by the chief operating decision-maker when allocating resources and assessing performance of the Group.

The Group’s principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its properties being MGM MACAU and MGM COTAI. Each of the properties derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, customers, services and products provided, and the regulatory environment in which they operate. Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment.

Adjusted EBITDA

Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors. The following table presents the reconciliation of the Group's adjusted EBITDA to loss attributable to owners of the Company for the six months ended June 30, 2022 and 2021:

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(2,404,173)	(1,733,311)
Income tax expense	7,940	11,200
Net foreign currency loss	138,807	10,632
Finance costs	735,561	664,190
Interest income	(2,154)	(2,499)
Operating loss	(1,524,019)	(1,049,788)
Depreciation and amortization	1,034,064	1,081,200
Loss on disposal/write-off of property and equipment and other assets	7,003	10,027
Pre-opening costs	1,130	649
Corporate expenses	121,555	134,255
Share-based payments	23,580	24,009
Adjusted EBITDA	(336,687)	200,352
MGM MACAU Adjusted EBITDA ⁽¹⁾	45,585	341,369
MGM COTAI Adjusted EBITDA	(382,272)	(141,017)

⁽¹⁾ MGM MACAU Adjusted EBITDA for the six months ended June 30, 2022 includes a reversal of provisions of HK\$60.6 million, as result of the final settlement of certain litigations related to the Group's joint liability with gaming promoters as disclosed in note 13 of this announcement.

Discussion of Results of Operations

Financial results for the six months ended June 30, 2022 compared to financial results for the six months ended June 30, 2021

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2022 and 2021.

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
MGM MACAU	1,842,395	2,656,495
Casino revenue	1,603,714	2,378,457
Other revenue	238,681	278,038
	<hr/>	<hr/>
MGM COTAI	1,373,461	2,054,562
Casino revenue	1,148,980	1,754,773
Other revenue	224,481	299,789
	<hr/>	<hr/>
Operating revenue	3,215,856	4,711,057
	<hr/> <hr/>	<hr/> <hr/>

Operating revenue of HK\$3,215.9 million for the six months ended June 30, 2022 was 31.7% lower than the same period in the prior year. The decrease was primarily due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau as well as the cessation of VIP operations with our revenue-sharing gaming promoters, compared to the same period in the prior year. Our operating revenue for the six months ended June 30, 2022 was 71.5% lower than the same period in 2019 before the COVID-19 pandemic.

Summary Statistics

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

MGM MACAU	For the six months ended	
	June 30	
(in thousands, except for number of gaming units, percentage and REVPAR)	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor table games drop	7,386,584	10,251,952
Main floor gross table games win ⁽¹⁾	1,586,444	2,113,169
Main floor table games win percentage	21.5%	20.6%
Average daily gross win per main floor gaming table	38.4	54.0
VIP table games turnover	5,904,045	23,968,054
VIP gross table games win ⁽¹⁾	156,267	646,700
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	2.65%	2.70%
Average daily gross win per VIP gaming table	23.1	52.7
Slot machine handle	5,021,927	7,359,126
Slot machine gross win ⁽¹⁾	219,266	279,530
Slot hold percentage	4.4%	3.8%
Average daily win per slot	1.4	2.3
Commissions, complimentaries and other incentives ⁽¹⁾	(358,263)	(660,942)
Room occupancy rate	59.3%	83.5%
REVPAR	886	1,069
	As at June 30	
	2022	2021
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	294	287
Slot machines ⁽³⁾	895	724

MGM COTAI**For the six months ended****June 30**(in thousands, except for number of gaming units,
percentage, and REVPAR)

	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor table games drop	4,503,237	7,613,837
Main floor gross table games win ⁽¹⁾	1,106,369	1,631,095
Main floor table games win percentage	24.6%	21.4%
Average daily gross win per main floor gaming table	28.8	42.2
VIP table games turnover	6,974,571	14,549,020
VIP gross table games win ⁽¹⁾	209,164	511,962
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.00%	3.52%
Average daily gross win per VIP gaming table	43.8	54.9
Slot machine handle	3,997,582	6,946,003
Slot machine gross win ⁽¹⁾	117,026	201,040
Slot hold percentage	2.9%	2.9%
Average daily win per slot	0.8	1.6
Commissions, complimentaries and other incentives ⁽¹⁾	(283,579)	(589,324)
Room occupancy rate	28.0%	51.9%
REVPAR	389	545

As at June 30

	2022	2021
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	258	265
Slot machines ⁽³⁾	848	751

- (1) Reported casino revenue is different to the total of “main floor gross table games win”, “VIP gross table games win” and “slot machine gross win” because casino revenue is reported net of commissions, complimentary and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.
- (2) Permanent table count as at June 30, 2022 and 2021.
- (3) Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity.

Casino Revenue

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor gross table games win	2,692,813	3,744,264
VIP gross table games win	365,431	1,158,662
Slot machine gross win	336,292	480,570
	<hr/>	<hr/>
Gross casino revenue	3,394,536	5,383,496
Commissions, complimentary and other incentives	(641,842)	(1,250,266)
	<hr/>	<hr/>
Casino revenue	2,752,694	4,133,230
	<hr/> <hr/>	<hr/> <hr/>

Casino revenue decreased by 33.4% to HK\$2,752.7 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease was primarily due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau as well as cessation of VIP with our revenue-sharing gaming promoters. The components of our gaming operations were:

Main Floor Table Gaming Operations

Main floor gross table games win decreased by 28.1% to HK\$2,692.8 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. Similarly, main floor table games drop in MGM MACAU and MGM COTAI decreased by 27.9% to HK\$7,386.6 million and 40.9% to HK\$4,503.2 million during the current period, respectively.

VIP Gaming Operations

VIP gross table games win decreased by 68.5% to HK\$365.4 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI decreased by 75.4% to HK\$5,904.0 million and 52.1% to HK\$6,974.6 million during the current period, respectively.

Slot Machine Gaming Operations

Slot machine gross win decreased by 30.0% to HK\$336.3 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. Similarly, slot machine handle in MGM MACAU and MGM COTAI decreased by 31.8% to HK\$5,021.9 million and 42.4% to HK\$3,997.6 million during the current period, respectively.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased by 19.8% to HK\$463.2 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease was primarily due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau.

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2022 and 2021 were:

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gaming taxes	1,386,741	2,165,895
Inventories consumed	187,522	224,867
Staff costs	1,541,065	1,564,102
Loss allowance on trade receivable, net	27,306	25,304
Other expenses and losses	563,177	699,477
Depreciation and amortization	1,034,064	1,081,200
Finance costs	735,561	664,190
Income tax expense	7,940	11,200

Gaming taxes

Gaming tax decreased by 36.0% to HK\$1,386.7 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. This decrease was attributable to the lower gross gaming revenue generated during the current period.

Inventories consumed

Inventories consumed decreased by 16.6% to HK\$187.5 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease resulted from decreased business activities in light of decreased number of visitors due to outbreak of COVID-19 cases in Macau and neighboring regions including mainland China.

Staff costs

Staff costs slightly decreased by 1.5% to HK\$1,541.1 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. To mitigate the impact of the COVID-19 pandemic, we have undertaken a number of measures to reduce payroll expenses, including limiting staff on-site, implementing a hiring freeze and organizational change, and introducing voluntary unpaid leave during the COVID-19 pandemic, while preserving local jobs in response to requests of the Macau Government.

Other expenses and losses

Other expenses and losses decreased by 19.5% to HK\$563.2 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 25.1% from HK\$181.7 million for the six months ended June 30, 2021 to HK\$136.2 million for the six months ended June 30, 2022. The decrease resulted from decreased marketing activities being organized during the current period in light of decreased number of visitors due to outbreak of COVID-19 cases in Macau and neighboring regions including mainland China.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 32.6% from HK\$84.6 million for the six months ended June 30, 2021 to HK\$57.0 million for the six months ended June 30, 2022. This decrease primarily resulted from lower revenue generated during the current period.

Depreciation and amortization

Depreciation and amortization decreased by 4.4% to HK\$1,034.1 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease was attributable to the impact of full depreciation of certain assets in the current period.

Finance costs

Total finance costs increased from HK\$664.2 million for the six months ended June 30, 2021 to HK\$735.6 million for the six months ended June 30, 2022. The increase was primarily due to a HK\$72.5 million increase in interest expense attributable to unsecured senior notes for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. This increase was partly offset by a HK\$8.1 million decrease in interest expense attributable to unsecured credit facilities for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. As discussed above, the Group has undertaken a number of financing initiatives in response to the trading disruption caused by the COVID-19 pandemic.

Loss attributable to owners of the Company

Loss attributable to owners of the Company increased from HK\$1,733.3 million for the six months ended June 30, 2021 to HK\$2,404.2 million for the six months ended June 30, 2022. This increase was attributable to the continuing adverse impacts of the global COVID-19 pandemic including outbreaks of COVID-19 cases as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As at June 30, 2022, our cash and cash equivalents, and available undrawn credit facilities were HK\$6.9 billion and HK\$3.8 billion, respectively. These balances are available for operations, implementation of planned new development activities, enhancement of our properties and response to the challenges of the pandemic.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises borrowings, net of debt finance costs, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at June 30, 2022 and December 31, 2021.

	As at	
	June 30 2022 HK\$'000 (unaudited)	December 31 2021 HK\$'000 (audited)
Borrowings, net of debt finance costs	30,366,736	23,929,106
Less: cash and cash equivalents	(6,948,669)	(3,112,020)
Net debt	23,418,067	20,817,086
Total (deficit)/equity	(1,187,482)	1,196,916
Total capital ⁽¹⁾	22,230,585	22,014,002
Gearing ratio	105.3%	94.6%

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

Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2022 and 2021.

	For the six months ended	
	June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(1,406,025)	(675,527)
Net cash used in investing activities	(218,681)	(326,516)
Net cash generated from financing activities	5,465,167	932,284
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	3,840,461	(69,759)
Cash and cash equivalents at the beginning of the period	3,112,020	2,635,511
Effect of foreign exchange rate changes, net	(3,812)	555
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>6,948,669</u>	<u>2,566,307</u>

Net cash used in operating activities

The increase in net cash used in operating activities for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 was caused primarily by a decrease in cash generated from operating activities due to outbreaks of COVID-19 cases in Macau and neighboring regions including mainland China which led to travel restrictions to Macau.

Net cash used in investing activities

Net cash used in investing activities was HK\$218.7 million for the six months ended June 30, 2022 compared to HK\$326.5 million for the six months ended June 30, 2021. 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, and other assets in total amounting to HK\$173.1 million and HK\$329.2 million for the six months ended June 30, 2022 and 2021, respectively. A payment was made during the current period of HK\$45.6 million related to the Sub-concession Further Extension for the period up to December 31, 2022.

Net cash generated from financing activities

Net cash generated from financing activities was HK\$5,465.2 million for the six months ended June 30, 2022 compared to HK\$932.3 million for the six months ended June 30, 2021.

Net cash generated from financing activities for the six months ended June 30, 2022 was primarily due to:

- HK\$6,260.0 million of net drawdowns on the Revolving Credit Facility; and partially offset by
- HK\$768.5 million of interest payments.

Net cash generated from financing activities for the six months ended June 30, 2021 was primarily due to:

- HK\$5,813.0 million of proceeds from the issuance of the 2027 Notes; partially offset by
- HK\$4,210.0 million of net repayments on the Revolving Credit Facility; and
- HK\$540.0 million of interest payments.

Capital Commitments

As at June 30, 2022, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	As at	
	June 30	December 31
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Contracted but not accounted for	423,387	102,538

Provisions and Contingent Liabilities

As at June 30, 2022 and 2021, the Group had given bank guarantees totaling HK\$1,095.2 million, in relation to the sub-concession, land concession and other operating purposes, of which HK\$1,087.4 million was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming Sub-Concession is not renewed, subject to authorization of the Macau Government).

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

The Group defended its position that it was not liable with respect to these claims. However, in February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, confirming the decision that the gaming promoter was liable for the refund of the deposits claimed by the plaintiffs and that the Group was jointly and severally liable for the fulfilment of the gaming promoter's monetary obligation. As there were no further appeals available to the Group and given the Group's assessment of the gaming promoter's inability to honor its financial obligation as ordered by the Court, the Group was required to make the payment directly to the plaintiffs of the principal amount of HK\$80 million plus interest. The interest calculated up to the end of the reporting period of December 31, 2021 amounted to HK\$37 million. Upon payment to the plaintiffs the Group would be entitled to claim from the gaming promoter the reimbursement, in all or in part, of the amount paid, in a separate lawsuit, to be filed by the Group against the gaming promoter. In light of the developments impacting the gaming promoter's activities, it was predicted that the chance to recover the loss suffered through the payments to be made by the Group is remote. Consequently, considering the similar nature of the legal proceedings, the Group estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 in payables and accrued charges.

During the six months ended June 30, 2022, the Group reached a final settlement of certain litigations related to the Group's joint liability with gaming promoters and made a reversal of the liability recorded at December 31, 2021 of HK\$60.6 million. The estimated possible financial loss arising from the remaining legal proceedings recognized as a liability amounts to HK\$6.3 million at June 30, 2022.

Indebtedness

	As at	
	June 30	December 31
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Unsecured Senior Notes	21,579,388	21,440,650
Unsecured Credit Facilities	9,070,000	2,810,000
Less: debt finance costs	(282,652)	(321,544)
	<hr/>	<hr/>
Total borrowings	30,366,736	23,929,106
	<hr/> <hr/>	<hr/> <hr/>

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. Interest on the 2024 Notes and 2026 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million due June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2025 Notes is payable semi-annually in arrears on each June 18 and December 18, commencing on December 18, 2020.

On March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes. Interest on the 2027 Notes is payable semi-annually in arrears on each February 1 and August 1, commencing on February 1, 2022.

The 2024 Notes and the 2026 Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee. The 2025 and the 2027 Notes were issued pursuant to an indenture, dated June 18, 2020 and March 31, 2021, respectively, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

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

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

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

Under the indentures of the Unsecured Senior Notes, certain events relating to the loss, termination, rescission, revocation or modification of the Group's gaming license in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019.

On May 26, 2020, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a second unsecured revolving credit facility in an aggregate amount of HK\$2.34 billion with a final maturity date of May 15, 2024. The Company has the option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions. The Second Revolving Credit Facility is available for drawdown from the date of the agreement to and including the date falling one month prior to the final maturity date, subject to satisfaction of conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) has been fully drawn. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group. On June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion.

As at June 30, 2022, the Group had total available undrawn unsecured credit facilities of HK\$3.80 billion.

Principal and Interest

The Revolving Credit Facility and the Second Revolving Credit Facility bear interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company's leverage ratio.

As at June 30, 2022, HK\$9.07 billion of the Revolving Credit Facility was drawn. HK\$0.68 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2022, the Group paid interest at HIBOR plus 2.75% per annum.

General Covenants

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

Financial Covenants

The leverage ratio under the Revolving Credit Facility was required to be no greater than 4.5 to 1.0 at each quarter end. In addition, the Group was required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end. Under the Second Revolving Credit Facility, the Company was to ensure that the leverage ratio does not, on each accounting date occurring on and after September 30, 2021, exceed 4.50 to 1.00. In addition, the Company was to ensure that, on any accounting date occurring on and after September 30, 2021, the interest coverage ratio is not less than 2.50 to 1.

Due to the impact of the COVID-19 pandemic, the Company entered into an amendment of the financial covenants on February 21, 2020, a second amendment on April 9, 2020, a third amendment on October 15, 2020, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

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

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

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

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2022 and the year ended December 31, 2021.

Cancellation

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, the total commitments shall be cancelled immediately and all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents shall become immediately due and payable if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

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

Security and Guarantees

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

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\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises liabilities denominated in US\$ including US\$2.75 billion of issued senior notes. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the six months ended June 30, 2022 and 2021.

Interest Rate Risk

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under our Revolving Credit Facility and Second Revolving Credit Facility, and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon the Company's future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures. There were no interest rate swap agreements entered into by the Group during the six months ended June 30, 2022 and 2021.

OFF BALANCE SHEET ARRANGEMENTS

The Group has not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives that would be considered speculative positions. The Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity.

OTHER LIQUIDITY MATTERS

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

In the ordinary course of business, in response to market demands and client preferences, we have made and will continue to incur related capital expenditures on enhancements and refinements for our resorts to increase revenue.

In the current operating environment that has resulted from the impact of the COVID-19 pandemic, we have undertaken a series of actions to minimize our expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the pandemic, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. Our estimated capital expenditures at present include future development projects to strengthen our position in the premium mass market.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2022, the Group employed 9,851 (December 31, 2021: 10,117) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, MGM COTAI and shared services team members.

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

- Competitive — in the local labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.

- Comprehensive — to be viewed through the lens of total rewards, including, among others, base pay, health benefits, incentive pay, bonus, equity and retirement plans.
- Objective — to be consistent with local market rates.
- Developmental — to encourage career and professional development within the workforce and retain quality talents.

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

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

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

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the six months ended June 30, 2022.

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of good corporate governance in the management of the Group. During the six months from January 1, 2022 to June 30, 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH COMPANY’S CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted its code of conduct regarding securities transactions by Directors and senior management of the Group (the “Securities Code”) on terms which are no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months ended June 30, 2022.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group’s unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company’s Audit Committee members, being Russell Francis Banham (Chairperson), Simon Meng, Ayesha Khanna Molino, Chee Ming Liu and Jonathan S. Halkyard and by the Company’s auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the auditor will be included in the Company’s interim report for the six months ended June 30, 2022 to be dispatched to the Shareholders.

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

This announcement is published on the Company’s and the Hong Kong Stock Exchange’s websites. The Company’s interim report for the six months ended June 30, 2022 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company’s and the Hong Kong Stock Exchange’s websites in due course.

Definitions and Glossary Used in this Announcement

“2024 Notes”	US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024
“2025 Notes”	US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“2026 Notes”	US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“2027 Notes”	US\$750 million aggregate principal amount of 4.75% senior unsecured notes due February 1, 2027
“Board”	the board of Directors of the Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance

“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentaries and other incentives and in accordance with IFRS
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire(s)”	the holder(s) of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service of the Macau Government
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government

“gaming promoters”	individuals or corporations licensed by and registered with the DICJ to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“GGR” or “gross gaming	the total win generated by all casino gaming activities combined, calculated revenue” before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from mainland China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino
“MGM COTAI”	the integrated casino, hotel and entertainment resort in Cotai owned by MGM Grand Paradise
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries

“MGM MACAU”	the integrated casino, hotel and entertainment resort in Macau peninsula owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company
“Revolving Credit Facility”	the revolving credit facility dated August 12, 2019 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020, February 24, 2021 and February 10, 2022
“REVPAR”	Revenue per available room includes commissions, complimentary and other incentives
“Reversion Undertakings”	the undertaking executed by MGM Grand Paradise on June 23, 2022 for reversion of the Casino MGM COTAI and the Casino MGM MACAU on December 31, 2022
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to individual VIP players and gaming promoters

“Second Revolving Credit Facility”	the second revolving credit facility dated May 26, 2020 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility with a final maturity date on May 15, 2024, in an initial aggregate amount of HK\$2.34 billion, increased to HK\$3.12 billion on June 29, 2020, and with an increase option pursuant to which the Company may increase the amount of the facility up to HK\$3.9 billion, subject to certain conditions, as amended on October 14, 2020, February 24, 2021 and February 10, 2022
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	SJM Resorts, S.A., formerly Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentaries and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Sub-Concession 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 and extended to December 31, 2022 by the Sub-Concession Further Extension Contract, dated as of June 23, 2022

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

By Order of the Board

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, August 4, 2022

As at the date of this announcement, our directors are William Joseph HORNBUCKLE, Pansy Catilina Chiu King HO, Chen Yau WONG and John M. MCMANUS as executive Directors, Kenneth Xiaofeng FENG, Daniel J. TAYLOR, Ayesha Khanna MOLINO and Jonathan S. HALKYARD as non-executive Directors and Sze Wan Patricia LAM, Russell Francis BANHAM, Simon MENG and Chee Ming LIU as independent non-executive Directors.