

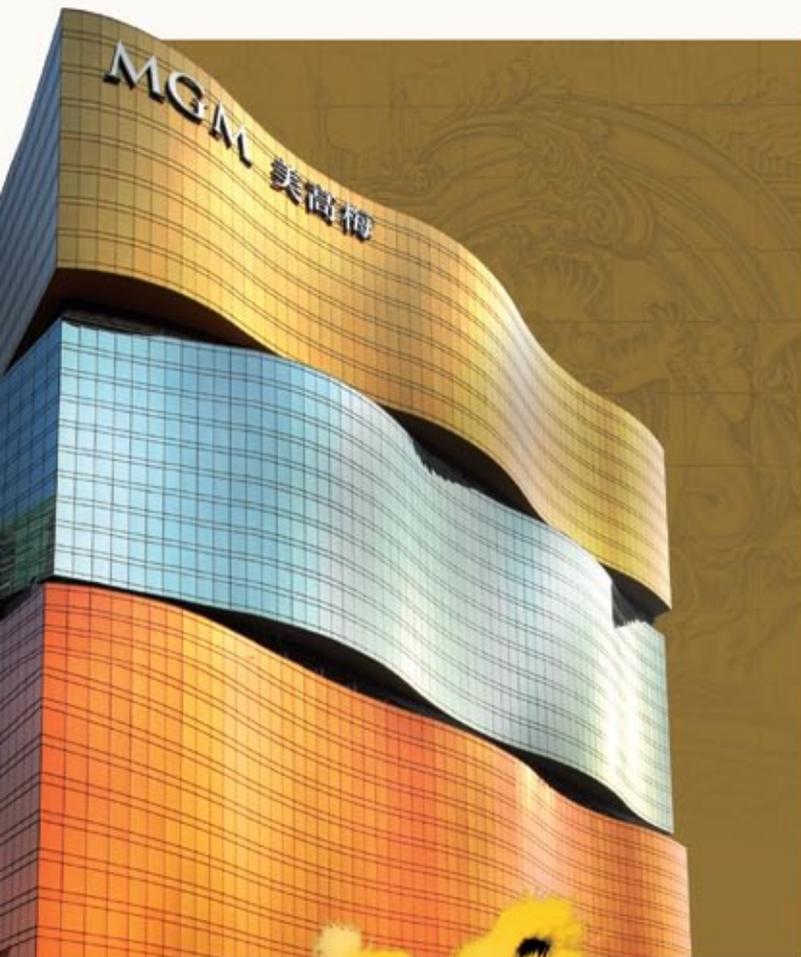
MGM China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2282



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



2020 ANNUAL REPORT



MGM



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

William Joseph Hornbuckle (*Chairperson*)
(appointed as Chairperson on March 26, 2020)
 Pansy Catilina Chiu King Ho (*Co-Chairperson*)
 Chen Yau Wong
 John M. McManus (*re-designated as executive Director*
on March 26, 2020)
 Grant R. Bowie (*resigned as Chief Executive Officer*
on May 11, 2020 with effect from May 31, 2020 and
as executive Director with effect from August 6, 2020)
 James Joseph Murren (*Chairperson*)
(resigned as executive Director and Chairperson
on March 26, 2020)

NON-EXECUTIVE DIRECTORS

Kenneth Xiaofeng Feng
 James Freeman
 Daniel J. Taylor (*appointed on March 26, 2020*)
 Ayesha Khanna Molino (*appointed on August 6, 2020*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhe Sun
 Sze Wan Patricia Lam
 Russell Francis Banham
 Simon Meng

AUDIT COMMITTEE

Russell Francis Banham (*Chairperson*)
 Zhe Sun
 James Freeman
 Simon Meng
 Ayesha Khanna Molino (*appointed on November 5, 2020*)

REMUNERATION COMMITTEE

Zhe Sun (*Chairperson*)
 Pansy Catilina Chiu King Ho
 Sze Wan Patricia Lam
 Russell Francis Banham
 Simon Meng
 Daniel J. Taylor (*appointed on May 28, 2020*)
 William Joseph Hornbuckle (*resigned on May 28, 2020*)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Sze Wan Patricia Lam (*Chairperson*)
 Chen Yau Wong
 Zhe Sun
 Russell Francis Banham
 John M. McManus
 Simon Meng
 Ayesha Khanna Molino (*appointed on November 5, 2020*)

COMPANY SECRETARY

Antonio Jose Menano

AUTHORIZED REPRESENTATIVES

Antonio Jose Menano
 William Joseph Hornbuckle

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public
Interest Entity Auditors

LEGAL ADVISORS

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

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

REGISTERED OFFICE IN CAYMAN ISLANDS

One Nexus Way
 Camana Bay
 Grand Cayman KY1-9005
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN MACAU

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

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

1402 China Merchants Tower
 200 Connaught Road
 Central, Hong Kong

HONG KONG LISTED SHARE REGISTRAR

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

CAYMAN ISLANDS UNLISTED SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
 One Nexus Way
 Camana Bay, Grand Cayman KY1-9005
 Cayman Islands

COMPANY WEBSITE

www.mgmchinaholdings.com

STOCK CODE

2282

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
Casino revenue	4,384,081	20,423,463
Other revenue	711,902	2,341,573
Operating revenue	5,095,983	22,765,036
Adjusted EBITDA (unaudited)	(1,371,723)	6,183,131
Operating (loss)/profit	(4,134,192)	2,963,337
(Loss)/profit for the year attributable to owners of the Company	(5,201,531)	1,931,228
(Loss)/earnings per Share		
— Basic	(HK 136.9 cents)	HK 50.8 cents
— Diluted	(HK 136.9 cents)	HK 50.8 cents



CHAIRPERSON'S STATEMENT

Macau is our home. We are committed to further growth in the region and will continue to invest in our employees, our communities and Macau itself. We see 2021 as a year of growth and further success, and we look forward to continuing our work with the Macau Government and our community partners to help the region flourish and emerge stronger than ever.

CHAIRPERSON'S STATEMENT



WILLIAM JOSEPH HORNBUCKLE
Chairperson



Dear Shareholders,

In 2020 the world was hit with unprecedented challenges due to the COVID-19 pandemic. Macau experienced its lowest visitation in decades as a result of travel restrictions and quarantine measures. Total visitation in 2020 was 5.9 million, compared to 39.4 million in 2019. Hotel occupancy in Macau dropped to below 29% from almost 91% a year ago. The Macau gross gaming revenue declined by 79% to the lowest level in 14 years.

The people of Macau showed resilience and unity dealing with the pandemic and its impact under the strong leadership of the Chief Executive and the Macau Government. Meanwhile, the employees of MGM China demonstrated great determination to

protect staff members, guests and the community as a whole. I would like to express my gratitude for the guidance and support of the Macau Government and our stakeholders during this past year and my deep appreciation for the support and hard work of the MGM China team.

MGM China utilized its position as a prominent and responsible corporate leader to provide necessary supplies and support to various Macau communities and help the region navigate the pandemic. MGM China was the first integrated resort operator in Macau to waive part of basic rent for all MGM China retail tenants in February 2020 and extended the rent-free arrangement when more assistance was needed.

CHAIRPERSON'S STATEMENT



The Company also introduced relief measures to ease the financial strain experienced by the Macau SMEs with which we work to help them stay afloat. MGM China also made monetary contributions directly to aid Hubei when the need arose, and later organized “MGM Art and Solidarity in Action for Wuhan, Hubei” to express appreciation for the tireless efforts of frontline medical professionals in Wuhan. We are inspired by such selflessness, and we will continue to support our Nation’s efforts to stamp out COVID-19 and help our communities recover.

Visitation to Macau has been steadily increasing each month, indicating a steady recovery. This is a testament to the Macau Government’s decisive and pragmatic leadership in containing the virus and supporting policies and protocols to welcome guests and visitors back safely.

These efforts also improved operations at integrated resorts. Fourth-quarter market-wide GGR declined by 70% year-on-year, compared with a 93% year-on-year decline in the third quarter. Both MGM China properties recorded positive adjusted EBITDA in the fourth quarter, thanks to effective and efficient operations by dedicated staff members. We expect that the rate of recovery will continue, driven by the premium mass market visitors whom MGM MACAU and MGM COTAI are well-positioned to serve.

As we did prior to the pandemic, we undertook a number of financial measures last year to control costs and improve our balance sheet and liquidity. With those measures, we kept our local staff employed, despite the challenging unprecedented business environment. As of December 31, 2020, the Group maintained a healthy financial position, with



total liquidity of HK\$9.5 billion, comprised of cash, cash equivalent and undrawn credit facilities.

As our most valued asset, our employees are key to our success. We will continue to build and invest in a strong pool of talent to further the development of tourism in Macau. Over 90% of our management team is comprised of Macau locals. In 2020 we provided more than 460,000 hours of training, averaging over 44 hours per team member and outperforming our industry peers. Such efforts are in line with the objectives of the Macau Government to develop local talent and help them realize their full potential and career goals.

MGM China also pioneered Tourism+ in support of the diversification goals of the Macau Government. Since its establishment in 2007, MGM China has been an advocate of cultural tourism and actively promotes originality, creativity and innovation. MGM China's award-winning properties not only epitomize originality of design, they are widely considered architectural masterpieces in their own right. Furthermore, the Chairman's Collection at MGM COTAI showcases harmony of history and community development through art. Hundreds of pieces of artwork from this collection adorn public space throughout our properties. Guests can appreciate art and culture in every corner of our buildings, making it an experience like no other.

CHAIRPERSON'S STATEMENT

Unforgettable experiences were also found at MGM Theater, Asia's first dynamic and high-tech theater. In 2020, we held and live-streamed several unique performances and multi-disciplinary events, including the Huading Awards and livestream show of Dong Mingzhu. It's all part of our continuous efforts to leverage advanced technologies and digital creativity to collaborate with artists from around the world and bring Macau groundbreaking art, entertainment and cultural programs. Over the past 13 years, we have spent billions of dollars on art and entertainment programs, with viewership of over 1 billion and an audience reach of more than 1.5 trillion globally.

Amid the ongoing economic recovery, we joined the Macau Government's tourism revival initiatives "Macau Ready Go" and mega roadshow "Beijing Macao Week" in China to promote Macau. We are also adding additional suites to MGM COTAI to be launched by mid-2021 and are launching new food & beverage, retail and other improvements to enhance guest experience this year as tourism continues to grow.

Macau is our home. We are committed to further growth in the region and will continue to invest in our employees, our communities and Macau itself. We see 2021 as a year of growth and further success, and we look forward to continuing our work with the Macau Government and our community partners to help the region flourish and emerge stronger than ever.

Bill Hornbuckle

Chairperson

DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF OUR BOARD

Executive Directors

William Joseph Hornbuckle, aged 63, is the Chairperson and executive Director of the Company. He was a member of the Remuneration Committee of the Company until May 28, 2020. Mr. Hornbuckle has 40 years of experience in the gaming industry. He has served as a director of MGM Grand Paradise since November 16, 2009. Mr. Hornbuckle was appointed as President and Chief Operating Officer of MGM Resorts International since March 1, 2019 and was appointed as acting Chief Executive Officer and President of MGM Resorts International since March 22, 2020 and also became a member of the Board of Directors of the Company. He was appointed as Chief Executive Officer and President of MGM Resorts International on July 29, 2020. Mr. Hornbuckle was Chief Marketing Officer of MGM Resorts International from 2009 until 2012. From April 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He also served as the President and Chief Operating Officer of MGM Grand Las Vegas from 1998 to 2001. Prior to joining MGM Grand Las Vegas, Mr. Hornbuckle served as the President and Chief Operating Officer for Caesars Palace, Las Vegas. Mr. Hornbuckle is Chairman of the CityCenter JV Board of Directors (a joint venture with Dubai World), President of the T-Mobile Arena (a joint venture with AEG), and a member of the Las Vegas Stadium Authority. Mr. Hornbuckle also serves on the Board of Trustees for Three Square Food Bank in Las Vegas, Nevada and the Fulfillment Fund of Southern Nevada which aids and promotes children's education and is a founding member of the Bank of George in Las Vegas, Nevada, a banking and financial services institution where he serves on the Bank's holding company Board. Previously, Mr. Hornbuckle served on the boards for the United Way of Southern Nevada and the University of Nevada Las Vegas Foundation, Andre Agassi Foundation. From 1999 to 2003, he also served as a board member of the Las Vegas Convention and Visitors Authority. Mr. Hornbuckle graduated with a Bachelor of Science degree in Hotel Administration from University of Nevada, Las Vegas.

DIRECTORS AND SENIOR MANAGEMENT

Pansy Catilina Chiu King Ho, JP, aged 58, is the Co-Chairperson, an executive Director and a member of the Remuneration Committee of the Company. She serves as Managing Director of MGM Grand Paradise since June 1, 2005. She is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. Ms. Ho is the Group Executive Chairman and Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, positions she has held since 2017 and 1999 respectively. In addition, Ms. Ho is the Chairman of the Board of Directors of Estoril-Sol, SGPS, SA, a Portuguese listed gaming company. Also, Ms. Ho is the Vice Chairman of the Board of Directors of Macau International Airport Company Limited. She is also an independent non-executive Director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. In addition, she is a Chairperson of Hong Kong Federation of Women. In China, she is a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Vice President of Women's Chamber and an Executive President of Chamber of Tourism of the All-China Federation of Industry and Commerce. In Macau, Ms. Ho is a Committee Member of the Committee of Cultural Industries, the Chairperson of Global Tourism Economy Research Centre and the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Council, and was appointed as a Tourism ambassador by the United Nations World Tourism Organization in October 2018. Ms. Ho was appointed as Honorary Professor of School of Political Communication, Central China Normal University in November 2013. She was appointed as Honorary Fellowship from the Hong Kong Academy for Performing Arts and University of Hong Kong in June 2014 and September 2015 respectively. Ms. Ho was appointed as a Justice of the Peace and was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region on July 1, 2015 and October 1, 2020 respectively. She received the title "The Bearer of Red Flag March 8" in 2020, organized by the All-China Women's Federation. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the Santa Clara University in the United States.

Chen Yau Wong, aged 67, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong has been a director of MGM Grand Paradise Limited since September 2007 and MGM Grand Paradise (HK) Limited since January 2010. Mr. Wong was a director of Grand Paradise Group (HK) Limited from December 2004 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a Financial Advisor and Operations Controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

John M. McManus, aged 54, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. He also serves as the Executive Vice President, General Counsel and Secretary of MGM Resorts International since July 2010. Mr. McManus served as MGM Resorts International's Senior Vice President, Acting General Counsel and Secretary from December 2009 to July 2010, Senior Vice President, Deputy General Counsel and Assistant Secretary from September 2009 to December 2009 and Senior Vice President, Assistant General Counsel and Assistant Secretary from July 2008 to September 2009. Mr. McManus acted as counsel to various operating MGM subsidiaries from May 2001 to July 2008. Mr. McManus also serves as director of MGM Growth Properties LLC. Mr. McManus holds a Bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree from University of Miami.

Grant R. Bowie, aged 63, was an executive Director of the Company. He served as Chief Executive Officer of the Company until May 31, 2020 and was responsible for the overall management, strategic development and expansion of the Company including the direction and operations of MGM MACAU and MGM COTAI, the latest addition to the MGM portfolio in China. Mr. Bowie joined MGM Grand Paradise in August 2008 as President. Prior to this, he was President and General Manager of Wynn Resorts (Macau) S.A. from 2003 to 2007. Before coming to Macau, Mr. Bowie spent 16 years with Park Place Entertainment Corporation in Australia, holding senior positions in gaming, general finance and hotel operations. His last position held was Area Senior Vice President for Park Place Entertainment Corporation overseeing their Australian operations. Mr. Bowie was educated in New Zealand and obtained a Bachelor's degree in Commerce from the University of Otago in 1980. He was recognized by leading financial publication "Institutional Investor" as "Best CEO" in the All-Asia Executive Team survey for three consecutive years from 2015 to 2017. He is currently a Governor of the American Chamber of Commerce in Macau, a Member to Advisory Board of the Institute for the Study of Commercial Gaming at University of Macau and an adjunct professor of Tourism and Leisure Management at University of Queensland. Previously, he was a member of Australian Federal Government's Tourism Forecasting Council, Chairman of Queensland's Responsible Gambling Advisory Committee and a member of the National Advisory Body on Gambling.

DIRECTORS AND SENIOR MANAGEMENT

James Joseph Murren, aged 59, was the Chairperson and an executive Director of the Company. He was the Chairman and Chief Executive Officer of MGM Resorts International. He resigned from his positions with the Company and with MGM Resorts International, effective from March 26, 2020 and March 22, 2020, respectively. He served as a director of MGM Grand Paradise since January 19, 2010 and resigned on March 26, 2020. Mr. Murren served as Chairman of the Board of MGM Growth Properties LLC, a real estate investment fund listed on the New York Stock Exchange that is engaged in acquisition, ownership and leasing of large-scale destination entertainment and leisure resorts, whose diverse amenities include casino gaming, hotel, convention, dining, entertainment and retail offerings, from April 22, 2016 to March 22, 2020. In 1998, Mr. Murren joined MGM Grand Inc. (a predecessor of MGM Resorts International) as Chief Financial Officer and a member of the board. He completed significant acquisitions over the next seven years, overseeing the transformation of MGM Resorts International into one of the world's leading gaming companies. In 1999, the board promoted Mr. Murren to President and then to Chief Operating Officer in 2007. As Chief Financial Officer, Mr. Murren directed the implementation of an extensive reorganization of MGM Grand Inc. and started the development of CityCenter. Before he joined MGM Grand Inc., Mr. Murren served as a Managing Director of U.S. Equity Research at Deutsche Bank AG. Mr. Murren graduated with a Bachelor's degree in art history and urban studies from Trinity College, Hartford in 1983. Prior to joining the board of MGM Grand Paradise, Mr. Murren was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Non-executive Directors

Kenneth Xiaofeng Feng, aged 50, is a non-executive Director since May 24, 2018 and serves as President, Strategic and Chief Financial Officer, with effect from June 22, 2020. He was a member of the Audit Committee from May 24, 2018 to November 1, 2019. Mr. Feng is the Executive Vice President of MGM Asia Pacific Limited and has been employed by MGM Resorts International since 2001 in a variety of finance, advisory, strategic and development positions. Mr. Feng was closely involved in the negotiations and developments of both for the MGM MACAU and for Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government). Mr. Feng was promoted first to Vice President — International Operations in 2007, Senior Vice President of MGM Resorts International in 2009, and to his present post in 2013. He is active in strategic, development and operations roles both with MGM China Holdings Limited and with Diaoyutai MGM Hospitality. Mr. Feng graduated from Nankai University in China with a degree in Bachelor of Science and also holds a Master of Science degree from Columbia University, USA.

James Freeman, aged 52, is a non-executive Director and a member of the Audit Committee of the Company. He was appointed on March 6, 2019, resigned on June 27, 2019 and was re-appointed as a non-executive Director on August 1, 2019 and as member of the Audit Committee on November 1, 2019. Mr. Freeman joined MGM Resorts International in March 2010 and currently serves as Senior Vice President, Capital Markets and Strategy. Mr. Freeman's role with MGM Resorts International is to reshape the company's balance sheet through his leadership of debt and equity capital raising activities. In addition, Mr. Freeman assists with strategic planning, market analysis and strategic development. Mr. Freeman also serves as the lead, from a financial perspective, on merger and acquisition activity and continues to be active in special projects. Since joining the company, Mr. Freeman has overseen significant capital markets transactions for MGM Resorts International and its subsidiaries including the initial public offering of the Company, the initial public offering of MGM Growth Properties LLC, and the US\$2.0 billion refinancing of CityCenter Holdings LLC, a 50% venture between MGM Resorts International and Infinity World Development Corp. Prior to joining MGM Resorts International, Mr. Freeman served as Senior Vice President and Chief Financial Officer of Fontainebleau Resorts. Prior to that, Mr. Freeman served as an Investment Banking Principal at Banc of America Securities. In this role, he executed significant debt and equity transactions for clients in the gaming, lodging and leisure industries. Mr. Freeman's experience includes a broad range of financial execution including project finance, acquisition finance, bank syndications, high yield offerings, convertible debt offerings and initial public offerings. Mr. Freeman earned his Bachelor of Science degree in Accounting from the University of Illinois and his Master of Business Administration with concentrations in Finance and Business Economics from the University of Chicago Booth School of Business.

Daniel J. Taylor, aged 64, is a non-executive Director of the Company since March 26, 2020 and a member of the Remuneration Committee since May 28, 2020. He sits on the board of MGM Resorts International since 2007 and MGM Growth Properties LLC since April 2016. He is the non-executive chairman of the board of directors of Light Efficient Design, a division of TADD LLC and a manufacturer and distributor of LED lighting products, primarily for the retrofit market, since July 2014. Mr. Taylor was an executive of Tracinda from 2007 to 2019. Mr. Taylor served as the President of Metro-Goldwyn-Mayer Inc. ("MGM Studios") from April 2005 to January 2006 and as the Senior Executive Vice President and Chief Financial Officer of MGM Studios from June 1998 to April 2005. He was the Vice President-Taxes at MGM/UA Communications Co., the predecessor company of MGM Studios, from 1985 to 1991. From 1978 to 1985 he worked as a Tax Manager at Arthur Andersen & Co., specializing in the entertainment and gaming practice. He was a Director of Inforte Corp. from October 2005 to 2007. Mr. Taylor acted as chairman of the board of directors of Delta Petroleum Corporation from May 2009 to August 2012, and as director from February 2008 to August 2012, and was also a member of the Audit Committee and Nominating and Corporate Governance Committee. Mr. Taylor graduated with a Bachelor of Science in Business Administration from Central Michigan University.

DIRECTORS AND SENIOR MANAGEMENT

Ayesha Khanna Molino, aged 40, is a non-executive Director of the Company since August 6, 2020 and a member of the Audit Committee and the Nomination and Corporate Governance Committee since November 5, 2020. Ms. Molino has been the Senior Vice President for Government Affairs of MGM Resorts International since January 2017. Ms. Molino has brought significant policy experience to MGM Resorts International. Before joining MGM Resorts International, Ms. Molino served as Chief Counsel and formerly as Policy Adviser to the retired U.S. Senator for the State of Nevada Harry Reid. Prior to her tenure with Senator Reid from October 2011 to December 2016, Ms. Molino served as international trade counsel on the U.S. Senate Finance Committee under Senator Max Baucus from 2007 to 2011 and previously worked as an attorney in the Office of General Counsel at the U.S. Department of Commerce from 2005 to 2007. Ms. Molino has also been a trustee of the Ford's Theater since July 2017. Ms. Molino graduated with a Bachelor of Arts in Economics, History and Religious Studies from University of California, Riverside and holds a Juris Doctor degree from the George Washington University Law School. She is also a member (currently inactive) of the Virginia Bar Association.

Independent non-executive Directors

Zhe Sun, aged 55, is an independent non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company since September 27, 2010. Mr. Sun is an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange, a position he has held since April 18, 2017. He is currently an adjunct senior research scholar and co-director of the China Initiative at Columbia University's School of International and Public Affairs. Mr. Sun is the founding director of the Center for U.S.-China Relations at Tsinghua University at Beijing. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of eighteen books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

Sze Wan Patricia Lam, aged 54, is an independent non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since March 16, 2011. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng University of Hong Kong. Now based in Hong Kong, Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Russell Francis Banham, aged 67, is an independent non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since November 2014. Mr. Banham is also a non-executive Director, chairperson of the Audit Committee and a member of the Nomination and Remuneration Committee of Eureka Group Holdings Limited. He is a Non-executive director of National Atomic Company Kazatomprom, the Chairperson of its Audit Committee and a member of its Nomination and Remuneration Committee, Strategic Planning and Investments Committee and Health, Safety and Environment Committee. He is also a member of the Audit and Risk Management Committee of the Queensland Audit Office. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a Partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. In 2016, Mr. Banham completed the Company Directors' course at the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia.

DIRECTORS AND SENIOR MANAGEMENT

Simon Meng, aged 63, is an independent non-executive Director, a member of the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee of the Company since December 9, 2019. Mr. Meng is a member of the International Advisory Board of the Shanghai Symphony Orchestra. He is an international partner in Shanghai of King & Wood Mallesons since April 1, 2021, and is registered as “foreign lawyer” in Hong Kong. Mr. Meng was a corporate M&A partner at Linklaters in Shanghai since May 1, 2017 to June 30, 2020, specializing in cross-border M&A, direct investments and joint ventures in China. He has significant experience in project development relating to energy, real estate and urban transportation sectors in China and has advised numerous Chinese and multinational corporations. Mr. Meng is admitted to practice law in the New York State and in France. He practiced in Paris, New York and Hong Kong with Cleary Gottlieb Steen & Hamilton between 1990 and 1996 before joining Freshfields in Hong Kong in late 1996. Prior to joining Linklaters, Mr. Meng was a partner of King & Wood Mallesons from 2012 until April 2017, Herbert Smith from April 2000, and Sidley Austin from October 1998. Mr. Meng holds a CERT certificate in Cybersecurity Oversight by Carnegie Mellon University and National Association of Corporation Directors. Mr. Meng obtained a Bachelor of Laws from Beijing University, a Master of Public Law, a Master of Business Law and a Doctor of Law from Bordeaux University, and a Master of Comparative Jurisprudence from the New York University.

Senior Management

Zhi Qi (Hubert) Wang, aged 53, is our President and Chief Operating Officer. Mr. Wang joined the Company as Chief Financial Officer in July 2011 and serves as President and Chief Operating Officer with effect in June 2020. He oversees our casino and hospitality operations, digital technology services and security operations for both MGM MACAU and MGM COTAI. Mr. Wang is a seasoned executive with a wealth of knowledge in the operation of integrated resorts and corporate finance, and plays a key role in both daily operations and corporate strategies and affairs. Mr. Wang has been instrumental in leading yield management and continuous improvement business initiatives. He has also successfully led the execution of key technology and business process innovations for our business. Mr. Wang was in charge of many rounds of successful refinancing and amendments, including our senior notes offerings in 2019 and 2020. He had worked for a number of large integrated resort companies in the United States before he joined the Company. Mr. Wang holds a graduate degree in Master of Business Administration.

Antonio Jose Menano, aged 58, is our Company Secretary and Executive Vice President, Legal & General Counsel. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than ten years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Acção Social de Macau. He graduated with a law degree from the University of Coimbra.

Yuen Ying (Wendy) Yu, aged 53, is our Executive Vice President, Human Resources with responsibilities for all Human Resources functions at both MGM MACAU and MGM COTAI. Ms. Yu has been with the Company since July 2009 after having spent two decades being actively involved in the transformation of Macau's hospitality and human resources industries. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then was hired as Human Resources Manager of Holiday Inn Macau from its pre-opening stage. Subsequently she moved and worked for an assignment in Shanghai with the New World Group. Upon returned to Macau, she left the corporate world for a one-year stint as a lecturer for the Institute of Tourism Education in Macau. She then joined the Westin Resort Macau where she held the position of Director of Human Resources and was in charge of the organizational realignment when the Westin brand was integrated into the Starwood Family. From 2003 to 2008, Ms. Yu was the Vice President of Human Resources for Wynn Resorts (Macau) S.A. as part of the opening team. Prior to joining our Company, Ms. Yu returned to Starwood Hotels and Resorts to set up their opening teams for their Sheraton and St. Regis projects in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in Personnel Management from the University of East Asia Macau (now University of Macau).

Han Tian, aged 41, is our Senior Vice President of Gaming Operations & Strategic Marketing. Mr. Tian has been with the Company since November 2007. He has a proven track record of developing company's data driven management culture from enterprise data warehouse to advanced customer analytics. In addition, he is responsible for the strategy and execution of the Company's gaming product optimization as well as gaming marketing programs including loyalty and customer relationship management programs. Prior to joining our Company, Mr. Tian worked for MGM Resorts International in Las Vegas. Mr. Tian holds a graduate degree in Master of Business Administration from University of Nevada, Las Vegas.

DIRECTORS AND SENIOR MANAGEMENT

Sean Christopher Lanni, aged 36, is our Senior Vice President of International Marketing. Mr. Lanni has been with the Company since July of 2016. He is responsible for leading our business development and sales efforts. In this role he is tasked with the development and execution of many of the marketing strategies for both MGM MACAU and MGM COTAI. He originally joined MGM Resorts International in 2007 where he was involved in both the gaming and hospitality efforts in Asia. He has held senior level positions in business development and marketing operations throughout MGM Resorts International until officially joining the MGM China team in 2016. Mr. Lanni holds a Bachelors Degree in Economics from Santa Clara University.

Michael G. Holubowskyj, aged 56, is our Senior Vice President of Security. Mr. Holubowskyj has been with the Company since November 2008. He is responsible for overseeing all security operations in MGM MACAU and MGM COTAI. Mr. Holubowskyj has 32 years of experience in the security and policing field. Before joining our Company, Mr. Holubowskyj was the Head of Security Services for the Hong Kong Jockey Club from 2007 to 2008. Prior to that he was the Director of Security for Wynn Resorts (Macau) S.A. from 2006 to 2007 and from 2004 to 2006, Mr. Holubowskyj worked as the Director of Security, Safety, Fire and Health Services for Hong Kong Disneyland. Before joining the private sector, Mr. Holubowskyj spent 17 years in law enforcement with the Hong Kong Police Force where he attained the rank of Superintendent of Police. He graduated from the University of London with a Bachelor of Science (Honors) in Mathematics and Statistics. He also obtained a Master's degree in Business Administration from Heriot Watt University in the United Kingdom.

Weng Kei (Catarina) Lio, aged 43, is our Vice President of Brand Marketing. Ms. Lio has been with the Company since July 2017. She is responsible for leading the Brand marketing to protect and promote MGM brand message by harnessing the combined capabilities of Public Relations, Arts & Culture and Brand & Campaign, to trigger interest and translate this into sales by leveraging the persuasive power of Digital marketing, Program & Events and Creative Services. Prior to joining the Company, Ms. Lio served as Chief Operating Officer of Ogilvy Group Hong Kong. Her extensive experience in transforming multi-million dollar global accounts equips her with the knowledge and insights to lead operating strategies that transform businesses, lead on accounts like Sands China, Hongkong Land, Asia Miles, Huawei and Philips since 2009. Prior to that she was Executive Director of Conde Group. Ms. Lio started her career in Macau with TDM – Teledifusão de Macau, S.A. as journalist and journalism background came in handy later when she worked in Macao Water as Public Relations & Communications officer during on-going Salinity social issue. Ms. Lio graduated with a Bachelor's degree in Business Administration, majoring in Marketing at University of Macau.



MGM

美高梅

MANAGEMENT DISCUSSION AND ANALYSIS

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 in 2020 to improve the Group's liquidity position and prepare for the economic recovery.

Visitation to Macau and volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

BUSINESS OVERVIEW

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

The Company's Shares have been listed on the Hong Kong Stock Exchange since June 3, 2011. The Company's immediate holding company is MRIH, a company incorporated in the Isle of Man. The Company's ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of our issued share capital) and 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.

On March 15, 2019, a Sub-concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-concessionaire, pursuant to which the Sub-concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires/Sub-concessionaires in Macau. The Macau Government is working on the gaming concessions retender process and announced that the public consultation on the gaming law will be completed in the second half of 2021, the amendment of which will precede the launching of the public tender. The Company awaits the issuance of guidance by the Macau Government with respect to the gaming concessions retender or extension process.

MANAGEMENT DISCUSSION AND ANALYSIS



On March 23, 2020, an addendum to the Sub-concession Contract was executed to clarify that the transfer of the casino premises and gaming-related equipment to the Macau Government only applies upon expiration of the Sub-concession Contract on June 26, 2022.

RECENT DEVELOPMENTS

Financial Impact of the COVID-19 Pandemic

The continued spread of COVID-19 and the developments surrounding the global pandemic have had, and we expect that they will likely continue to have, a significant impact on our business, results of operations and financial condition. 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 we continue to fight this pandemic.

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese

Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China's individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM MACAU and MGM COTAI were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and the need to present negative COVID-19 test results and health



declarations submitted through the Macau Health Code system remain in effect at the date of this report. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period. However, they must obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid 'green' code result for the Macau Health Code system and the Guangdong

health-declaration system respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid 'green' Macau Health Code. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period. Additionally, tourist visas issuance (including individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively. On February 23, 2021, Macau classified all mainland China cities as low-risk COVID-19 transmission areas, removing the requirement for inbound travelers to quarantine for 14 days upon their arrival in Macau.

MANAGEMENT DISCUSSION AND ANALYSIS



At the date of this report, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the year ended December 31, 2020 and will likely continue to impact the Group's results given the uncertainty of the length of time of the pandemic. According to the DSEC, total visitor arrivals decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0% for the year ended December

31, 2020, respectively, compared to 2019. The Macau gross gaming revenue decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 compared to 2019. Visitation to Macau and volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments.

Subsequent to the date of this report, it was announced that effective from March 3, 2021, all guests entering casinos are not required to provide a negative nucleic acid test result and effective from March 16, 2021, certain exemptions applies to those individuals entering Macau who are not residents of mainland China, Hong Kong or Taiwan.

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, a number of initiatives were undertaken in the current financial year:

- the Company entered into an amendment to the financial covenants under the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion to HK\$5.24 billion, with an option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- 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;
- on October 14, 2020, the Company entered into an amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio. On October 15, 2020, the Company entered into a third amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. On February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed;
- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year; and
- certain capital expenditures that were planned to begin during the year have been deferred.

MANAGEMENT DISCUSSION AND ANALYSIS

Retirement of CEO

On May 11, 2020, we announced the retirement of our CEO Grant R. Bowie (“Mr. Bowie”). Mr. Bowie’s retirement as CEO took effect on May 31, 2020.

On August 6, 2020, Mr. Bowie also resigned as an executive Director of the Company, due to his retirement plans. Mr. Bowie remains as an advisor of the Company for a period up to December 31, 2022. Ms. Pansy Ho continues to act as managing director of MGM Grand Paradise. Certain senior executive roles have been restructured to complement the expertise of the management team.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 638 slot machines, 279 gaming tables, and multiple VIP and private gaming areas as at December 31, 2020. The hotel comprises a 35-story tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including 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 27,696 square meters, with 655 slot machines and 273 gaming tables as at December 31, 2020. The hotel comprises two towers with 1,390 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. The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019. Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers, attached to The Mansion was introduced in December 2018. The new gaming area allowed us to expand our gaming operations and enhance our competitiveness.

The Company reached a settlement agreement with the principal contractors in connection with the construction costs of MGM COTAI in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders' work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately HK\$9,971.4 million). The Company agreed to pay to the principal contractors MOP612.5 million (approximately HK\$594.7 million), being the settlement amount of MOP10,270.5 million (approximately HK\$9,971.4 million) less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million (approximately HK\$9,376.7 million). The required amounts had been fully settled as at December 31, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the nominated sub-contracts of the MGM COTAI development.

OUR COMPETITIVE STRENGTHS AND OPERATING STRATEGIES

We have a number of competitive strengths including:

- Significant benefits from relationships with MGM Resorts International and Ms. Pansy Ho;
- Experienced management team with a proven track record;
- Diversified resort offerings;
- Innovative entertainment and art attractions;
- One of the most recognizable resort brands in the industry;
- Unique strategic position towards premium mass;
- Strong cash flow generation and significant growth potential; and
- Strong balance sheet with significant financial flexibility.

To build on our competitive strengths, operationally we focus on continuously improving 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;

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 in 2020 to improve the Group's liquidity position and prepare for the economic recovery.

During the pandemic outbreak, we have kept close communication with our customers in order to maintain relationships and also to highlight our efforts to maintain extensive hygiene initiatives and support social distancing. Macau itself has had considerable success in controlling the pandemic, which we have highlighted to our customers in order to address their safety concerns.

The Company has developed recovery strategies to attract customer visitations upon the gradual relaxation of China's travel policy, the resumption of ferry services from Hong Kong to Macau and the easing of regional travel restrictions. The strategies include:

- implementing new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces, resort technology and family and cultural tourism products to drive property visitation and business growth;
- 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;
- introducing new food and beverage concepts and menu offerings throughout the relaunch process;
- continuing to drive social media awareness and sales through e-commerce channels;
- implementing gaming optimization strategies to drive table yield and minimizing the impact of social distancing restriction; and

- developing the MGM COTAI South Tower suites at an expected total capital cost of HK\$677 million to strengthen our position in the premium mass market.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITION

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

MACAU GAMING MARKET AND TOURISM

Macau continues to be 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. Additionally, infrastructure investment and growth in room supply have supported 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 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 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; border currency declaration system and monetary outflow policies. These policies may affect the number of visitors and amount of capital outflow from mainland China to Macau. 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.

According to Macau Government statistics, total gross gaming revenue in the Macau gaming market increased by 14.0% to HK\$294.0 billion for the year ended December 31, 2018 over 2017. However, the monthly gross gaming revenue of the Macau gaming market experienced inconsistent months of growth and decline, resulting in a year-over-year decline of 3.4% to HK\$283.9 billion for the year ended December 31, 2019 over 2018. Due to the COVID-19 related closures and other related restrictions on travel and capacity at the facilities in the Macau gaming market, according to the DICJ, the gross gaming revenue of the Macau gaming market decreased by 79.3% to HK\$58.7 billion for the year ended December 31, 2020 over 2019.

According to the DSEC, total visitor arrivals in Macau decreased by 85.0% and the total visitation from mainland China to Macau decreased by 83.0% in 2020, respectively, over 2019. Visitation to Macau have steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and

MANAGEMENT DISCUSSION AND ANALYSIS

Macau Governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in third quarter of 2020 to HK\$21.2 billion the fourth quarter of 2020, driven by the higher visitation, in particular in the mass market gaming segment. The January 2021 monthly gross gaming revenue of the Macau gaming market was increased by 2.6% to HK\$7.8 billion compared with December 2020. We expect that the rate of business recovery will continue to be gradual, driven by the premium mass market which both MGM MACAU and MGM COTAI are well positioned to capture.

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 in October 2018; the expansion of the Macau Airport; the opening of new Hengqin border 24-hour checkpoint in August 2020; the opening of Macau Light Rapid Transit System in December 2019; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island, together with Macau designated as a key tourism hub by the Chinese Government;
- 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 December 31, 2020, there were 41 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. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased to 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic due in part to the opening and continued ramp-up of MGM COTAI. Visitation to Macau and volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week as described above. As a result, our overall gaming market share increased to 12.6% for the fourth quarter ended December 31, 2020, driven by the premium mass market which both MGM MACAU and MGM COTAI are well positioned to capture.

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

GAMING PATRONS

Our results of operations are substantially dependent upon casino revenue from high value individuals in the VIP gaming, main floor gaming and slot machines gaming operations. Our gaming patrons include main floor players, gaming promoters who help source our VIP players and our in-house VIP players.

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. These players also account for a significant portion of our total gross profit. 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 space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

VIP Gaming Operations

Gaming Promoters

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

In-house VIP Players

In addition to VIP players introduced to us by gaming promoters, we also have in-house VIP players sourced directly through 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. We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

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

GGR MIX

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Our proportion of GGR from the mass and VIP market was 72% and 28%, respectively, for the year ended December 31, 2020 compared to 64% and 36% in 2019, respectively. However, as described above, our revenues were reduced substantially in 2020, therefore our proportion of GGR from the mass and VIP markets for the year ended December 31, 2020 is not comparable to our proportion of GGR from the mass and VIP markets for the year ended December 31, 2019.

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.

With the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government's vision for diversification. 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. Through the integration and application of innovation and technology, we featured the livestream show of Dong Mingzhu and the "27th Huading Awards – China's Top 100 Film Satisfaction Survey Release Ceremony" at our MGM Theater. MGM China also partnered with Macao Orchestra to perform the Beethoven: Symphony No. 6 in F Major, Op.68, "Pastorale", under our Spectacle. In addition, the MGM Cotai Art Collection features over 300 captivating and thought-provoking artworks. Headlining the MGM Cotai Art Collection are 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing.

As a result of the suspension of casino operations for a 15-day period, certain non-gaming facilities closed down in February 2020. Those facilities have

MANAGEMENT DISCUSSION AND ANALYSIS

gradually reopened beginning February 20, 2020. A number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions. We have been implementing new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior as the health and safety of our staff and customers are always our priority. With such implementation, we were able to focus on enhancing our non-gaming offerings to attract customers including MGM Mixy-Go-Matchy offerings, interactive art tours and cultural experience, and musical performances under our Spectacle at MGM COTAI. Also, across the two properties, taking advantage of the LED displays at the Spectacle and the coral of the Grande Praça's giant aquarium, "The MGM Sea Odyssey" was another innovative show at MGM.

All of these non-gaming offerings attract visitors to our resorts and create a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU and MGM COTAI. In addition, we are preparing events and attractions to be delivered upon the recovery from COVID-19.

SEGMENT INFORMATION

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

The Group's principal operating activities occur in Macau, which is the primary geographic area in which

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

ADJUSTED EBITDA

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

The following table presents the reconciliation of the Group's adjusted EBITDA to (loss)/profit attributable to owners of the Company for the years ended December 31, 2020 and 2019:

	For the year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the year attributable to owners of the Company	(5,201,531)	1,931,228
Income tax expense	10,186	10,462
Net foreign currency gain	(52,024)	(85,190)
Finance costs	1,118,409	1,128,075
Interest income	(9,232)	(21,238)
Operating (loss)/profit	(4,134,192)	2,963,337
Depreciation and amortization	2,467,666	2,564,457
Loss on disposal/write-off of property and equipment and other assets	13,287	14,778
Pre-opening costs ⁽¹⁾ (unaudited)	—	20,548
Corporate expenses (unaudited)	212,933	549,703
Share-based payments	68,583	70,308
Adjusted EBITDA (unaudited)	(1,371,723)	6,183,131
MGM MACAU Adjusted EBITDA (unaudited)	(384,012)	3,819,025
MGM COTAI Adjusted EBITDA (unaudited)	(987,711)	2,364,106

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

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF RESULTS OF OPERATIONS

Financial results for the year ended December 31, 2020 compared to financial results for the year ended December 31, 2019

OPERATING REVENUE

The following table sets forth the operating revenue for the years ended December 31, 2020 and 2019.

	For the year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
MGM MACAU	2,793,858	12,371,138
Casino revenue	2,474,342	11,409,455
Other revenue	319,516	961,683
MGM COTAI	2,302,125	10,393,898
Casino revenue	1,909,739	9,014,008
Other revenue	392,386	1,379,890
Operating revenue	5,095,983	22,765,036

Operating revenue of HK\$5,096.0 million for the year ended December 31, 2020 was 77.6% lower than the prior year. This decrease was caused by the impact of the COVID-19 related closures and restrictions on travel and capacity at our facilities as described above.

MANAGEMENT DISCUSSION AND ANALYSIS

MGM COTAI	For the year ended	
	December 31	
(in thousands, except for number of gaming units, percentage, and REVPAR)	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP table games turnover	22,181,609	113,018,290
VIP gross table games win ⁽¹⁾	551,059	4,049,296
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	2.48%	3.58%
Average daily gross win per VIP gaming table	30.1	201.5
Main floor table games drop	6,892,861	27,395,106
Main floor gross table games win ⁽¹⁾	1,809,847	6,898,379
Main floor table games win percentage	26.3%	25.2%
Average daily gross win per main floor gaming table	25.8	92.8
Slot machine handle	7,454,978	37,087,694
Slot machine gross win ⁽¹⁾	233,176	1,030,491
Slot hold percentage	3.1%	2.8%
Average daily win per slot	1.0	2.4
Commissions, complimentary and other incentives ⁽¹⁾	(684,343)	(2,964,158)
Room occupancy rate	22.4%	91.6%
REVPAR	327	1,428

	As at December 31	
	2020	2019
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	273	262
Slot machines ⁽³⁾	655	1,154

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

⁽²⁾ Permanent table count as at December 31, 2020 and 2019.

⁽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 year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
VIP gross table games win	1,648,511	9,694,375
Main floor gross table games win	3,623,441	14,938,445
Slot machine gross win	560,705	2,248,201
Gross casino revenue	5,832,657	26,881,021
Commissions, complimentaries and other incentives	(1,448,576)	(6,457,558)
Casino revenue	4,384,081	20,423,463

Casino revenue decreased year-over-year by 78.5% to HK\$4,384.1 million in 2020. The decrease was primarily due to the impact of the COVID-19 related closures and restrictions on travel and capacity at our facilities which affected all components of our operations. The components of our gaming operations were:

VIP Gaming Operations

Our VIP gross table games win decreased year-over-year by 83.0% to HK\$1,648.5 million in 2020. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI decreased by 82.6% to HK\$32,225.5 million and 80.4% to HK\$22,181.6 million during the current year, respectively.

Main Floor Table Gaming Operations

Main floor gross table games win decreased year-over-year by 75.7% to HK\$3,623.4 million in 2020.

Slot Machine Gaming Operations

Slot machine gross win decreased year-over-year by 75.1% to HK\$560.7 million in 2020. Similarly, slot machine handle in MGM MACAU and MGM COTAI decreased by 71.1% to HK\$9,105.9 million and 79.9% to HK\$7,455.0 million during the current year, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER REVENUE

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased year-over-year by 69.6% to HK\$711.9 million in 2020. These sources of revenue were also directly impacted by the temporary closures and subsequent substantial decrease in inbound tourists, compared to the prior year. As a measure to relieve the economic stress during COVID-19 for our retail tenants, especially the local SMEs, certain rent relief was provided during the year.

OPERATING COSTS AND EXPENSES

The major operating costs and expenses for the years ended December 31, 2020 and 2019 were:

	For the year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
Gaming taxes	2,404,651	10,615,274
Inventories consumed	290,639	677,086
Staff costs	2,916,868	3,722,251
Loss allowance on trade receivable, net	92,642	28,267
Other expenses and losses	1,057,709	2,194,364
Depreciation and amortization	2,467,666	2,564,457
Finance costs	1,118,409	1,128,075
Income tax expense	10,186	10,462

Gaming tax

Gaming tax decreased year-over-year by 77.3% to HK\$2,404.7 million in 2020. This decrease was attributable to the lower gross gaming revenue generated during the current year.

Inventories consumed

Inventories consumed decreased year-over-year by 57.1% to HK\$290.6 million in 2020. This decrease was attributable to the substantial reduction in consumption of food and beverage and other supplies in response to the reduced business activities.

Staff costs

Staff costs decreased year-over-year by 21.6% to HK\$2,916.9 million in 2020. To mitigate the impact of the COVID-19 pandemic, we have taken a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change, and introducing voluntary unpaid leave during the current year, while preserving local jobs in response to requests of the Macau Government.

Loss allowance on trade receivables, net

Loss allowance on trade receivables, net, increased by 227.7% from HK\$28.3 million in 2019 to HK\$92.6 million in 2020. The increase was primarily driven by higher expected credit losses arising from the COVID-19 pandemic.

Other expenses and losses

Other expenses and losses decreased year-over-year by 51.8% to HK\$1,057.7 million in 2020, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 69.8% from HK\$658.9 million in 2019 to HK\$199.0 million in 2020. The decrease resulted from reduced marketing activities being organized during the current year in light of decreased number of visitors due to travel restrictions.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 77.3% from HK\$412.1 million in 2019 to HK\$93.3 million in 2020. This decrease primarily resulted from lower revenue generated during the current year.

Depreciation and amortization

Depreciation and amortization remained constant for the current year as compared to the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Total finance costs were HK\$1,118.4 million in 2020 compared to HK\$1,128.1 million in 2019. Whilst the amounts were comparable between the two years, there were variations in composition principally being:

- HK\$763.3 million of interest on unsecured senior notes in 2020 compared to HK\$413.2 million in 2019;
- HK\$253.2 million of interest on unsecured credit facilities in 2020 compared to HK\$106.3 million in 2019; and
- HK\$380.2 million of interest on secured credit facilities and HK\$171.1 million of loss on extinguishment of debt in 2019 as a result of the replacement of the Senior Secured Credit Facility in August 2019. There are no such transactions in 2020.

Income tax expense

Income tax expense in the current and prior years primarily related to the provision for Macau dividend withholding tax.

LOSS/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss/profit attributable to owners of the Company decreased significantly from a profit of HK\$1,931.2 million in 2019 to a loss of HK\$5,201.5 million in 2020. This decrease was attributable to the substantial reduction in activity in the current year as a result of the COVID-19 pandemic related closures and restrictions as described above.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL RESOURCES

As at December 31, 2020, our cash and cash equivalents, and available undrawn credit facilities were HK\$2.64 billion and HK\$6.90 billion, respectively. These balances are available for operations, implement the planned new development activities and enhancement of our properties, and respond 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 December 31, 2020 and 2019.

	As at	
	December 31 2020 HK\$'000	December 31 2019 HK\$'000
Borrowings, net of debt finance costs	21,155,040	16,604,526
Less: cash and cash equivalents	(2,635,511)	(3,270,296)
Net debt	18,519,529	13,334,230
Total equity	5,017,664	10,460,134
Total capital ⁽¹⁾	23,537,193	23,794,364
Gearing ratio	78.7%	56.0%

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

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP CASH FLOWS

The following table presents a summary of the Group's cash flows for the years ended December 31, 2020 and 2019.

	For the year ended	
	December 31	
	2020	2019
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(2,969,889)	4,333,610
Net cash used in investing activities	(831,958)	(1,329,881)
Net cash generated from/(used in) financing activities	3,162,555	(3,725,343)
Net decrease in cash and cash equivalents	(639,292)	(721,614)
Cash and cash equivalents at the beginning of the year	3,270,296	3,992,107
Effect of foreign exchange rate changes, net	4,507	(197)
Cash and cash equivalents at the end of the year	2,635,511	3,270,296

Net cash (used in)/generated from operating activities

The significant reduction in operating cash flow for the current year compared to the prior year was caused primarily by the COVID-19 related closures and restrictions.

Net cash used in investing activities

Net cash used in investing activities was HK\$832.0 million in 2020 compared to HK\$1,329.9 million in 2019. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$838.8 million and HK\$1,122.0 million in 2020 and 2019, respectively. Other significant payments in 2019 included an amount of HK\$213.6 million related to the extension of the Sub-concession from April 1, 2020 to June 26, 2022.

Net cash generated from/(used in) financing activities

Net cash generated from financing activities was HK\$3,162.6 million in 2020 compared to net cash used in financing activities of HK\$3,725.3 million in 2019.

The net cash generated from financing activities in the current year was primarily due to:

- HK\$3,876.2 million of proceeds from the issuance of the 2025 Notes;
- HK\$770.0 million net draw down on the Revolving Credit Facility; partially offset by
- HK\$1,022.2 million of interest payments;
- HK\$315.4 million of dividends paid being the final declared dividend for the year ended December 31, 2019; and

- HK\$107.0 million of debt finance costs paid.

Net cash used in financing activities in the prior year was primarily due to:

- HK\$13,860.0 million of net repayments of the Senior Secured Credit Facility and Revolving Credit Facility;
- HK\$821.6 million of interest payments;
- HK\$486.4 million of dividends paid; and
- HK\$309.9 million of debt finance costs paid; partially offset by
- HK\$11,772.5 million of proceeds from the issuance of the 2024 Notes and 2026 Notes.

CAPITAL COMMITMENTS

As at December 31, 2020, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at	
	December 31 2020 HK\$'000	December 31 2019 HK\$'000
Contracted but not accounted for	273,361	110,651

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at December 31, 2020 and 2019, the Group had given bank guarantees totaling HK\$1,095.2 million in relation to the Sub-concession, land concession and other operating purposes.

The Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at

MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to keep defending its position that it is not liable with respect to these claims. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

INDEBTEDNESS

	As at	
	December 31 2020 HK\$'000	December 31 2019 HK\$'000
Unsecured Senior Notes	15,505,800	11,687,070
Unsecured Credit Facilities	5,970,000	5,200,000
Less: debt finance costs	(320,760)	(282,544)
Total borrowings	21,155,040	16,604,526

UNSECURED SENIOR NOTES

2024 Notes and 2026 Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. The net proceeds from the issuance were used to pay down outstanding borrowings under the Senior Secured Credit Facility. 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.

The 2024 Notes and 2026 Notes are general unsecured obligations of the Company. The 2024 Notes and 2026 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The 2024 Notes and 2026 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 2024 Notes and 2026 Notes.

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 2024 Notes and 2026 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 2024 Notes and 2026 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

2025 Notes

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million. 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.

The 2025 Notes are general unsecured obligations of the Company. The 2025 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness, including the 2024 Notes and the 2026 Notes and any outstanding obligations under the Revolving Credit Facility and the Second Revolving Credit Facility. The 2025 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 subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the 2025 Notes.

MANAGEMENT DISCUSSION AND ANALYSIS

The 2025 Notes were issued pursuant to an indenture, dated June 18, 2020, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The 2025 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 2025 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

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

UNSECURED CREDIT FACILITIES

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

Senior Secured Credit Facility, which was cancelled on August 14, 2019, and for ongoing working capital needs and general corporate purposes of the Group.

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

As at December 31, 2020, the Group had total available undrawn unsecured credit facilities of HK\$6.90 billion.

Principal and Interest

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

As at December 31, 2020, HK\$5.97 billion of the Revolving Credit Facility was drawn. HK\$3.78 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 2020, the Group paid interest at HIBOR plus 2.75% per annum. As at the date of this report, HK\$6.87 billion of the Revolving Credit Facility was drawn.

General Covenants

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

Financial Covenants

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The amendments of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
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 accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

⁽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.

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2020 and 2019.

Mandatory Prepayments

Pursuant to the Revolving Credit Facility and the Second Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require

the prepayment in full of the Revolving Credit Facility or Second Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand

Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility and the Second Revolving Credit Facility contain certain events of default, including loss of concession (as defined therein) and certain insolvency related proceedings relating to the Group.

Security and Guarantees

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

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 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 years ended December 31, 2020 and 2019.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 expenses, including reducing or deferring of certain capital expenditures that we had planned to begin during the year, 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, including the development of the MGM COTAI South Tower suites which are expected to open in mid-2021.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2020, the Group employed 10,364 (2019: 11,092) 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.

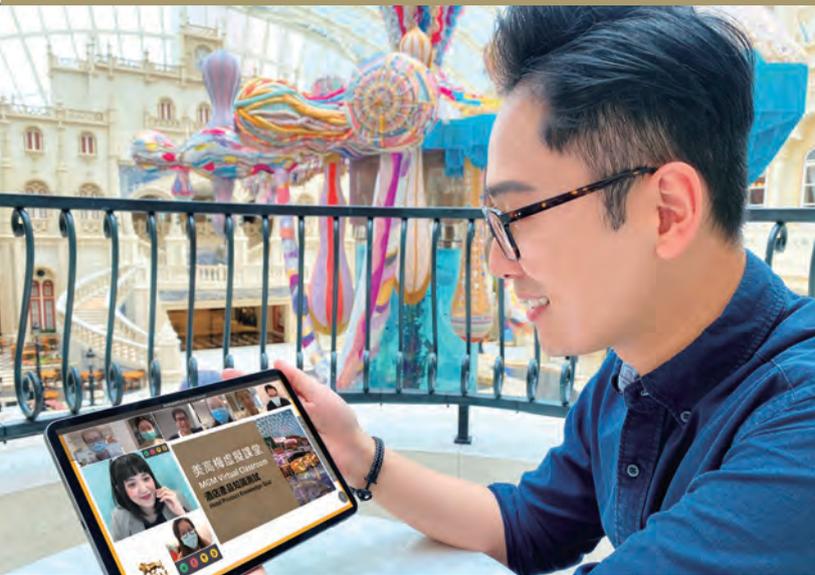
In addition to the above performance incentives, it is customary in Macau to provide additional months of salary to line staff during the Chinese New Year period as a gratuity for their hard work during the year. Such additional bonus is subject to the Board's discretion.

澳門國際龍舟賽

Regatas Internacionais de Barcos
Macao International Dragon Boat



SUSTAINABILITY



An Experience of a Life-time
with MGM China

SUSTAINABILITY

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

Reporting Framework & Scope

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

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

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

OUR APPROACH TO SUSTAINABILITY

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

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

MGM SUSTAINABILITY POLICY

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

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

SUSTAINABILITY

FOCUSING ON WHAT MATTERS

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

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

SUPPORTING GLOBAL GOALS

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

COMMITMENT TO RESPONSIBLE BUSINESS

SUSTAINABILITY GOVERNANCE

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

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

We are proud of our team members who actively volunteer their time to help fulfil our role as a corporate citizen in community engagements to shape a better Macau. In 2020, we held 96 different community events and dedicated 20,000 hours to volunteering, benefiting more than 7,000 people in needs.

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

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

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

Table 1: Stakeholder Engagement Process

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

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

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

SUSTAINABILITY

PRIVACY POLICY AND PRODUCT RESPONSIBILITY

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

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

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

BUSINESS CONDUCT

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

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

The Code of Conduct is also supplemented by the Internal Control Standards – Anti-Money Laundering (“AML”), Combating Financing of Terrorism (“CFT”) & Combating Proliferation Financing (“CPF”) Policy (the “AML Risk Assessment Policy”), being an essential component of the Group’s compliance system that applies to all employees in MGM Grand Paradise and its subsidiaries as it provides a framework for compliance with currency transaction requirements, ensuring compliance with all the applicable anti-money laundering laws and regulations. MGM Grand Paradise has established an AML Compliance Committee and a compliance plan with the purpose of minimizing the risks that any activities of MGM Grand Paradise or any of its affiliates would impugn the reputation and integrity of the gaming industry in general and that of the specific jurisdiction in which MGM Grand Paradise maintains gaming operations. MGM Grand Paradise’s AML program consists of applicable internal controls, AML risk assessment, training programs, independent testing, as well as policies and standard operating procedures.

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

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

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

In 2020, the Group was in compliance with all applicable laws and regulations. Further, there have been no legal cases regarding corrupt practices brought against us or our employees during 2020.

COMMITMENT TO SOCIAL RESPONSIBILITY

EMPLOYEES

Recruitment and development

We have invested heavily in building a formidable pool of talent for Macau in order to support our city's position as a tourism education and training base for the Greater Bay Area. In 2020, we have provided more than 460,000 training hours with an average of over 44 hours per team member, outperforming our industry peers. Our initiatives go hand in hand with the Macau Government's direction in local development. Our team members are given a wide spectrum of vertical and horizontal career mobility options, complete with comprehensive training and developmental opportunities to help them reach their full potential and career growth. Today, 92% of MGM China's management team are Macau locals.

In support of the Macau Government's effort to develop Macau into a tourism education and training base in the Greater Bay Area, MGM China provides a spectrum of learning opportunities for team members to acquire professional knowledge and skills in respective areas and from the following three major categories :

1. **Local Leadership Development** – PRIDE Program, completed 3 tracks in 2020 – Managerial, Specialist & Supervisory Tracks;

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

CASE STUDY: Graduated from High School Together

A total of 25 team members graduated from MGM High School Diploma Program this year, making it the largest group of graduates ever since Escola Secundária Luso-Chinesa de Luís Gonzaga Gomes started collaborating with local gaming operators. Five of them will proceed to post-secondary education at universities in Macau and mainland China to pursue their bachelor degrees.



CASE STUDY: Professional Workforce Development Series with DSAL

MGM China collaborated with the DSAL to launch the “Professional Workforce Development Series” for an estimated 5,000-plus team members. The series offered professional trainings in three major areas, namely “Occupational Quality Training”, “Professional Certification” and “Career Development Program”. It also featured the brand new “Food and Beverage Occupational Quality Training”, making MGM China the first integrated resort hotel to organize training in this aspect with DSAL and Macao Federation of Trade Unions.



CASE STUDY: Organize Seminars to Inspire Team Members

In 2020, MGM China hosted a series of seminars with renowned speakers from different sectors of the community to share topics from national policies, Macau’s anti-pandemic experience to the tourism and economic development of the city, aiming to bring new insights and inspirations to over 1,000 team members.



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The culture of learning continues for MGM China's team members notwithstanding operational difficulties caused by the pandemic. MGM China introduced virtual classroom developed by a local young entrepreneur, Yorkshire Online Academy. On top of the existing 6,500 eLearning courses at MGM eAcademy, the virtual classroom transformed traditional classroom courses to distance learning mode and offered a series of new practical courses, which had attracted the registration of over 1,000 team members on this platform.

While everyone stayed home during the critical times, besides the provision of 24-Hour Employee Assistance Hotline to support its team members and family, MGM China stayed in touch with team members via communication app "Service Now", MGMSHare Facebook, email and SMS to disseminate anti-pandemic information and messages to them. A total of 25 videos of different topics have been produced sending greetings to team members and reminded them to pay attention to hygiene and health. The Company also organized volunteer team members who stayed home to chat online with members of Long Cheng Center of the Fuhong Society of Macau, sending them care and sharing tips of pandemic prevention.



DIVERSITY AND EQUAL OPPORTUNITY

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

Diversity and Equal Opportunity: We support equal opportunities and diversity in our workforce, knowing that a diverse team is a stronger team. In 2020, we have employees of more than 33 different nationalities with a gender ratio of 52% male and 48% female.

Workplace equality is indispensable for social inclusion. As part of our endeavor to create a cohesive company culture, we have over 40 disadvantaged team members serving at different departments, enabling them to unleash their potentials and pursue continuous development. In 2020, we harvested a total of 29 HR accolades from international and regional renowned institutions. In the PATA Gold Awards 2020, we have scored the Grand Award in the Human Capital Development Category in recognition of our “Unleashing Greatness” project, making us the first integrated resort and hotel operator in Macau to receive the Grand Award. The new accolade represents the another remarkable achievement of the Company after it earned the PATA Gold Award in Corporate Social Responsibility in 2018.

Other awards included the global BEST Award from the Association of Talent Development, “2020 APAC Digital Learning Program Best Practice Award” by Asia’s leading HR technology institution aTalent and “Best Employer of Year 2020” from China’s leading HR service platform VeryEast. MGM’s series of anti-epidemic efforts also received the recognition of “Outstanding Enterprise in Fighting the COVID-19 in 2020”.



SUSTAINABILITY

HEALTHY, SAFETY AND WELLBEING

MGM China organized the “Healthy Workplace Happy Life” activity with the support of DSAL, Macao Federation of Trade Unions and Women’s General Association of Macau. Comprising of a series of fun happenings, including seminars, design competitions, fitness classes and roadshows, the activity aims to remind team members of work safety and personal wellness, with the theme of “Zero Work Injury, We All Have Responsibility.”



MGM China’s Dragon Boat Team participated in Macao International Dragon Boat Races for 12 consecutive years. In 2020, a total of 59 our team members formed the Dragon Boat Team and split into two sub-teams to compete across 4 categories. The women’s team delivered impressive performance and won the first runner-up in the Macao Standard Dragon Boat Race – Women Category (500m). The accomplishment demonstrates once again the exceptional capability and perseverance of the Golden Lion Team.



SUPPLIERS AND BUSINESS PARTNERS

CODE OF CONDUCT, SAFETY AND HYGIENE STANDARDS

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

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

PROCUREMENT

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

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

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

SUPPORTING LOCAL SMALL AND MEDIUM-SIZED BUSINESSES

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

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Our success in achieving greater supplier diversity has been evident since we set up our MGM SME Advisory Committee in 2015. At present, over 23% of our total procurement spending goes to local SMEs and 85% of our total procurement spending goes to local Macau enterprises. We stay at the forefront of bringing SMEs to the mainland China and global audience and paving the way for local creative industries to cooperate with us.

The pandemic has posed difficult times to businesses across the globe, especially to the SMEs. Determined to support local SMEs, MGM China was the first integrated resort in Macau to waive 15 days of basic rent for all MGM MACAU and MGM COTAI retail tenants in February 2020.

To increase the SMEs' cash flow, "MGM SME Anti-Epidemic Support Program" was launched with measures including "Down Payment for Future Business" and "14-day Fast-track Payment", the first-of-its-kind assistance offered by an integrated resort in Macau. The former targeted to help selected local SME vendors which are facing financial stress amid the economic slowdown, and the latter was to pay all MGM China's local SME vendors within 14 days upon receiving their deliverables.



MGM China signed a Memorandum of Understanding with Macau enterprise — Macaufacture Medical Supplies Limited (“MMSL”) on its purchase of 300,000 locally produced “853 brand” surgical face masks, which demonstrates MGM China’s pledge to support local SMEs and emerging industries as well as to give credence to Macau brands and “Made in Macau” products. As the city’s first large enterprise to collaborate with MMSL, MGM China once again offers practical support to local brands as part of its effort to promote Macau’s economic diversification.



MGM China partnered with over 60 local SMEs to launch three rounds of employee exclusive shopping programs, namely the “Cheer Up Macau Shopping Programs” and the “MGM Jetso Program for Creative SME”. Composed of enterprises of different categories, such as retails, dining, creative crafts and technologies, these shopping programs aimed to support local brands and SMEs through exclusive discount to team members and provided a sales platform for SMEs.



SUSTAINABILITY

GREATER BAY AREA OPPORTUNITIES

Marking the second year of co-organizing the “Work Hand-in-Hand to Explore Greater Bay Area Opportunities” event series, MGM China and The Industry and Commerce Association of Macau (“ICAMO”), hosted a series of activity, including a seminar, a local product fair, and a livestreaming in September 2020. Both parties took an extra mile to organize a trade show at Fuhuali, Zhuhai in November 2020. Showcasing local brands, creative products and local designs of Macau, the trade show aimed to introduce local SMEs to the Greater Bay Area (“GBA”) market. At the same occasion, the guests and exhibitors were invited to visit Zhuhai Brief, MGM China’s share service center, where they learned about taxation system, laws and procurement procedures in the GBA.



CASE STUDY:

To help young entrepreneurs to search for the right strategies to connect with the market, MGM China joined hands with Parafuturo de Macau (“PFM Macau”) and Macao Young Entrepreneur Incubation Center (“MYEIC”) to launch the “MYEIC x MGM Young”, which finished four sessions in 2020, covering the tailored guidance from MGM China’s management representatives on branding and marketing, information technology, human resources, hotel operations and purchasing. The program is also enriched with on-site inspections of MGM China’s properties, so as to get the young entrepreneurs acquainted with the operations of a large enterprise.



CASE STUDY: Bringing-forth Products from Portuguese-speaking Countries to Macau Market

MGM China and Charlestrong Café Companhia Limitada signed a co-operation agreement, which made MGM China the first large enterprise to purchase organic East Timor specialty coffee from Macau's original brand Café Dilly. This cooperation exemplified how Macau utilizes its position of Commercial and Trade Co-operation Service Platform between China and Portuguese-speaking Countries.



CASE STUDY: Promotes M-Mark to Stimulate Macau Industrial Transformation

One of the highlights of the Macau Government's policy address is to promote quality accreditation for Macau products. With the aim of promoting Macau Product Quality Certification ("M-Mark") Scheme to SMEs, MGM China partnered with Industrial Association of Macau and Macau Productivity and Technology Transfer Center ("CPTTM") to visit the Company's SME vendors. The first phase covered 5 high potential SMEs to learn more about their individual business situation and encourage them to participate in the scheme in order to enhance their competitiveness.



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COMMUNITY

While we adhere to our corporate culture of “Developing the City and Building our Community”, we believe we can do more than volunteer activities. Aiming to build lasting friendships with our community, we focus on the continuity of our community activities to grow together with our friends.

COMMUNITY ENGAGEMENT

MGM China donated 500,000 face masks to the Macau Government to support its mask distribution scheme. The Company also donated 100,000 children-sized masks and health checking robots to the Women’s General Association of Macau. Both parties collaborate to launch the “Guardian of Love” program to distribute masks to eligible children and help monitor their health.

MGM China also partnered with various community partners to deliver support for those in need. MGM China supplied frontline staff with masks, disposable caps and other necessary items, in partnership with Macau Federation of Trade Unions of Macau (“FAOM”), General Union of Neighborhood Associations of Macau (“UGAMM”) and Caritas Macau. The Company also donated anti-pandemic supplies to community organizations, including Tung Sin Tong, Holy House of Mercy, FAOM, UGAMM, Fuhong Society of Macau and Caritas Macau, which benefitted local community services and underprivileged families.



Besides anti-pandemic supplies, MGM China prepared 1,000 supply kits for solitary and vulnerable elderly in need to reduce their risk of infection. Each supply kit includes hand sanitizer, toilet paper, noodles, oatmeal and other daily necessities, and were distributed via FAOM, UGAMM and Caritas Macau. In collaboration with Sheng Kung Hui Macau Social Services Coordination Office, MGM China also distributed 800 sets of learning kits to families with special needs, to help children enhance their self-care and learning abilities despite class suspension during the pandemic and reduce parental stress.

In addition to expressing our appreciation to the medical staff in Hubei, MGM China also co-organized the “Sweet Indulgence in Appreciation to the Angels in White” campaign on this year’s International Nurses Day with the Women’s General Association of Macau, the Nurses Association of Macau and the Association of Building a Good Home Together. The campaign aimed to show extra appreciation to our nurses by distributing 3,000 sets of MGM China-sponsored gifts.



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As the pandemic has also raised concern over the hygiene of public areas, MGM China launched the “MGM SME Anti-Epidemic Support” program, a win-win initiative engaging a local SME cleaning company to carry out cleaning and sterilizing work for 150 SMEs to create a clean environment for a fresh start. The Company also provided cleaning services to daycare centers, social enterprises, sheltered workshops, vocational training centers, treatment and educational centers of Women’s General Association of Macau, Fuhong Society of Macau, Association of Parents of the People with Intellectual Disabilities of Macau, Macau Special Olympics and Macau Caritas, to ensure a hygienic environment for different communities.



To revive local tourism, MGM China joined the “Macao Ready Go! Local Tours” launched by the Macao Government Tourism Office between June and September in 2020 to give residents economical options to explore the city. The MGM COTAI Spectacular Tour took the participants to a tour of MGM COTAI followed by The Experience show as well as behind-the-scenes visit at the MGM Theater and savored a dining experience at restaurants of MGM COTAI.



Macau Government commenced the “DSAL Skills Upgrading and Employment Training Program” series to help locals to acquire new skills that can facilitate job hunting. MGM China lent its full support to the program, offering mentorship and experiential learning to participants of four culinary courses. The Company committed its resources to enhancing the occupational skills for 120 locals, so that they are prepared for opportunities that may arise when the economy rebounds.



CASE STUDY: Continuing the Philanthropic Traditions

MGM China organized the 9th “Spring Clean for Love” at the Centro de Dia Brilho da Vida of Caritas Macau, where a group of 200 MGM Volunteers helped clean 220 households of senior citizens at the Fai Chi Kei housing unit. MGM China’s another CNY tradition – “Haircut for Love” program also took place several times to give fresh makeover for the seniors.



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CASE STUDY: MGM Community Care Campaign

Held for the 9th consecutive year to spread warmth and care to the community, this year the “MGM Community Care Campaign” collaborated with 20 community associations and has benefitted over 300 youth and children. MGM team members spent a total of almost 1000 volunteering hours to encourage the younger generation to give back to society and develop a closer relationship with their family and the community.

The Campaign featured an array of heartwarming activities, including “The MGM Experience”, which gave teenagers hands-on work experience at an integrated resort and an opportunity to volunteer in the community; the “MGM Floral Design Workshop”, which offered teenage girls from Sheng Kung Hui Macau Social Services Coordination Office an opportunity to learn floral arrangement; the “MGM Children’s Health Day”, where professionals from Worker’s Medical Clinic of FAOM were invited to provide free body check-ups for 200 children; the “Inclusion Baking Workshop” where volunteers created a great bond with their children and Macau Special Olympics members; the “Clothing and Toys Donation” that transferred collected items from MGM China’s team members to Macau Salvation Army and Happy Market of Fuhong Society of Macau; and the “Blood Donation”.



INSPIRING THE NEXT GENERATION

For over a decade, MGM China has joined forces with government departments and local institutions to introduce internship programs for local youth. In 2020, the Company especially lent its full support to “Fresh Graduate Internship Program”, an initiative of DSAL, to provide internship programs for 22 fresh university graduates. MGM China is also the only large-scale integrated resort operator to support “Summer Internship Program” launched by Education and Youth Affairs Bureau for six consecutive years, and to date, over 60 university students have joined this program. In addition, for 8 consecutive years, the Company has held “MGM High School Internship Program” supported by Escola Luso-Chinesa Técnico-Profissional and Macau Productivity and Technology Transfer Center to advocate early career planning which attracted a total of over 80 participants.



As part of Macau University of Science and Technology (“MUST”)’s 20th Anniversary celebration, MGM China and MUST co-organized a Culinary Demonstration Workshop for students of the School’s Faculty of Tourism and Hospitality Management. Ugo Rinaldo, Executive Sous Chef of MGM COTAI was invited to demonstrate some culinary techniques and share insights of the industry, which benefited the student’s professional growth in the field.



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MGM China’s signature summer program for children, “Junior Lion Dance Training Program”, came to its sixth edition this year. A graduation ceremony took place in September 2020 for the 40 new graduates, celebrating their completion of the intensive seven-week training. An ideal occasion for young children to learn about lion dance, a significant part of Lingnan culture, the Program trains the children to be good team players with self-discipline and get physically fit through a series of fun-packed activities. To date, MGM China has trained nearly 380 future lion dance masters, and 80 of them even joined the “Junior Lion Dance Continuous Training Program” to continue their journey.



INNOVATIVE SERVICE OFFERINGS FOR THE COMMUNITY

MGM China partners with Sheng Kung Hui Macau Social Services Coordination Office (“SKH”) to introduce the first community-wide speech therapy service vehicle in the Greater Bay Area, the “Ü CARE Moving Care and Service Shuttle”. The vehicle will tour around local community to provide consulting, case referrals and students on language development for children and families in need.



MGM China joined hands with Fuhong Society of Macau to provide a series of food and beverage related vocational trainings to the mental health rehabilitants of Fuhong Society of Macau, who are working at the restaurant Portuguese Corner, the latest vocational training project at its Po Choi Center. With the aim of pushing the operations towards a more professional standard, MGM China sent its chefs and service team to conduct a series of trainings, including core-service procedures, service manners and culinary trainings.



CASE STUDY: Cultivating Dancing Talents

MGM China and Macau Dance Association invited Shi Qianjin, President of Guangzhou Dancers Association, who is also the director of the National Day Celebration's official ethnic dance drama "Awakening Lion", to host a sharing session for local dance enthusiasts. Aiming at nurturing local artists and promoting the art of dancing to the general public, Mr. Shi shared the creativity behind the masterpiece as well as an analysis on current art marketing trends.



SUSTAINABILITY

CASE STUDY: Instills Craftsmanship into Team Members and Community

MGM China collaborated with Guangdong Federation of Trade Unions and Macau Federation of Trade Unions to kick off the “Fostering & Nurturing Great Craftsmanship in Greater Bay Area (Macau)” initiative and hold the “Sharing Session on Nanyue Craftsmanship”. The three parties signed a memorandum of understanding, making craftsmanship part of MGM China’s talent development programs and organized the “Craftsmanship Training Course” for frontline staff, where they learned from professional speakers arranged by Guangdong Federation of Trade Unions. The two events benefited 300 MGM China’s frontline team members and individuals from different organizations. At the community level, MGM China joined forces with trade unions and schools to impart the spirit of craftsmanship to the younger generation, which drew a total of nearly 300 teachers and students. The efforts will help Macau nurture a pool of talents with craftsmanship traits, which would eventually enrich the quality of culture in the Greater Bay Area.



CHARITABLE CONTRIBUTIONS

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

Charitable Contribution for Pandemic in 2020

- MOP20 million to Hubei province for purchasing preventive and medical supplies, as well as urgent-needed materials and equipment to fight against the pandemic.
- Donated 500,000 face masks to the Macau Government to support the Macau Government's mask distribution scheme, and also donated 100,000 children-sized masks and health checking robots to the Women's General Association of Macau for distributing to eligible children and help monitor their health.
- Became the first integrated resort to answer the Macau Government's call to waive 15 days of basic rent, for all MGM MACAU and MGM COTAI retail tenants.
- Donated 1,000 supply kits for solitary and vulnerable elderly in need to reduce their risk of infection due to going out, and were distributed via FAOM, UGAMM and Caritas Macau.
- Donated 800 sets of learning kits to families with special needs, to help children enhance their self-care and learning abilities despite class suspension during the pandemic and reduce parental stress in collaboration with Sheng Kung Hui Macau Social Services Coordination Office.
- Distributed 3,000 sets of MGM China-sponsored gifts to all nurses in Macau with Women's General Association of Macau, the Nurses Association of Macau and the Association of Building a Good Home Together, for expressing the greatest gratitude for their hard work and steadfast dedication that protect our city from the pandemic.

Charitable Contribution for Annual Donation in 2020

- MOP300,000 to the Macau Holy House of Mercy's Welfare Shop project, financing the distribution of food hampers to over 360 local disadvantaged households. We have contributed a total of MOP2.3 million to this charitable good deed for the 8th consecutive year, benefitting 7,900 people.
- In support of Tung Sin Tong Charitable Society's annual fundraising campaign for the 13th consecutive year, we donated MOP600,000 to assist in their provision of local welfare services at large, bringing its total commitment to the Society to MOP6 million.
- For the 13th consecutive year, we donated MOP600,000 to Macao Daily News Readers' Foundation to support the "Walk for a Million" campaign.

SUSTAINABILITY

CASE STUDY: Helping the Community to Ward Off Typhoons

Since Typhoon Hato's attack in 2017, every year MGM China will get the community prepared before the typhoon season. In 2020, the "Together, We Fight the Pandemic and Storms" activity was held with the support of the Family and Integrated Community Service Center of Seac Pai Van of the General Union of Neighborhood Associations of Macau ("UGAMM"). With the aim of equipping the elderly for the typhoon season and the pandemic, over 60 MGM volunteers conducted home cleaning, distributed daily necessities, and provided house safety inspections and haircuts for 50 single elderly households.



SPEARHEADING THE REGIONAL ART AND CULTURAL DEVELOPMENT

With originality and state-of-the-art technology, MGM China presented Sea Odyssey, a brand-new innovative entertainment allowing audience to submerge in the underwater wonderland. Flying dolphins, sea horse and other sea creatures swim in the air at the Spectacle of MGM COTAI and Grande Praça of MGM MACAU. With animation of the mysterious ocean shown on the 25 LED screens of the Spectacle, the vibrant space turned into a deep-sea adventure as well as the best selfie spot in town.



As the year of 2020 saw the 250th anniversary of music maestro Ludwig van Beethoven's birth and the 50th Anniversary of Earth Day, MGM China partnered with Macao Orchestra to take classical music out of the solemn concert halls – together they presented the “Celebrating the 50th Anniversary of Earth Day: A Tribute to Nature” at MGM COTAI, with the Orchestra performing Beethoven's Symphony No. 6 in F major, Op. 68 “Pastoral” under the world-renowned roof of the Spectacle. Right before Christmas, both parties joined hands once again for a live festive symphony concert in which the crowd's favorite “Sea Odyssey” also took part with a festive makeover, where the beloved flying dolphins were gliding in the air with the reverberating rhythm of Saint-Saens' “Aquarium” from “Carnival of Animals” to kick-start this unique concert experience.



The installation art Valkyrie Octopus was created by renowned Portuguese artist Joana Vasconcelos commissioned especially for MGM MACAU in 2015, which is her largest piece of artwork to date. In order to exemplify Macau as a World Center of Tourism and Leisure as well as the economic and trade cooperation platform for China and Portuguese-speaking countries, MGM China and Joana Vasconcelos joined hands to take Valkyrie Octopus on touring exhibitions in the Belt and Road countries for the sake of promoting cultural exchange in an international level. In 2020, Valkyrie Octopus celebrated its homecoming to MGM MACAU as it explored auspicious essences from all over the world and brought back multiple best wishes from different cultures.

SUSTAINABILITY

Celebrating the return of the gigantic art piece and the 15th anniversary of the inscription of “The Historic Center of Macau”, MGM MACAU launched the “Sino-Portuguese Cultural Tour” leading guests into a journey of Sino-Portuguese aesthetics filled with art, architecture, music, gastronomy and craft.



The new ‘M Art at MGM COTAI is a conceptual creative space which endeavors to promote aesthetical beauty and creativity. It creates a perfect exchange platform for artists and cultural lovers of different background and age to spark art and cultural conversations. ‘M Art brings in different categories of art with the aim to promote the development of local creative industries and nurture local artists through the training of art guides and provide them opportunities to show their artistic talent. In 2020, the space had collaborated with many local artists such as Skic Cheok and Winky Lam, and introduced the “MGM Memory Card” with YCC and Vanda Chan to unleash the creativity and imagination of every visitor of MGM China.



Everybody can be an artist at MGM China. The “Kids Imagination” activity series invited children to team up with their parents in a wonderful array of eye-opening experiences. The “1,2,3 Rock Paper Scissors” engaged little minds aged 5 or above to unleash their imagination by creating Chinese ink paintings with their parents, using coffee ground as pigments in the eponymous game and color it up with the elements of the 24 traditional Chinese solar terms . Children aged 3 or above had fun with their parents in “You Are Monkey King” workshop, where Journey To The Great West by contemporary artist Hung Yi and the literary saga behind the artwork were reinterpreted in an exhilarating way.



CASE STUDY: Macau Debut Show of “Queen of Livestream Sales”

To boost Macau’s tourism industry and aid economic recovery, Ms. Dong Mingzhu, Chairman of Gree Electric which is one of the world’s Top 500 public companies, joined hands with the Secretary of Economy and Finance of Macao Special Administrative Region, Macau Economic Bureau, Macao Government Tourism Office, Macau Trade and Investment Promotion Institute and various industry contributors to organize the first-ever grand livestream show in Macau. MGM Theater was being chosen as the livestream show venue and turned itself into different styles of smart home scenes, boosting a record-breaking sales result of over RMB0.9 billion, the new height of livestream sales in Macau.



SUSTAINABILITY

CASE STUDY: Star-studded Award Ceremonies

The highly regarded awards of Chinese film — the Huading Awards, took place at the MGM Theater in 2020 with the “27th Huading Awards – China’s Top 100 Film Satisfaction Survey Release Ceremony” in October 2020 and the “29th Huading Awards – China’s Top 100 TV Series Satisfaction Survey Release Ceremony” in December 2020. The two star-studded award evenings saw a dazzling constellation of top favorite actors and directors, all gathered at the MGM Theater to wait for the world’s largest permanent indoor LED screen to unveil the list of winners.



RESPONSIBLE GAMING

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

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

CASE STUDY: Holistic Approach to Responsible Gaming

The theme of 2020 Responsible Gaming (“RG”) promotion is “Lost Control, Lose Family”, which emphasizes that RG can make an impact on family well-being. Covering a spectrum of topics, our RG promotions range from roadshows, training programs, workshops & seminars, prized quizzes to family outings. Besides the “Healthy Family Starts with Financial Stability Workshop” conducted by a Sheng Kung Hui speaker, the Company also launched new training program “Let’s Roll RG”, which is an interactive course for team members to learn more about the causes of addiction, RG conducts and financial planning.



SUSTAINABILITY

ANTI-HUMAN TRAFFICKING

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

We address risks associated with human trafficking through three key areas including recruitment, supply chain and community outreach and partnerships. In 2020, we continued to provide training to all employees in new hire orientation as well as to our security department.

COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

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

MGM COTAI attained the ISO 50001:2018 certification for effective energy management systems ("EnMS") in 2020, making all of the Company's properties ISO 50001 certified after MGM MACAU became the first integrated resort to receive ISO 50001 certification in 2016. Since its opening over two years ago, MGM COTAI has been operating in line with the Country's goal of reaching peak emission by 2030 and carbon neutrality by 2060. The property has conducted carbon audit every year and set itself ambitious targets against the goal. In terms of water saving endeavors, MGM COTAI recycles unconventional water at its own site and achieved a utilization ratio of up 12%. In 2020, MGM MACAU and MGM COTAI achieved 31% and 37% reduction respectively in energy use intensity in comparison to Cornell Hotel Sustainability Benchmarking Index and is working towards a target of achieving normalized energy saving of 2% per year.

MGM MACAU also won Gold Award in the "2019 Macao Green Hotel Award", organized by the Environmental Protection Bureau ("DSPA") in collaboration with the Macao Government Tourism Office ("MGTO") in 2020. This accolade not only puts the property on a par with MGM COTAI which achieved gold in 2018, but also mirrors MGM China's devotion to work with different communities under its ethos of "Create a Better Tomorrow Today."

EMISSIONS

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

With energy accounting for approximately 98% of our emissions, our carbon reduction strategy focuses on the rigorous reduction of our emissions from energy sources (see the below “Energy Performance” section for more detail on our efforts to reduce energy consumption, which will also reduce our emissions from energy sources). In 2020, the total greenhouse gas emissions (Scope 1¹ and Scope 2²) were 139,620⁴ tons of CO₂e, a 23% decrease year-over-year, and 64% decrease from 2017.



NATURAL RESOURCE USE

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

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

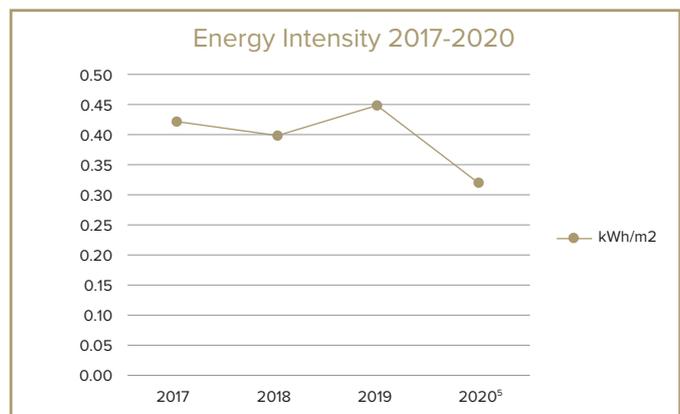
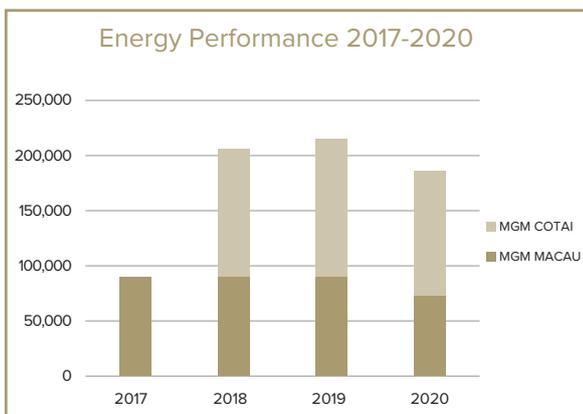
SUSTAINABILITY

Energy Performance

Our energy consumption in 2020 was 186,669⁵ kilo watt hours in thousands (“kWh in 000s”), which included purchased electricity, liquefied petroleum gas (“LPG”), Natural Gas, diesel and gasoline.

Energy type	Amount consumed in 2020 (kWh in 000s)	Energy Unit Consumed Per m2 (Intensity)	Emissions (tons of CO2e) ⁴
Purchased electricity	169,174	0.289	133,746
LPG	11,026	0.019	2,446
Natural Gas	4,670	0.008	932
Gasoline	680	0.001	190
Diesel	1,119	0.002	278

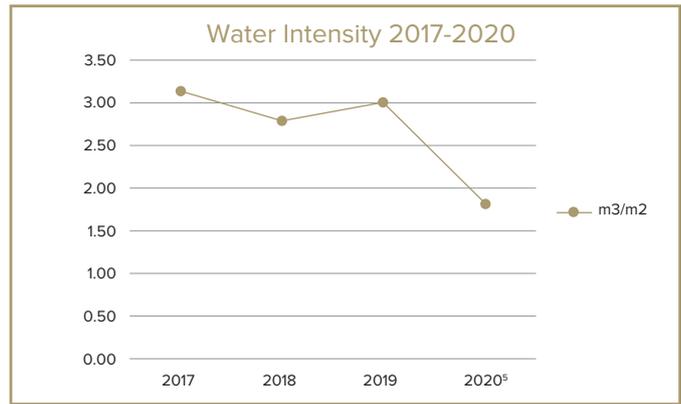
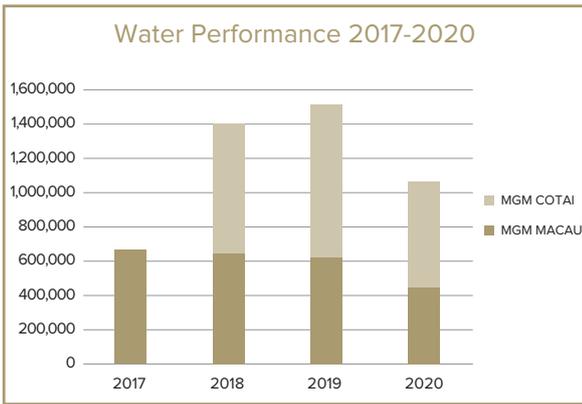
Year-over-year, we have decreased our energy consumption by 12% and 27% since our 2017 baseline³. For MGM Macau, we reduced energy consumption by 18% from our 2017 baseline³. Targeted retrofitting of our properties with more energy efficient equipment and focusing on employee behavior change in favor of energy conservation will continue to be areas of focus.



Water Performance

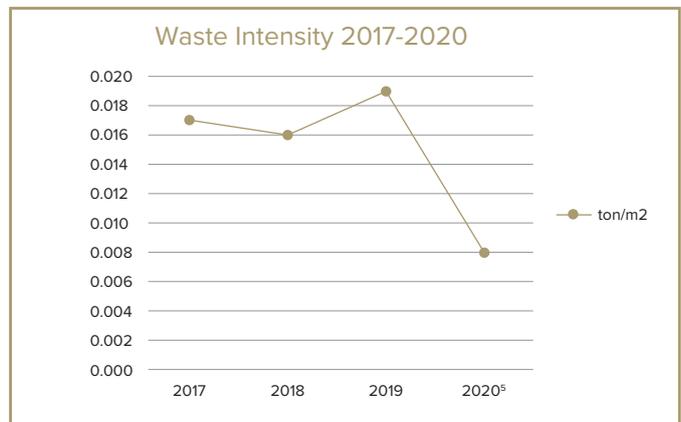
Water scarcity is a pressing and urgent issue for many countries around the world and it is therefore everyone’s responsibility to ensure this vital resource is conserved.

In 2020, we continued to conserve our water usage through our ongoing program of upgrading our fixtures and fittings (for example, shower heads and faucets) with low-flow alternatives, as well as adjusting our flow rates where possible. Throughout the year, we also continued to increase the scope of our water recycling program which serves to recycle the condensate from our air handling units, as well as the cooling tower bleed-off, to be reused for flushing. In 2020, we consumed 1,060,232 m³ of water, 29% decrease (all properties) from 2019 and 65% decrease since our 2017 baseline³.



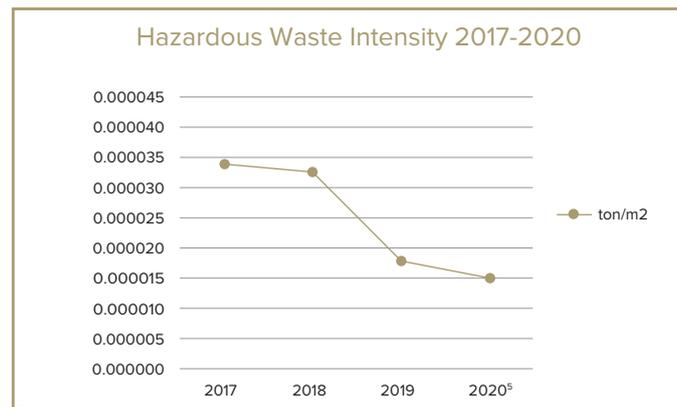
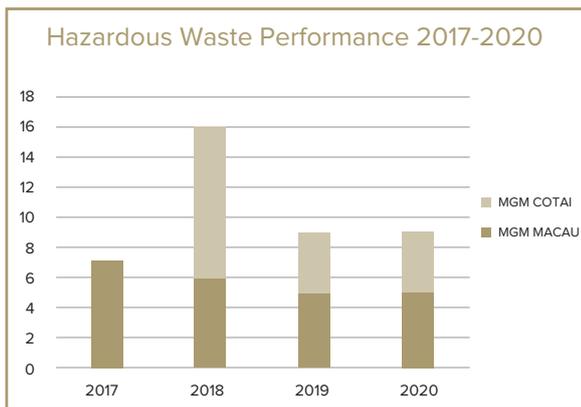
WASTE MANAGEMENT

We recognize the importance of responsible waste management, and endeavor to reduce waste (hazardous and non-hazardous) sent to the landfill and incineration by managing our resources wisely. In 2020, the Group generated 2,013 tons of waste for MGM MACAU and 2,506 tons of waste for MGM COTAI, 51% decrease for MGM Macau and 52% decrease for MGM COTAI year over year.



SUSTAINABILITY

Typical non-hazardous waste includes organic waste, plastics, metals, paper & cardboard, fabrics and textiles. Common hazardous wastes include diesel, compressed gases, oil-based paint, cooking oil, solvent adhesives, dry clean oil, acidic/alkaline and chlorine solutions (for pool water treatment), and batteries. Our hazardous waste management procedure ensures that such wastes are used up or returned to suppliers for safe disposal. Items such as cooking oil, toner cartridges and rechargeable batteries are recycled. In 2020, 0.002% of waste, or 9 tons, was hazardous waste, no change compare to 2019.



GREEN BUILDING AND BIODIVERSITY

MGM COTAI is honored to receive a Three-star Green Building Operation Label, the highest rating under the “China Green Building Label” certification scheme, from the China Green Building and Energy Saving (Macau) Association.

The acclaim is a proud addition to its attainment of a Three-star Green Building Design Label in 2018, which made it the first mega complex in Macau to receive the highest rating in design category. With double honors in its tally, MGM COTAI has become the only mega complex and hotel in Macau to gain three-star certification in both Green Building Design and Operation Label. The achievements have also brought MGM COTAI the glory of being the first hotel in the Greater Bay Area (“GBA”) and second in Greater China to receive the certifications.

Since its opening over two years ago, MGM COTAI has been operating in tune with China's policies on green buildings. In line with the Country's goal of reaching peak emission by 2030 and carbon neutrality by 2060, MGM COTAI has conducted carbon audit every year and set itself ambitious targets against the goal. In terms of water saving endeavors, the property recycles unconventional water at its own site and achieved a utilization ratio of up 12%. In 2019, MGM COTAI achieved a 25% reduction in energy use intensity in comparison to Cornell Hotel Sustainability Benchmarking Index. The property is working towards a target of achieving normalized energy saving of 2% per year.

A keen supporter of green management, MGM China has incorporated eco-friendly elements into its properties from planning, design to daily operation. At both the Grande Praça of MGM MACAU and the Spectacle of MGM COTAI, guests may immerse themselves into the beauty of nature with a great dose of natural lightings through the glass roofs. The surrounding plant walls in the Spectacle also act as an indoor air purifier and air-cooler to optimize the indoor-nature experience. MGM is the first integrated resort operator in Macau to abandon all single-use plastics in takeaway packaging in 2018. Moreover, as a continuous effort to phase out the provision of plastic-bottled water at its properties, 2020 has seen 60.3% more reduction (2.4 million of bottles) as compared to when the initiative first rolled out in 2018. We have also implemented 7 new beverage stations at the gaming floor to further bolster the effort to eliminate bottled water. On top of winning golds in "Macao Green Hotel Award", both MGM MACAU and MGM COTAI attained the ISO 50001:2018 certification for effective energy management systems ("EnMS"). MGM COTAI is also a recipient of the ISO14001:2015 Environmental Management System Certification. Its commitment to green buildings were recognized by major accolades, including a merit honor at Green Building Award, Asia Pacific Innovation Award from International Facility Management Association (IFMA) and ASHRAE Technology Award — Honorable Mention Winner in both Region (APAC) and Society (Global) Level.

SUSTAINABILITY

AWARDS IN 2020

In 2020, we are proud to have been recognized with the following awards:

Award	Organizer
Human Resources Director Asia Hot List 2020	Human Resources Director Asia
Southern China HR Excellence Awards 2019 — Excellence in Employer Branding Award	Guangdong HR Management Association
Southern China HR Excellence Awards 2019 — HR Best Practice Award	Guangdong HR Management Association
Southern China HR Excellence Awards 2019 — HR Pioneer Award	Guangdong HR Management Association
China Talent Development Awards 2019 – 2020 – Talent Development Award and Innovative Practice Award	China Training Magazine
ATD BEST AWARD 2020	Association of Talent Development
The Innovative Use of Technology in Human Resources — Silver Stevie Winners	2020 Asia-Pacific Stevie Awards — Stevie Awards organization
Best HR Management Teams in China	Best HR Management Awards 2020 — HRSalon China
2020 Talent Management Best Practices Awards 2020 APAC Digital Learning Program Best Practice Award	aTalent
HR Flag Awards 2020 – Best HR Team, Best HR COE – MGM Academy and Best HR Program – MGM Career Development Program	HRFlag
HRTech China 2020 INNO Awards — Innovative Team	HR Tech China
Best Employer of Year 2020 and Outstanding Enterprise in Fighting the COVID 19 in 2020	VeryEast
PATA — Human Capital Grand Award	PATA
Best Practice of Organization Development in Greater China 2020	HRoot
Distinguished Family-Friendly Employer Award, Outstanding Family Friendly Employer Award, Family Friendly Employer Award, Supporting Nursing Mothers Award	The Women’s General Association of Macau

Award	Organizer
Digital Media Award, Best Employer Branding Video Editing Award, Best Employer Branding Copywriting Award, Best Employer Branding Video Storytelling Award	HRFlag
Outstanding Corporate for Volunteerism	Macau Volunteer Association
2020 Outstanding Employers of “Senior Citizen Talent” Award	IAS, FSS & DSAL
Three-star Green Building Operation Label	China Green Building and Energy Saving (Macau) Association
MGM MACAU — Gold Award	Environmental Protection Bureau and Macao Government Tourism Office
MGM COTAI — Best Meeting & Conventions Hotel in Macau	TTG China Travel Awards
MGM MACAU — Five-Star rating MGM MACAU & MGM COTAI – Tria Spa – Five-Star rating	Forbes Travel Guide
Best Restaurant (Cantonese Cuisine) — Imperial Court Best Restaurant (Sichuan Cuisine) Five Foot Road Best Chef of the Year — Yang Dengquan (Five Foot Road)	2020 Best Restaurant Awards by Ganlan Huabao
Creative Event Award	Macao Convention and Exhibition Commendation Awards 2020

Notes:

- ¹ Scope 1 emissions include: emissions from stationary combustion sources, such as boilers, emergency generators and fuel stoves; mobile combustion sources, such as company-owned and leased fleet vehicles, including cars, limousines, shuttle buses, etc; and fugitive emissions which are the hydrofluorocarbons (“HFC”) used in refrigeration and AC equipment.
- ² Scope 2 emissions comprise emissions from the generation of purchased electricity.
- ³ Our baseline was updated for energy, water and waste to 2017 for greater consistency and relevance.
- ⁴ The emission figure is provided by third party to reflect more accurate energy consumption.
- ⁵ Gross Floor Area of MGM COTAI has been updated in the calculation of intensity for 2020.
- ⁶ An updated conversion figure was adopted in 2020 for converting energy unit of natural gas.

CORPORATE GOVERNANCE REPORT

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

During the year ended December 31, 2020, the Company has complied with all provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

ROLE OF THE BOARD

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

BOARD COMPOSITION

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

The Board is currently comprised of twelve Directors, of whom four are executive Directors, four are non-executive Directors and four are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 11 to 18 of this annual report and on the Company's website.

The number of independent non-executive directors complies with the requirements of the Listing Rules which states that every board of directors of a listed issuer must include at least three independent non-executive directors (Rule 3.10(1) of the Listing Rules) and an issuer must appoint independent non-executive directors representing at least one-third of the Board (Rule 3.10A of the Listing Rules).

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

CHAIRPERSONS

The Chairperson, Mr. William Joseph Hornbuckle, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho lead the Board and oversee the Board's overall direction and functions.

During the year ended December 31, 2020, the Chairperson, Mr. William Joseph Hornbuckle met with the independent non-executive Directors without the presence of the other Directors pursuant to Rule A.2.7 of the Listing Rules.

NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND DEVELOPMENT

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

The training provided to the Directors for the year ended December 31, 2020 is summarized below:

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

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

⁽²⁾ John M. McManus was re-designated as executive Director on March 26, 2020.

⁽³⁾ Grant R. Bowie resigned as Chief Executive Officer on May 11, 2020 with effect from May 31, 2020 and as executive Director from August 6, 2020.

⁽⁴⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

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

⁽⁶⁾ Ayesha Khanna Molino was appointed as non-executive Director on August 6, 2020.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board held four meetings during the year ended December 31, 2020. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2020 is summarized in the following table:

Name of Directors	Number of meetings attended/held [#]					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development ^{##}

EXECUTIVE DIRECTORS

Mr. William Joseph Hornbuckle ⁽¹⁾	4/4	N/A	1/1	N/A	1/1	√
Ms. Pansy Catilina Chiu King Ho	4/4	N/A	3/3	N/A	1/1	√
Mr. Chen Yau Wong	4/4	N/A	N/A	2/2	1/1	√
Mr. John M. McManus ⁽²⁾	4/4	N/A	N/A	2/2	1/1	√
Mr. Grant R. Bowie ⁽³⁾	2/2	N/A	N/A	N/A	1/1	√
Mr. James Joseph Murren ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A

NON-EXECUTIVE DIRECTORS

Mr. Kenneth Xiaofeng Feng	4/4	N/A	N/A	N/A	1/1	√
Mr. James Freeman	4/4	5/5	N/A	N/A	1/1	√
Mr. Daniel J. Taylor ⁽⁵⁾	4/4	N/A	2/2	N/A	1/1	√
Ms. Ayesha Khanna Molino ⁽⁶⁾	2/2	N/A	N/A	N/A	N/A	√

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Zhe Sun	4/4	4/5	3/3	2/2	1/1	√
Ms. Sze Wan Patricia Lam	4/4	N/A	3/3	2/2	1/1	√
Mr. Russell Francis Banham	4/4	5/5	3/3	2/2	1/1	√
Mr. Simon Meng	4/4	5/5	3/3	2/2	1/1	√

the number of meetings held during the year ended December 31, 2020 where each Director was a member of the Board and/or the relevant Board Committees

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

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

⁽²⁾ John M. McManus was re-designated as executive Director on March 26, 2020.

⁽³⁾ Grant R. Bowie resigned as Chief Executive Officer on May 11, 2020 with effect from May 31, 2020 and as executive Director with effect from August 6, 2020.

⁽⁴⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

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

⁽⁶⁾ Ayesha Khanna Molino was appointed as non-executive Director on August 6, 2020.

DELEGATION BY THE BOARD

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee is comprised of five members: Mr. Russell Francis Banham (Chairperson), Professor Zhe Sun and Mr. Simon Meng who are independent non-executive Directors, Mr. James Freeman and Ms. Ayesha Khanna Molino, both of whom are non-executive Directors. The Audit Committee held five meetings during the year ended December 31, 2020.

CORPORATE GOVERNANCE REPORT

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2020 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2019 and interim results for the six months ended June 30, 2020;
- 2019 annual and 2020 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2019, the review of the financial statements for the six months ended June 30, 2020, the management letter prepared by the independent auditor and management's responses;
- declaration of the 2019 final dividend;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- review of financial forecasts, refinancing initiatives and financial covenant compliance under the Group's borrowing arrangements;
- approval of internal audit plan for 2020 and the Internal Audit Department Charter;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2020 internal Audit plan;
- compliance with the Deed of Non-Compete Undertakings by MGM Resorts International and Ms. Pansy Ho;
- re-appointment of independent auditor;

- external audit plan and audit timetable for the financial year ended December 31, 2020 presented by the independent auditor;
- approval of audit and non-audit fees;
- compliance with obligations in relation to continuing connected transactions under the Listing Rules;
- Cotai Construction Project close-out and cost segregation;
- financial statement impact of USD bond issue;
- unsecured revolving credit facility;
- financial covenants and current ratio;
- matters arising from the meetings of the Compliance Committee of MGM Grand Paradise;
- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- matters reported on the anti-corruption program as part of the report on the Compliance Committee activities;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with the Sarbanes-Oxley Act;
- assessment of exchange rate risk around USD bond and possible hedging strategies;
- review of internal controls and risk management systems; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of six members: Professor Zhe Sun (Chairperson), Ms. Sze Wan Patricia Lam, Mr. Russell Francis Banham and Mr. Simon Meng, all of whom are independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho, who is an executive Director and Mr. Daniel J. Taylor, who is a non-executive Director. The Remuneration Committee held three meetings during the year ended December 31, 2020 supplemented by circulation of written resolutions of all committee members where appropriate. Mr. William Joseph Hornbuckle resigned as a member of the Remuneration Committee on May 28, 2020 and Mr. Daniel J. Taylor was appointed as member of the Remuneration Committee, effective from May 28, 2020.

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

CORPORATE GOVERNANCE REPORT

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2020 by the Remuneration Committee included the following:

- recommending to the Board that no fees be payable to new non-executive directors;
- granting of share options to certain existing and new senior executives;
- bonus payout for senior management and general staff;
- amendment of service fee for advisor;
- renewal of the share option scheme;
- amendment of remuneration guidelines; and
- new senior management appointments.

Details of the remuneration of the Directors for the year ended December 31, 2020 are set out in note 13 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2020 is set out below:

	Number of members of senior management
HK\$2,500,001 to HK\$3,000,000	1
HK\$4,000,001 to HK\$4,500,000	1
HK\$5,000,001 to HK\$5,500,000	1
HK\$6,000,001 to HK\$6,500,000	1
HK\$7,000,001 to HK\$7,500,000	1
HK\$9,000,001 to HK\$9,500,000	1
HK\$10,500,001 to HK\$11,000,000	1
	7

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee is comprised of seven members: Ms. Sze Wan Patricia Lam (Chairperson), Professor Zhe Sun, Mr. Russell Francis Banham and Mr. Simon Meng, all of whom are independent non-executive Directors, Mr. Chen Yau Wong and Mr. John M. McManus, both of whom are executive Directors, and Ms. Ayesha Khanna Molino, who is a non-executive Director. The Nomination and Corporate Governance Committee held two meetings during the year ended December 31, 2020.

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

BOARD DIVERSITY

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

SELECTION AND APPOINTMENT OF DIRECTORS

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

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

- preparing a short list of candidates.

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

- skills, competencies and qualifications;
- status under applicable independence requirements (i.e. serving more than nine years could be relevant to the determination of an independent non-executive Director's independence and his further appointment should be subject to a separate resolution to be approved by the Company's shareholders);
- personal and professional ethics and integrity;
- business and professional experience in fields relevant to the Company's business (including whether that experience complements the expertise and experience of the other Directors);
- other directorships held in other listed companies (Hong Kong or overseas) (previously and currently) (for example, independent non-executive Directors sitting on multiple boards will need to ensure that they devote sufficient time to each Board and Board committees);
- ability to devote sufficient time to perform their duties as a Director;
- contribution to the overall balance of the composition of the Board;
- commitment to represent the interests of all shareholders of the Company; and
- contribution to the diversity of the Board, including gender, age, cultural and educational background or professional experience.

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2020 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2020 annual report;
- review of the Environmental, Social and Governance ("ESG") Report;
- review of the structure, size and composition of the Board, in particular relating to Board diversity, and monitoring the implementation of the board diversity policy;
- independence of independent non-executive Directors;

CORPORATE GOVERNANCE REPORT

- review of compliance with deed of non-compete undertakings by substantial Shareholders;
- appointment of non-executive directors;
- appointment of directors as members of Board Committees; and
- retirement of Directors by rotation at the 2020 annual general meeting and re-election of retiring Directors.

DISCLOSURE COMMITTEE

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

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

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

FINANCIAL REPORTING

DIRECTORS' RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY AND AUDITOR'S REMUNERATION

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 165 to 171 of this annual report.

During the year ended December 31, 2020, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	8,703
Non-audit services	
Taxation and advisory services	517

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

INVESTOR RELATIONS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

RISK MANAGEMENT

Key principles

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

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

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

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

Management Risk Committee

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

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

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

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

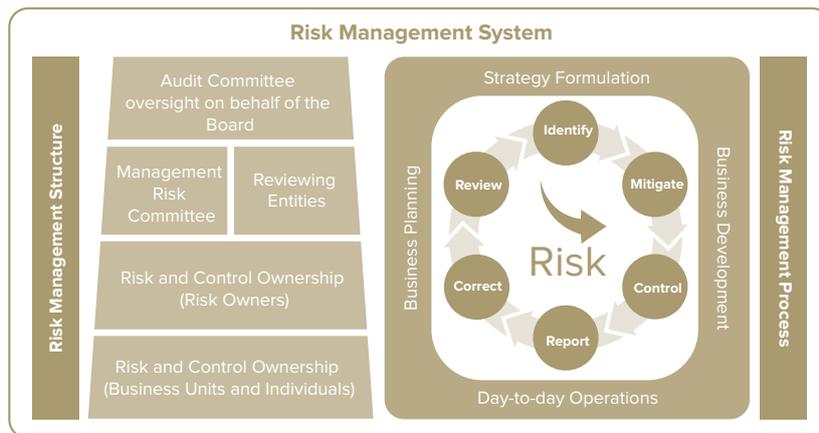
CORPORATE GOVERNANCE REPORT

Risk Management System

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

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

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



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

Initiative in 2020

The major Risk Management initiative in 2020 was the following:

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

INTERNAL CONTROLS

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

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

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

The Company's Internal Audit Department ("IA") is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee. IA plans its internal audit projects annually based upon applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management about the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team has occurred. Status of follow up and the management team's remedial actions are reported to the Audit Committee. To preserve IA's independence, the director of IA reports directly to the Audit Committee on audit matters and to the President, Strategic & Chief Financial Officer on administrative matters. During 2020, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

CORPORATE GOVERNANCE REPORT

In respect of the year ended December 31, 2020, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and risk management, and through the review and findings of the Audit Committee, considered that (i) the Group's risk management and internal control systems were effective and adequate and that the Group had complied satisfactorily with the provisions on risk management and internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions were adequate.

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

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

CORPORATE GOVERNANCE REPORT

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

CODE OF BUSINESS CONDUCT AND ETHICS AND CONFLICT OF INTEREST POLICY

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

WHISTLE-BLOWING POLICY

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

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis and Chairperson's Statement set out on pages 22 to 55 and pages 4 to 10 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis and Sustainability sections set out on pages 22 to 55 and pages 56 to 99 respectively, and as described on pages 126 to 128 of this annual report. Discussions on the Group's environmental policies and performance are included in the Sustainability section set out on pages 56 to 99. This discussion forms part of this directors' report.

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

MGM Grand Paradise has established a Compliance Committee to oversee the MGM Grand Paradise's activities in the area of compliance pursuant to a compliance plan, that may impact the business operations or public image, in light of applicable government and industry standards, as well as legal and business trends and public policy issues. The Compliance Committee is composed of no more than four individuals, determined by the Board to be independent of the Group, the Parent Company and its Affiliates, who, by virtue of their familiarity with law enforcement, regulated businesses, ethics, or gaming compliance, are sensitive to the concerns of the Macau gaming authorities and capable of determining the existence or likelihood of an unsuitable situation. The Compliance Committee will exercise its best efforts to identify and evaluate situations arising in the course of the business of the Group that may have a negative effect upon the objectives of gaming control. Generally speaking, a situation adversely affects the objectives of gaming control if it has an adverse effect on the public faith in the ability of any appropriate gaming regulatory system to ensure that licensed gaming is conducted honestly and competitively and that gaming is free from criminal and corruptive elements. The Compliance Officer shall be the recording secretary of the Compliance Committee and shall be responsible for supervising and coordinating all activities on behalf of the Compliance Committee in preparing all minutes and exhibits. The responsibility for day-to-day administration of the compliance plan rests with the Compliance Officer. The Compliance Officer shall report to the Compliance Committee any relevant information coming to the attention of the Compliance Officer concerning any matters subject to review or that are required to be reported under the compliance plan that occurred during the prior quarter.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 172 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 287 of this annual report.

DIVIDEND POLICY

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

REPORT OF THE DIRECTORS

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

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

DIVIDENDS

The Board did not recommend an interim dividend payment for the six months ended June 30, 2020.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Except as disclosed in note 24 to the consolidated financial statements and the subsection headed "Share Option Scheme" in this report of the Directors, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries during the year ended December 31, 2020.

PRE-EMPTIVE RIGHTS

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

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

During the year ended December 31, 2020, the Company repurchased a total of 349,400 Shares at an aggregate purchase price of HK\$3.2 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2020	249,200	8.22	8.17	2,052
December 2020	100,200	11.62	11.44	1,158
	349,400			3,210

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased an aggregate number of Shares equivalent to the aggregate number of new Shares issued under the Share Option Scheme during the year ended December 31, 2020 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

Except as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended December 31, 2020.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2020, the Company's reserves available for distribution to Shareholders were as follows:

	2020 HK\$'000	2019 HK\$'000
Share premium	10,406,223	10,404,373
Retained earnings	6,485,099	6,382,587
	16,891,322	16,786,960

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

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2020, the Group made charitable contributions totaling HK\$29.3 million.

EMPLOYEES

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

CUSTOMERS

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

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

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

For the year ended December 31, 2020, the aggregate amount of operating revenues attributable to the Group's five largest customers represented less than 30% of the Group's total operating revenues.

None of our Directors, their associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2020.

REPORT OF THE DIRECTORS

SUPPLIERS

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

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

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

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

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

For the year ended December 31, 2020, the aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers represented 34.6% of the Group's total purchases. Our five largest suppliers were AIA International Limited, Companhia de Electricidade de Macau – CEM, MGM Branding, JLT Insurance Brokers Limited and Shun Tak & CITS Coach (Macao) Limited, which accounted for approximately 14.3%, 10.5%, 4.9%, 3.3% and 1.6% of our total purchases, respectively.

DIRECTORS

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

EXECUTIVE DIRECTORS:

William Joseph Hornbuckle (*Chairperson*) ⁽¹⁾

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

Chen Yau Wong

John M. McManus ⁽²⁾

Grant R. Bowie ⁽³⁾

James Joseph Murren ⁽⁴⁾

NON-EXECUTIVE DIRECTORS:

Kenneth Xiaofeng Feng

James Freeman

Daniel J. Taylor ⁽⁵⁾

Ayesha Khanna Molino ⁽⁶⁾

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Zhe Sun

Sze Wan Patricia Lam

Russell Francis Banham

Simon Meng

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

⁽²⁾ John M. McManus was re-designated as executive Director on March 26, 2020.

⁽³⁾ Grant R. Bowie resigned as Chief Executive Officer on May 11, 2020 with effect from May 31, 2020 and as executive Director with effect from August 6, 2020.

⁽⁴⁾ James Joseph Murren resigned as executive Director and Chairperson on March 26, 2020.

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

⁽⁶⁾ Ayesha Khanna Molino was appointed as non-executive Director on August 6, 2020.

REPORT OF THE DIRECTORS

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 20 of this annual report.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of the Directors since disclosure made in the Company's 2020 interim report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. William Joseph Hornbuckle is a member of the Board of Directors of MGM Resorts International.
2. Ms. Pansy Ho was awarded the Silver Bauhinia Star by the Government of the Hong Kong Administrative Region on October 1, 2020. She received the title "The Bearer of Red Flag March 8" in 2020, organized by the All-China Women's Federation.

3. Ms. Ayesha Khanna Molino was appointed as member of the Audit Committee and of the Nomination and Corporate Governance Committee on November 5, 2020.
4. Mr. Simon Meng was admitted as an international partner in Shanghai of King & Wood Mallesons since April 1, 2021.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The Directors' emoluments are determined by the Board with reference to their duties and responsibilities. In addition, the emoluments of the Chief Executive Officer are also based upon performance and on the results of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Except as disclosed in note 31 to the consolidated financial statements on pages 276 to 279 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2020 in which the Group was a party and in which a Director was materially interested.

PERMITTED INDEMNITY

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

REPORT OF THE DIRECTORS

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

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

The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2020 from Ms. Pansy Ho and MGM Resorts International. Based upon the confirmations received from Ms. Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Ms. Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2020.

Except as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2020.

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

As at December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Kenneth Xiaofeng Feng	1,900,000 ⁽³⁾	—	—	1,900,000	0.05%
Grant R. Bowie(*)	22,937,200 ⁽⁴⁾	—	—	22,937,200	0.60%

(B) LONG POSITION IN DEBENTURES OF THE COMPANY

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Debentures held	Percentage of Debentures in issue of relevant company
Pansy Ho	US\$15,000,000 ⁽⁵⁾ (Beneficial)	—	—	US\$15,000,000	3%

REPORT OF THE DIRECTORS

(C) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS – MGM GRAND PARADISE

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares held	Percentage of issued share capital
Pansy Ho	20,000 ⁽⁶⁾	—	—	20,000	10.00%

(D) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS – MGM RESORTS INTERNATIONAL ⁽⁷⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
William Joseph	45,940 ⁽⁸⁾	—	—	—	45,940	0.0093%
Hornbuckle (**)	515,994 ⁽⁹⁾	—	—	—	515,994	0.1044%
	2,820 ⁽¹⁰⁾	—	—	—	2,820	0.0006%
	512,715 ⁽¹¹⁾	—	—	—	512,715	0.1037%
	5,843 ⁽¹²⁾	—	—	—	5,843	0.0012%
	—	8,500 ⁽¹³⁾	—	—	8,500	0.0017%
	—	—	—	227,884 ⁽¹⁴⁾	227,884	0.0461%
	199,979 ⁽¹⁵⁾	—	—	—	199,979	0.0405%
Pansy Ho	—	—	9,200,121 ⁽¹⁶⁾	—	9,200,121	1.8612%
John M. McManus (***)	3,980 ⁽¹⁷⁾	—	—	—	3,980	0.0008%
	71,939 ⁽¹⁸⁾	—	—	—	71,939	0.0146%
	698 ⁽¹⁹⁾	—	—	—	698	0.0001%
	160,632 ⁽²⁰⁾	—	—	—	160,632	0.0325%
	2,642 ⁽²¹⁾	—	—	—	2,642	0.0005%
	102,373 ⁽²²⁾	—	—	—	102,373	0.0207%
Kenneth Xiaofeng	45,659 ⁽²³⁾	—	—	—	45,659	0.0092%
Feng	4,616 ⁽²⁴⁾	—	—	—	4,616	0.0009%
	193 ⁽²⁵⁾	—	—	—	193	0.00004%
	13,568 ⁽²⁶⁾	—	—	—	13,568	0.0027%
	875 ⁽²⁷⁾	—	—	—	875	0.0002%

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Freeman	26,599 ⁽²⁸⁾	—	—	—	26,599	0.0054%
	19,945 ⁽²⁹⁾	—	—	—	19,945	0.0040%
	272 ⁽³⁰⁾	—	—	—	272	0.00006%
	46,718 ⁽³¹⁾	—	—	—	46,718	0.0095%
	898 ⁽³²⁾	—	—	—	898	0.0002%
	48,413 ⁽³³⁾	—	—	—	48,413	0.0098%
	233 ⁽³⁴⁾	—	—	—	233	0.00005%
Daniel J. Taylor(****)	79,442 ⁽³⁵⁾	—	—	—	79,442	0.0161%
	57,337 ⁽³⁶⁾	—	—	—	57,337	0.0116%
	16,595 ⁽³⁷⁾	—	—	—	16,595	0.0034%
	3,415 ⁽³⁸⁾	—	—	—	3,415	0.0007%
	9,760 ⁽³⁹⁾	—	—	—	9,760	0.0020%
Ayesha Khanna	18,750 ⁽⁴⁰⁾	—	—	—	18,750	0.0038%
Molino(*****)	6,250 ⁽⁴¹⁾	—	—	—	6,250	0.0013%
	19,198 ⁽⁴²⁾	—	—	—	19,198	0.0039%
	367 ⁽⁴³⁾	—	—	—	367	0.0001%
	9,497 ⁽⁴⁴⁾	—	—	—	9,497	0.0019%
	1 ⁽⁴⁵⁾	—	—	—	1	0.0000002%
	9,715 ⁽⁴⁶⁾	—	—	—	9,715	0.0020%
	—	200 ⁽⁴⁷⁾	—	—	200	0.00004%
James Joseph	692,981 ⁽⁴⁸⁾	—	—	—	692,981	0.1407%
Murren(*****)	307,423 ⁽⁴⁹⁾	—	—	—	307,423	0.0624%
	15,586 ⁽⁵⁰⁾	—	—	—	15,586	0.0032%
	697,755 ⁽⁵¹⁾	—	—	—	697,755	0.1416%
	23,849 ⁽⁵²⁾	—	—	—	23,849	0.0048%
	98,349 ⁽⁵³⁾	—	—	—	98,349	0.0200%
	—	—	—	175,152 ⁽⁵⁴⁾	175,152	0.0356%
	—	175,152 ⁽⁵⁵⁾	—	—	175,152	0.0356%
	—	106,707 ⁽⁵⁶⁾	—	—	106,707	0.0217%
	—	29,446 ⁽⁵⁷⁾	—	—	29,446	0.0060%
	—	99,873 ⁽⁵⁸⁾	—	—	99,873	0.0203%
	—	99,872 ⁽⁵⁹⁾	—	—	99,872	0.0203%
—	144,997 ⁽⁶⁰⁾	—	—	144,997	0.0294%	

REPORT OF THE DIRECTORS

(E) LONG POSITIONS IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS – MGM GROWTH PROPERTIES ⁽⁶¹⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
William Joseph Hornbuckle(**)	31,671 ⁽⁶²⁾	—	—	—	31,671	0.0241%
	—	—	—	7,541 ⁽⁶³⁾	7,541	0.0057%
Pansy Ho	—	—	1,000,000 ⁽⁶⁴⁾	—	1,000,000	0.7607%
John M. McManus (***)	27,582 ⁽⁶⁵⁾	—	—	—	27,582	0.0210%
James Freeman	14,311 ⁽⁶⁶⁾	—	—	—	14,311	0.0109%
Daniel J. Taylor (****)	29,043 ⁽⁶⁷⁾	—	—	—	29,043	0.0221%
	23,424 ⁽⁶⁸⁾	—	—	—	23,424	0.0178%
	5,616 ⁽⁶⁹⁾	—	—	—	5,616	0.0043%
	5,820 ⁽⁷⁰⁾	—	—	—	5,820	0.0044%
James Joseph Murren(*****)	37,705 ⁽⁷¹⁾	—	—	—	37,705	0.0287%
	—	250,500 ⁽⁷²⁾	—	—	250,500	0.1907%

Notes:

- (1) These represent the Shares beneficially held by Ms. Pansy Ho in her personal capacity.
- (2) These represent the Shares held by Grand Paradise Macau Limited, a company which Ms. Pansy Ho has control.
- (3) These represent the share options of the Company granted to Kenneth Xiaofeng Feng pursuant to the share option scheme of the Company, details of which are set out in note 24 to the consolidated financial statements.
- (4) These represent the share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 24 to the consolidated financial statements.
- (5) This represents US\$15,000,000 of the 2025 Notes of the Company purchased by Ms. Pansy Ho.

- (6) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (7) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.
- (8) This represents 45,940 vested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (9) This represents 515,994 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (10) This represents 2,820 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (11) This represents 320,447 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (12) This represents 3,652 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (13) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle's spouse.
- (14) These represent the common stock of MGM Resorts International indirectly held through trust.
- (15) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.

REPORT OF THE DIRECTORS

- (16) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Ms. Pansy Ho has control.
- (17) This represents 3,980 vested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (18) This represents 71,939 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (19) This represents 698 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (20) This represents 100,395 unvested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (21) This represents 1,651 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (22) These represent the common stock of MGM Resorts International held by John M. McManus.
- (23) This represents 45,659 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (24) This represents 4,616 unvested RSUs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (25) This represents 193 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (26) These represents the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (27) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (28) This represents 26,599 vested SARs in the common stock of MGM Resorts International granted to James Freeman.

- (29) This represents 19,945 unvested RSUs in the common stock of MGM Resorts International granted to James Freeman.
- (30) This represents 272 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Freeman.
- (31) This represents 29,199 unvested PSUs in the common stock of MGM Resorts International granted to James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (32) This represents 561 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (33) These represent the common stock of MGM Resorts International held by James Freeman.
- (34) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (35) This represents 79,442 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (36) This represents 57,337 vested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (37) This represents 16,595 unvested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (38) This represents 3,415 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.
- (39) These represent the common stock of MGM Resorts International held by Daniel J. Taylor.
- (40) This represents 18,750 vested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (41) This represents 6,250 unvested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.

REPORT OF THE DIRECTORS

- (42) This represents 19,198 unvested RSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino.
- (43) This represents 367 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino.
- (44) This represents 5,936 unvested PSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (45) This represents 1 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (46) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (47) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino's spouse.
- (48) This represents 692,981 vested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (49) This represents 307,423 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (50) This represents 15,586 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (51) This represents 436,097 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (52) This represents 14,906 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (53) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (54) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.

- (55) These represent the common stock of MGM Resorts International held by GRAT FBO HM.
- (56) These represent the common stock of MGM Resorts International held by SLAT FBO HM.
- (57) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (58) These represent the common stock of MGM Resorts International held by Trust FBO JM.
- (59) These represent the common stock of MGM Resorts International held by Trust FBO TM.
- (60) These represent the common stock of MGM Resorts International held by J&H Investments LLC.
- (61) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years respectively. MGM Growth Properties' practice is to issue new shares upon vesting of awards.
- (62) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (63) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (64) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Ms. Pansy Ho has control.
- (65) These represent the common stock of MGM Growth Properties held by John M. McManus.
- (66) These represent the common stock of MGM Growth Properties held by James Freeman.
- (67) This represents 29,043 deferred stock units in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (68) This represents 23,424 vested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.

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(69) This represents 5,616 unvested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.

(70) This represents 5,820 dividend equivalent rights for the outstanding RSUs equity awards of MGM Growth Properties held by Daniel J. Taylor.

(71) These represent the common stock of MGM Growth Properties held by James Joseph Murren.

(72) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.

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

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

(***) John M. McManus was re-designated as executive Director on March 26, 2020.

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

(*****) Ayesha Khanna Molino was appointed as non-executive Director on August 6, 2020.

(*****) James Joseph Murren resigned as a Chairperson and executive Director with effect from March 26, 2020.

Except as disclosed above, as at December 31, 2020, none of the Directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at December 31, 2020 so far as is known to any Director of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(A) LONG POSITION IN THE SHARES OF THE COMPANY

Name	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
MGM Resorts International ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	55.95%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	55.95%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	55.95%
Pansy Ho ⁽²⁾	Direct interest	380,000,000	10.00%
	Interest in a controlled corporation	474,561,200	12.49%
Grand Paradise Macau Limited ⁽²⁾	Direct interest	474,561,200	12.49%
Snow Lake Capital (HK) Limited ⁽³⁾	Direct interest	285,391,600	7.51%

Notes:

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

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Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2020, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administrative matters and further amended by the Shareholders at the Annual General Meeting held on May 24, 2017 (“Share Option Scheme”) to approve changes to paragraphs 1.1, 6, 7 and 11 of the Share Option Scheme, details of which were set out in the circular of the Company dated April 20, 2017. On May 28, 2020, the Share Option Scheme was renewed by the Company in its exact terms and conditions and for an additional period of 10 years (the “Renewed Share Option Scheme”).

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

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

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

As at December 31, 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 107,437,088, representing approximately 2.8% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme and the Renewed Share Option Scheme of the Company as at the date of this annual report is 283,921,352, which is approximately 7.5% of the issued share capital as at the date of this annual report.

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

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

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

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

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

REPORT OF THE DIRECTORS

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

A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2020 is as follows:

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options				Outstanding at December 31, 2020
					Granted during the year	Exercised during the year ⁽¹⁾	Forfeited during the year	Replacement during the year	
Grant R. Bowie*	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	–	–	–	–	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,109,400	–	–	(130,000)	(2,249,400) ⁽²⁾	1,730,000
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	–	–	–	(625,000) ⁽²⁾	–
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	–	–	–	–	750,000
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	–	–	–	–	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	–	–	–	–	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	–	–	–	–	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	–	–	–	–	700,000
Grant R. Bowie*	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	–	–	–	–	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,350,000	–	–	(570,000)	–	10,780,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	–	–	–	–	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	–	–	–	–	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	–	–	–	–	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	257,500	–	–	(50,000)	–	207,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	170,000	–	–	(50,000)	–	120,000
Grant R. Bowie*	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	–	–	–	–	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,164,388	–	–	(133,400)	–	5,030,988
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	–	–	–	–	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	285,000	–	–	(150,000)	–	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	780,000	–	–	(65,000)	–	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	–	–	–	–	135,000

Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options				
					Granted during the year	Exercised during the year ⁽¹⁾	Forfeited during the year	Replacement during the year	Outstanding at December 31, 2020
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	—	—	—	—	137,500
Grant R. Bowie*	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	—	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	8,064,600	—	(268,400)	(323,200)	—	7,473,000
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	—	—	—	—	550,000
Grant R. Bowie*	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	—	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,972,200	—	(81,000)	(108,800)	—	6,782,400
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	350,000	—	—	(50,000)	—	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,275,000	—	—	(337,500)	—	937,500
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	—	—	—	—	370,000
Grant R. Bowie*	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	—	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,196,100	—	—	(671,400)	—	6,524,700
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	330,000	—	—	(80,000)	—	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	362,500	—	—	(62,500)	—	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,165,000	—	—	(335,000)	—	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	—	—	(170,000)	—	200,000
Grant R. Bowie*	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	—	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	5,955,400	—	—	(923,400)	—	5,032,000
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	—	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	—	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	—	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	150,000	—	—	(100,000)	—	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	500,000	—	—	(80,000)	—	420,000
Grant R. Bowie*	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	—	—	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	11,679,600	—	—	(1,991,500)	—	9,688,100
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	275,200	—	—	—	—	275,200
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	410,000	—	—	(80,000)	—	330,000
Kenneth Feng	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	—	—	—	—	1,000,000

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Directors, eligible employees and consultant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options				Outstanding at December 31, 2020
					Granted during the year	Exercised during the year ⁽¹⁾	Forfeited during the year	Replacement during the year	
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	200,000	—	—	(50,000)	—	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	—	180,000 ⁽³⁾	—	—	—	180,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	—	220,000 ⁽⁴⁾	—	(60,000)	—	160,000
Kenneth Feng	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	—	900,000 ⁽⁵⁾	—	—	—	900,000
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	—	15,350,000 ⁽⁵⁾	—	(779,200)	—	14,570,800
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	—	120,000 ⁽⁶⁾	—	—	—	120,000
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.620	—	—	—	—	2,249,400 ⁽²⁾	2,249,400
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.120	—	—	—	—	625,000 ⁽²⁾	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	—	200,000 ⁽⁷⁾	—	—	—	200,000
				98,167,388	16,970,000	(349,400)	(7,350,900)	—	107,437,088

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

Notes:

- (1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$12.69.
- (2) On November 16, 2020, the Company granted share options to subscribe for a total of 2,249,400 Shares and 625,000 Shares (“Replacement Share Options”) to the relevant grantees under the share options granted on June 3, 2011 and August 22, 2011, respectively, as replacement of the respective share option grants which have not been exercised or lapsed since they were granted. The closing price of the Shares immediately before the date of these grants was HK\$10.88 and the estimated weighted average fair value of share options granted on that date was HK\$2.68 per share for the 2,249,400 Shares and HK\$2.77 per share for the 625,000 Shares.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$7.93 and the estimated weighted average fair value of share options granted on that date was HK\$2.90 per share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$9.02 and the estimated weighted average fair value of share options granted on that date was HK\$3.31 per share.
- (5) The closing price of the Shares immediately before the date of this grant was HK\$9.48 and the estimated weighted average fair value of share options granted on that date was HK\$3.34 per share.

- (6) The closing price of the Shares immediately before the date of this grant was HK\$10.30 and the estimated weighted average fair value of share options granted on that date was HK\$3.66 per share.
- (7) The closing price of the Shares immediately before the date of this grant was HK\$10.88 and the estimated weighted average fair value of share options granted on that date was HK\$3.97 per share.

CONNECTED TRANSACTIONS

During the year ended December 31, 2020, the Group engaged in transactions with MGM Resorts International, Ms. Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Third Renewed MGM Marketing Agreements

As disclosed in the IPO Prospectus, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company entered into the MGM Marketing Agreement on May 17, 2011. The MGM Marketing Agreement was replaced and renewed by the First Renewed MGM Marketing Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014. The First Renewed MGM Marketing Agreement was replaced and renewed by the Second Renewed MGM Marketing Agreement on December 12, 2016, for a term of three years commencing from January 1, 2017.

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

REPORT OF THE DIRECTORS

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

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

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

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

The marketing fees payable were equal to 3% of the theoretical win (refer to note on page 151) associated with gaming play by customers referred (excluding any play with gaming promoters). The marketing fees payable under the Third Renewed MGM Marketing Agreement were determined based upon, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangements under the Second Renewed MGM Marketing Agreement.

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

The annual cap under the Third Renewed MGM Marketing Agreement was determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals and in particular the trend of the gaming market's gaming revenue growth in operation of MGM COTA I ; (iii) the conclusion of the infrastructure developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming customers; (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; and (v) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (unaudited) under the Second Renewed MGM Marketing Agreement.

For the year ended December 31, 2020, the aggregate total consideration paid to the MGM Group by our Group pursuant to the Third Renewed MGM Marketing Agreement was HK\$4.2 million which fell within the annual cap of HK\$35,000,000 for the year ended December 31, 2020.

Note:

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

2. Third Renewed Development Agreements

As disclosed in the IPO Prospectus, MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and the Company entered into the Development Agreement on May 17, 2011. The Development Agreement was replaced and renewed by the First Renewed Development Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014. The First Renewed Development Agreement was replaced and renewed by the Second Renewed Development Agreement on December 12, 2016, for a term of three years commencing from January 1, 2017.

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

The development fees payable under the Third Renewed Development Agreement were determined based on, amongst others, the potential projects that the Company may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

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

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

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

No consideration had been paid pursuant to the Third Renewed Development Agreement during the year ended December 31, 2020.

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

REPORT OF THE DIRECTORS

3. Third Renewed Master Service Agreements and Related Arrangements

As disclosed in the IPO Prospectus and the announcement of the Company dated June 3, 2011, Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2011. The Master Service Agreement was replaced and renewed by the First Renewed Master Service Agreement on December 24, 2013, for a term of three years commencing from January 1, 2014. The First Renewed Master Service Agreement was replaced and renewed by the Second Renewed Master Service Agreement on December 12, 2016, for a term of three years commencing from January 1, 2017.

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

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

Upon the expiry of the term of the Second Renewed Master Service Agreement on December 31, 2019, the parties entered into the Third Renewed Master Service Agreement on December 27, 2019 to replace and renew the Second Renewed Master Service Agreement for a term of three years, commencing from January 1, 2020. The details of the terms of the Third Renewed Development Agreement were set out in the Company's announcement dated December 27, 2019. The terms of the Third Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) consider that the entry into the Third Renewed Master Service Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

For the year ended December 31, 2020, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$44.5 million, which fell within the revised annual cap of HK\$250,000,000 for the year ended December 31, 2020; and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$12 thousand which fell within the annual cap of HK\$2,500,000 for the year ended December 31, 2020.

4. First Renewed Branding Agreement

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

Pursuant to the First Renewed Branding Agreement, the license fees for MGM MACAU and MGM COTAI paid by the Group for the year ended December 31, 2020 amounted to HK\$89.2 million (equivalent to approximately US\$11.5 million) which was within the annual cap of US\$82,300,000 for year ended December 31, 2020.

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

REPORT OF THE DIRECTORS

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

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2020:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 149 to 159 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set out by the Company.

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

The independent non-executive Directors of the Company have reviewed these transactions, considered the internal control procedures that are in place to monitor these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2020 have been entered into:

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

Consultancy Services Agreement

On January 13, 2021, MGM Grand Paradise and Occasions entered into the Consultancy Services Agreement which sets out the principal framework upon which any member of the Occasions Group may provide Services to any member of the MGM Group from time to time, for a term commencing from January 13, 2021 and ending on December 31, 2023.

Ms. Pansy Ho is the Co-Chairperson, Executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Since September 2020, Ms. Pansy Ho indirectly holds 50% of the entire issued share capital of Occasions. Therefore, Occasions has become an associate of Ms. Pansy Ho and a connected person of the Company since September 2020. As a result, the transactions contemplated under the Consultancy Services Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

Occasions is a comprehensive integrated communications group, with offices in Macau, Hong Kong, Beijing and Shanghai. It has been providing services to the Group since the opening of the first property in Macau and has an in-depth understanding of MGM's brand positioning, operation, business model, culture, management and team to devise appropriate brand strategies.

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

As one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual caps under the Consultancy Services Agreement are, on an annual basis, more than 0.1% but less than 5%, the continuing connected transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

In respect of each category of services, shall be provided by the Occasions Group to the Group in accordance with the terms of the Consultancy Services Agreement and be subject to the subsequent agreement of the terms and conditions determined after arm's length negotiations in relation to the provision of each particular product or service and by reference to the prevailing market prices. The agreements shall be recorded in writing for a fixed term of not more than 3 years (unless justified by special circumstances and subject to compliance with the Listing Rules), set out the basis of the calculation of payments to be made and on normal commercial terms, and the provision of any product or service by the Occasions Group to the MGM Group shall, unless otherwise specifically agreed by the parties in writing, be on a mutually non-exclusive basis.

The annual caps for the continuing connected transactions contemplated under the Consultancy Services Agreement are HK\$116 million, HK\$126 million and HK\$130 million for each of the period from January 13, 2021 to December 31, 2021 and the two years ending December 31, 2022 and 2023, respectively.

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

The historical fees paid by the Group to the Occasions Group in respect of the Services were approximately HK\$33.4 million, HK\$28.2 million and HK\$5.8 million for each of the years ended December 31, 2018, 2019 and 2020, respectively.

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

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

AUDITOR

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

On behalf of the Board

William Joseph Hornbuckle

Chairperson and Executive Director

Pansy Catilina Chiu King Ho

Co-chairperson and Executive Director

Hong Kong, February 26, 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Members of MGM China Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 172 to 286, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Loss allowance of trade receivables</p> <p>We have identified the loss allowance of the Group's trade receivables of HK\$292.0 million as at December 31, 2020 as a key audit matter due to the inherent level of uncertainty in the estimate. As disclosed in note 4 to the consolidated financial statements, the estimation of loss allowance of trade receivables requires significant accounting estimates and judgment.</p> <p>As disclosed in notes 19 and 26 to the consolidated financial statements, management's assessment of trade receivables, most of which are casino receivables, under the expected credit loss model is based on a specific review of the customers' accounts by taking into account the age of the receivables, the counterparty's financial condition, collection history, the impact of the COVID-19 pandemic on the customers' ability to settle, general economic conditions, forward-looking information and any other known information.</p>	<p>Our procedures in relation to the assessment on the reasonableness of the loss allowance of trade receivables included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and internal controls over the granting of credit to customers, collection processes and management's review controls over the assessment of the collectability of trade receivables and the appropriateness of the expected credit loss policy and estimated loss allowance; • Evaluating the appropriateness of the management's assessment on loss allowances for credit-impaired debtors by reviewing available information relating to the financial standing of these individual debtors; • Assessing the appropriateness of management's basis and judgement in determining the loss allowance on trade receivables as at December 31, 2020, including collection history, general economic conditions and other forward looking information affecting the customers' ability to settle which form their basis of estimated loss rates applied in each category in the provision matrix under the expected credit loss model; and • Testing the information used by management to develop the provision on a sample basis, which includes testing the age analysis of the trade receivables as at December 31, 2020.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-financial assets	
<p>We have identified the impairment assessment of non-financial assets, which mainly include property and equipment of HK\$24,949.8 million and right-of-use assets of HK\$1,326.9 million as at December 31, 2020, as a key audit matter due to the inherent subjectivity within the estimation of the present value of the future cash flows, a key component in determining the recoverable amount of the non-financial assets.</p> <p>As stated in note 4 to the consolidated financial statements, the Group has considered the future economic conditions, increased competition in Macau, regulatory environment and in particular the impact caused by the COVID-19 pandemic as part of the impairment assessment and the resulting evaluation of the recoverable amount of the non-financial assets.</p> <p>The determination of recoverable amount of the non-financial assets involves identification of cash generating unit(s) and value-in-use calculations, which requires significant management judgment and estimations. The value-in-use method requires the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs. Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.</p> <p>Changes in the key assumptions on which the recoverable amount of the non-financial assets are based could significantly affect the Group's assessment, resulting in an impairment loss being recognized.</p>	<p>Our procedures in relation to the impairment assessment of non-financial assets included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and internal controls over the impairment assessment including the Group's identification of cash-generating unit(s), assessment of indicators of impairment and the preparation of the value-in-use calculations to estimate the recoverable amount; • Evaluating the reasonableness of the key inputs and assumptions used in the value-in-use calculations against historical performance, economic and industry indicators, publically available information and the Group's strategic plans; • Involving our internal valuation specialists to assess the appropriateness of the discount rates and methodology used; • Testing the mathematical accuracy of the Group's value-in-use calculations; and • Evaluating the sensitivity analysis performed by the management in respect of the key inputs to assess the extent of impact on the value-in-use calculations.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Jimmy Toy.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

February 26, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
OPERATING REVENUE			
Casino revenue	6	4,384,081	20,423,463
Other revenue	6	711,902	2,341,573
		5,095,983	22,765,036
OPERATING COSTS AND EXPENSES			
Gaming taxes	7	(2,404,651)	(10,615,274)
Inventories consumed		(290,639)	(677,086)
Staff costs	8	(2,916,868)	(3,722,251)
Loss allowance on trade receivable, net		(92,642)	(28,267)
Other expenses and losses	9	(1,057,709)	(2,194,364)
Depreciation and amortization	10	(2,467,666)	(2,564,457)
		(9,230,175)	(19,801,699)
Operating (loss)/profit		(4,134,192)	2,963,337
Interest income		9,232	21,238
Finance costs	11	(1,118,409)	(1,128,075)
Net foreign currency gain		52,024	85,190
(Loss)/profit before tax		(5,191,345)	1,941,690
Income tax expense	12	(10,186)	(10,462)
(Loss)/profit for the year attributable to owners of the Company		(5,201,531)	1,931,228
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		5,212	123
Total comprehensive (loss)/income for the year attributable to owners of the Company		(5,196,319)	1,931,351
(Loss)/earnings per Share – Basic	15	(HK136.9 cents)	HK50.8 cents
(Loss)/earnings per Share – Diluted	15	(HK136.9 cents)	HK50.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

		2020	2019
	NOTES	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property and equipment	16	24,949,783	26,708,339
Right-of-use assets	17	1,326,893	1,382,457
Sub-concession premium	18	141,698	244,845
Other assets		7,438	32,137
Prepayments, deposits and other receivables		19,029	37,385
Restricted cash	20	36,439	—
Total non-current assets		26,481,280	28,405,163
Current assets			
Inventories		159,847	163,723
Trade receivables	19	292,040	531,943
Prepayments, deposits and other receivables		99,746	133,727
Amounts due from related companies	31	330	1,370
Cash and cash equivalents	20	2,635,511	3,270,296
Total current assets		3,187,474	4,101,059
TOTAL ASSETS		29,668,754	32,506,222

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
EQUITY			
Capital and reserves			
Share capital	23	3,800,000	3,800,000
Share premium and reserves	23	1,217,664	6,660,134
TOTAL EQUITY		5,017,664	10,460,134
LIABILITIES			
Non-current liabilities			
Borrowings	21	21,155,040	16,604,526
Lease liabilities	17	184,826	191,120
Payables and accrued charges	22	8,210	13,100
Construction retention payable		10,932	813
Total non-current liabilities		21,359,008	16,809,559
Current liabilities			
Lease liabilities	17	32,110	45,349
Payables and accrued charges	22	3,199,112	4,825,255
Construction retention payable		35,250	307,564
Amounts due to related companies	31	18,244	48,085
Income tax payable		7,366	10,276
Total current liabilities		3,292,082	5,236,529
TOTAL LIABILITIES		24,651,090	22,046,088
TOTAL EQUITY AND LIABILITIES		29,668,754	32,506,222

The consolidated financial statements on pages 172 to 286 were approved and authorized for issue by the Board of Directors on February 26, 2021 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserves	Retained earnings	Share premium and reserves total	Shareholders' funds total
NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					Note 23	Note 23				
At January 1, 2019	3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the year	—	—	—	—	—	—	—	1,931,228	1,931,228	1,931,228
Exchange differences on translation of foreign operations	—	—	—	—	—	—	123	—	123	123
Total comprehensive income	—	—	—	—	—	—	123	1,931,228	1,931,351	1,931,351
Exercise of share options	23&24	504	7,434	—	(1,896)	—	—	—	5,538	6,042
Share repurchase and cancellation										
— repurchases of Shares	23	(504)	(6,438)	—	—	—	—	—	(6,438)	(6,942)
— transfer	23	—	—	504	—	—	—	(504)	—	—
Forfeiture of share options	24	—	—	—	(4,775)	—	—	4,775	—	—
Recognition of share-based payments	24	—	—	—	70,308	—	—	—	70,308	70,308
Dividends paid	14	—	—	—	—	—	—	(486,404)	(486,404)	(486,404)
At December 31, 2019 and January 1, 2020	3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134
Loss for the year	—	—	—	—	—	—	—	(5,201,531)	(5,201,531)	(5,201,531)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	5,212	—	5,212	5,212
Total comprehensive income/(loss)	—	—	—	—	—	—	5,212	(5,201,531)	(5,196,319)	(5,196,319)
Transfer to legal reserve	—	—	—	—	—	1,372	—	(1,372)	—	—
Exercise of share options	23&24	349	4,711	—	(1,184)	—	—	—	3,527	3,876
Share repurchase and cancellation										
— repurchases of Shares	23	(349)	(2,861)	—	—	—	—	—	(2,861)	(3,210)
— transfer	23	—	—	349	—	—	—	(349)	—	—
Forfeiture of share options	24	—	—	—	(15,034)	—	—	15,034	—	—
Recognition of share-based payments	24	—	—	—	68,583	—	—	—	68,583	68,583
Dividends paid	14	—	—	—	—	—	—	(315,400)	(315,400)	(315,400)
At December 31, 2020	3,800,000	10,406,223	14,729	522,507	293,725	(13,131,933)	2,565	3,109,848	1,217,664	5,017,664

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		(5,191,345)	1,941,690
Adjustments for:			
Depreciation and amortization		2,467,666	2,564,457
Interest expense		1,097,511	940,939
Loss on extinguishment of debt		—	171,051
Loss on disposal or write-off of property and equipment and other assets		13,287	14,778
Interest income		(9,232)	(21,238)
Loss allowance on trade receivables, net		92,642	28,267
Share-based payments		68,583	70,308
Net foreign currency gain		(57,849)	(84,473)
Operating cash flows before movements in working capital		(1,518,737)	5,625,779
Decrease/(increase) in inventories		4,082	(2,575)
Decrease/(increase) in trade receivables		147,261	(237,573)
Decrease/(increase) in prepayments, deposits and other receivables		32,413	(5,563)
Decrease in amounts due from related companies		1,040	690
Decrease in payables and accrued charges		(1,566,147)	(1,082,983)
(Decrease)/increase in amounts due to related companies		(29,841)	25,554
Increase in restricted cash		(36,439)	—
Cash (used in)/generated from operations		(2,966,368)	4,323,329
Income tax paid		(13,134)	(11,973)
Income tax refunded		32	740
Interest received		9,581	21,514
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(2,969,889)	4,333,610
INVESTING ACTIVITIES			
Purchase of property and equipment		(838,797)	(1,121,973)
Payment of Sub-concession premium	18	—	(213,592)
Proceeds from disposal of property and equipment and other assets		76	739
Proceeds from insurance claims		6,763	4,945
NET CASH USED IN INVESTING ACTIVITIES		(831,958)	(1,329,881)

		2020	2019
	NOTES	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	21	5,560,000	1,000,000
Proceeds from issuance of unsecured senior notes	21	3,876,173	11,772,525
Repayments of credit facilities	21	(4,790,000)	(14,860,000)
Payments of debt finance costs		(106,983)	(309,937)
Payments of lease liabilities	17	(39,825)	(19,206)
Interest paid		(1,022,155)	(821,609)
Dividends paid		(315,400)	(486,404)
Proceeds from exercise of share options		3,955	6,230
Payments on repurchase of Shares	23	(3,210)	(6,942)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		3,162,555	(3,725,343)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(639,292)	(721,614)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,270,296	3,992,107
Effect of foreign exchange rate changes, net		4,507	(197)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and cash equivalents		2,635,511	3,270,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL

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

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

1. GENERAL *(Continued)*

IMPACT OF COVID-19

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China's individual visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the closure of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM MACAU and MGM COTAI were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, certain health safeguards such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and the need to present negative COVID-19 test results and health declarations submitted through the Macau Health Code system remain in effect at the present time. In addition, a number of restaurants and bars are currently open with shorter operating hours due to reduced demand caused by travel restrictions.

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the medical observation period. However, they must obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid 'green' code result for the Macau Health Code system and the Guangdong health-declaration system respectively. DICJ also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid 'green' Macau Health Code. Effective from August 12, 2020, those entering mainland China from Macau are exempted from the medical observation period. Additionally, tourist visas issuance (including individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL *(Continued)*

IMPACT OF COVID-19 *(Continued)*

At the date of this report, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong and Taiwan, and bans on entry or enhanced quarantine requirements on other visitors). These restrictions significantly impacted visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the year ended December 31, 2020 and will likely continue to impact the Group's results given the uncertainty of the length of time of the pandemic. Visitation to Macau and volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week which benefited from the resumption of tourist visas issuance and the efforts to control the COVID-19 pandemic by mainland China and Macau Governments.

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, a number of initiatives were undertaken in the current financial year:

- the Company entered into an amendment to the financial covenants under the Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 21;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion to HK\$5.24 billion, with an option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;

1. GENERAL (Continued)

IMPACT OF COVID-19 (Continued)

- 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;
- on October 14, 2020, the Company entered into an amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio. On October 15, 2020, the Company entered into a third amendment to the financial covenants under the Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. On February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 21;
- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the year; and
- certain capital expenditures that were planned to begin during the year have been deferred.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

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

Amendments to IFRS 3	Definition of Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in IFRS Standards	

In addition, the Group has early applied the Amendment to IFRS 16 *COVID-19 Related Rent Concessions* in the current year. The application of the above amendments to IFRS in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) *(Continued)*

NEW AND AMENDMENTS TO IFRSs IN ISSUE NOT YET ADOPTED

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

IFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to IAS 8	Definition of Accounting Estimates ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ³

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

² Effective for annual periods beginning on or after January 1, 2021

³ Effective for annual periods beginning on or after January 1, 2022

⁴ Effective for annual periods beginning on or after January 1, 2023

The Group considers that these new standards and amendments would not have a significant impact on the Group's results of operations and financial position in the foreseeable future.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

Due to the impact of COVID-19, the Group experienced a significant decline in its financial results during the year ended December 31, 2020 primarily because of the continuing impact of restrictions on travel and operations. At December 31, 2020, the Group had net current liabilities of approximately HK\$104.6 million (December 31, 2019: HK\$1,135.5 million). 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. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 21) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

Revenue recognition

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

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

Inventories

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

Property and equipment

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment *(Continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment *(Continued)*

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

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

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

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other assets

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

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

Cash equivalents

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

Financial instruments

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

Financial assets

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

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

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

Initial recognition and subsequent measurement of financial assets

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets, as appropriate, on initial recognition.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Significant increase in credit risk (Continued)

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Measurement and recognition of expected credit loss

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

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

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

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

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

Financial liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Non-substantial modifications of financial liabilities

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

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

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

Sub-concession premium

Premium payments made for the grant of the Sub-Concession Contract (see note 18) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

Retirement benefit costs

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

Leases

Definition of a lease

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Definition of a lease (Continued)

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and lease of low-value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

Refundable rental deposits

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

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

Lease liabilities

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

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

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

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

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

COVID-19-related rent concessions

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a grantor for right of use

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

Equity-settled share-based payment transactions

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to Directors and employees of the Group (Continued)

When the terms of an equity-settled award are modified, the fair value of original share options granted at the original grant date continues to expense over the original vesting period. An additional expense, measured at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee over the modified vesting period. Where an award is cancelled by the entity or by the counterparty, any unrecognised element of the fair value of the award is expensed immediately through profit or loss.

Share options granted to consultants of the Group

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

LOSS ALLOWANCE OF TRADE RECEIVABLES

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and assessments of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their estimated recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age of the receivables, the customers' financial condition, collection history, any other known information about the customers, general economic conditions, forecasts and forward-looking information including the impact of the COVID-19 pandemic on the customers' ability to settle. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss and carrying amount of trade receivables in the period of change.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group follows the requirements of IAS 36 *Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts.

Due to the uncertainties in connection with the COVID-19 pandemic, the Group has estimated the recoverable amount of non-financial assets to determine whether non-financial assets are impaired. The calculation of recoverable amount of the non-financial assets involves identification of the cash-generating unit(s) and the value-in-use calculations, which requires significant judgment and estimations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that take into consideration the future economic conditions (including the impact of the COVID-19 pandemic), competition in Macau, and the regulatory environment (including the renewal of the gaming sub-concession). Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

IMPAIRMENT OF NON-FINANCIAL ASSETS *(Continued)*

No impairment loss was recognized as the recoverable amounts of the assets are greater than the carrying value. Changes in the key assumptions and estimates on which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

VALUATION OF LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

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

USEFUL LIVES OF PROPERTY AND EQUIPMENT

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

5. SEGMENT INFORMATION

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

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

Adjusted EBITDA is considered to be the primary profit/loss measure for the reportable segment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

5. SEGMENT INFORMATION *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
Adjusted EBITDA (unaudited)	(1,371,723)	6,183,131
Share-based payments	(68,583)	(70,308)
Corporate expenses (unaudited)	(212,933)	(549,703)
Pre-opening costs ⁽¹⁾ (unaudited)	—	(20,548)
Loss on disposal/write-off of property and equipment and other assets	(13,287)	(14,778)
Depreciation and amortization	(2,467,666)	(2,564,457)
Operating (loss)/profit	(4,134,192)	2,963,337
Interest income	9,232	21,238
Finance costs	(1,118,409)	(1,128,075)
Net foreign currency gain	52,024	85,190
(Loss)/profit before tax	(5,191,345)	1,941,690
Income tax expense	(10,186)	(10,462)
(Loss)/profit for the year attributable to owners of the Company	(5,201,531)	1,931,228

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

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

6. CASINO AND OTHER REVENUE

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

	2020 HK\$'000	2019 HK\$'000
VIP gross table games win	1,648,511	9,694,375
Main floor gross table games win	3,623,441	14,938,445
Slot machine gross win	560,705	2,248,201
Gross casino revenue	5,832,657	26,881,021
Commissions, complimentarys and other incentives	(1,448,576)	(6,457,558)
	4,384,081	20,423,463

Other revenue comprises:

	2020 HK\$'000	2019 HK\$'000
Hotel rooms	289,823	1,140,394
Food and beverage	312,523	996,235
Retail and other	109,556	204,944
	711,902	2,341,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

6. CASINO AND OTHER REVENUE *(Continued)*

CONTRACT AND CONTRACT RELATED LIABILITIES

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

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

	Outstanding Chips Liabilities ⁽ⁱ⁾		Loyalty Programs Liabilities		Customer Advances and Other ⁽ⁱⁱ⁾	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	1,682,714	1,694,055	145,875	131,636	619,946	1,607,727
Balance at December 31	1,031,086	1,682,714	151,278	145,875	689,567	619,946
(Decrease)/increase	(651,628)	(11,341)	5,403	14,239	69,621	(987,781)

⁽ⁱ⁾ The change of HK\$651.6 million in outstanding chip liabilities was mainly caused by realization to revenue by gaming play and redemption for cash during the year ended December 31, 2020.

⁽ⁱⁱ⁾ The change of HK\$987.8 million in customer advances and other was mainly related to the utilization of funds previously deposited by customers for gaming play which were recorded as revenue during the year ended December 31, 2019.

7. GAMING TAXES

According to the Sub-Concession Contract as described in note 18, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated.

8. STAFF COSTS

	2020 HK\$'000	2019 HK\$'000
Salaries and discretionary and performance related incentive payments	2,192,528	3,047,011
Retirement benefits scheme contributions	103,766	94,584
Share-based payments	67,606	67,792
Other benefits	552,968	512,864
	2,916,868	3,722,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

8. STAFF COSTS *(Continued)*

DEFINED CONTRIBUTION PLAN

Prior to May 2019, the Group operated a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees. In May 2019, besides the existing retirement benefit plan, the Group offered the option for eligible Macau resident employees to join the non-mandatory central provident fund (the “CPF”) system. Eligible Macau resident employees joining the Group from May 1, 2019 onwards can choose to participate in the CPF system while the Group’s existing Macau resident employees who are currently members of the existing retirement benefit plan are provided with the option of converting to the CPF system or staying in the existing retirement benefit plan. The Group contributes 5% of relevant payroll costs to the CPF, which contribution is matched by employees. The employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years under the plans.

Where there are employees who leave the plans prior to full vesting of their contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$5.7 million (2019: HK\$8.5 million).

The total expense recognized in the profit or loss of HK\$103.8 million (2019: HK\$94.6 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plan during the year ended December 31, 2020. As at December 31, 2020, contributions of approximately HK\$17.8 million (2019: HK\$17.8 million) due had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

9. OTHER EXPENSES AND LOSSES

	2020	2019
	HK\$'000	HK\$'000
Repairs and maintenance	243,898	261,025
Utilities and fuel	209,294	253,026
Advertising and promotion	198,974	658,937
Other support services	145,392	301,131
License fees (note 31)	89,180	397,725
Loss on disposal/write-off of property and equipment and other assets	13,287	14,778
Auditor's remuneration	8,703	9,616
Other	148,981	298,126
	1,057,709	2,194,364

10. DEPRECIATION AND AMORTIZATION

	2020	2019
	HK\$'000	HK\$'000
Depreciation in respect of:		
— Property and equipment	2,259,652	2,269,022
— Right-of-use assets	78,742	63,653
Amortization in respect of:		
— Sub-concession premium	103,147	126,900
— other assets	26,125	104,882
	2,467,666	2,564,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

11. FINANCE COSTS

	2020	2019
	HK\$'000	HK\$'000
Interest on unsecured senior notes	763,299	413,203
Interest on unsecured credit facilities	253,206	106,262
Interest on secured credit facilities	—	380,248
Amortization of debt finance costs	67,735	42,646
Loss on extinguishment of debt (note 21)	—	171,051
Interest on lease liabilities	13,271	13,677
Bank fees and charges	20,898	16,085
Total borrowing costs	1,118,409	1,143,172
Less: capitalized interest allocated to construction in progress (see note 16)	—	(15,097)
	1,118,409	1,128,075

12. INCOME TAX EXPENSE

	2020	2019
	HK\$'000	HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	(9,612)	(9,612)
Mainland China Income Tax	(665)	(974)
Over provision in prior year	91	124
Income tax expense	(10,186)	(10,462)

12. INCOME TAX EXPENSE *(Continued)*

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. Pursuant to the approval notice 88/2020 issued by the Macau Government dated March 30, 2020, this exemption was renewed for the period from April 1, 2020 to June 26, 2022. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for current and prior years.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise was required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. In May 2019, MGM Grand Paradise applied for an extension of this agreement through June 26, 2022, the date the Sub-Concession Extension Contract expires. This extension is subject to approval and the amount of the dividend withholding tax has not been determined by the Macau Government up to the date of approval of these consolidated financial statements. An amount of MOP7.4 million (equivalent to approximately HK\$7.2 million) was provided by the Group for the dividend withholding tax for the period from April 1, 2020 to December 31, 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. INCOME TAX EXPENSE *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(5,191,345)	1,941,690
Tax calculated at rates applicable to profits/losses in the respective jurisdictions	640,856	(225,515)
Effect of tax exemption granted to MGM Grand Paradise	—	752,324
Effect of tax losses not recognized	(541,620)	(454,919)
Effect of expenses not deductible for tax purposes	(190,564)	(101,028)
Effect of income not taxable for tax purposes	121,557	67,467
Effect of utilization of tax losses previously not recognized	—	78
Effect of temporary differences not recognized	(33,336)	(39,374)
Lump sum dividend tax	(9,612)	(9,612)
Over provision in prior year	91	124
Others	2,442	(7)
Income tax expense	(10,186)	(10,462)

12. INCOME TAX EXPENSE *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
Macau Complementary Tax losses which will expire in one to three years	11,448,813	8,937,249
Hong Kong Profits Tax losses which may be carried forward indefinitely	133,962	118,010
Mainland China Enterprise Income Tax losses which will expire in one to five years	421	—
Unused tax losses	11,583,196	9,055,259

As at December 31, 2020, the Group has a deductible temporary difference of approximately HK\$1,777.0 million (2019: approximately HK\$1,499.2 million).

No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

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

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

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽¹⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2020						
<i>Executive Directors⁽¹⁾:</i>						
William Joseph Hornbuckle	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
John M. McManus ⁽²⁾	—	—	—	—	—	—
James Joseph Murren ⁽³⁾	—	—	—	—	—	—
Grant R. Bowie (<i>Chief executive officer</i>) ⁽⁴⁾	—	18,012	1,361	19,635	—	39,008
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁵⁾	—	4,530	125	2,818	1,749	9,222
James Freeman	—	—	—	—	—	—
Daniel J. Taylor ⁽⁶⁾	—	—	—	—	—	—
Ayesha Khanna Molino ⁽⁷⁾	—	—	—	—	—	—
<i>Independent Non-executive Directors⁽⁸⁾:</i>						
Zhe Sun	796	—	—	—	—	796
Sze Wan Patricia Lam	796	—	—	—	—	796
Russell Francis Banham	1,086	—	—	—	—	1,086
Simon Meng	652	—	—	—	—	652
Total emoluments	3,330	22,542	1,486	22,453	1,749	51,560

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

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽ⁱ⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2019						
<i>Executive Directors⁽¹⁾:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
Grant R. Bowie (<i>Chief executive officer</i>)	—	16,581	1,368	14,484	17,087	49,520
<i>Non-executive Directors:</i>						
Kenneth Xiaofeng Feng ⁽⁵⁾	—	1,977	5	258	1,466	3,706
James Freeman ⁽⁹⁾	—	—	—	—	—	—
John M. McManus ⁽²⁾	—	—	—	—	—	—
Daniel J. D'Arrigo ⁽¹⁰⁾	—	—	—	—	—	—
William M. Scott IV ⁽¹¹⁾	—	—	—	—	—	—
<i>Independent Non-executive Directors⁽⁸⁾:</i>						
Zhe Sun	863	—	—	—	—	863
Sze Wan Patricia Lam	863	—	—	—	—	863
Russell Francis Banham	1,177	—	—	—	—	1,177
Peter Man Kong Wong ⁽¹²⁾	177	—	—	—	—	177
Simon Meng ⁽¹³⁾	44	—	—	—	—	44
Total emoluments	3,124	18,558	1,373	14,742	18,553	56,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

Notes:

- (1) The executive Directors' emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.
- (2) John M. McManus was appointed as a non-executive Director with effect from March 6, 2019 and re-designated as executive Director on March 26, 2020.
- (3) James Joseph Murren resigned as a chairperson and executive Director with effect from March 26, 2020.
- (4) Grant R. Bowie resigned as a chief executive officer on May 11, 2020 with effect from May 31, 2020 and resigned as an executive Director with effect from August 6, 2020.
- (5) The emoluments and retirement benefits paid or payable to Kenneth Xiaofeng Feng was for his services in connection with the management of the affairs of the Group.
- (6) Daniel J. Taylor was appointed as a non-executive Director with effect from March 26, 2020.
- (7) Ayesha Khanna Molino was appointed as a non-executive Director with effect from August 6, 2020.
- (8) The independent non-executive Directors' emoluments were for services as Directors of the Company.
- (9) James Freeman was appointed as a non-executive Director with effect from March 6, 2019 and resigned with effect from June 27, 2019. He was re-appointed as a non-executive Director with effect from August 1, 2019.
- (10) Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.
- (11) William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.
- (12) Mr. Peter Man Kong Wong passed away on March 11, 2019.
- (13) Simon Meng was appointed as an independent non-executive Director with effect from December 9, 2019.

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

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2020 and 2019.

Of the five individuals with the highest emoluments in the Group, two (2019: one) were Directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining three (2019: four) individuals were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	12,612	18,358
Contributions to retirement benefits scheme	641	724
Share-based payments	10,529	10,736
Discretionary and performance related incentive payments ⁽ⁱ⁾	3,795	9,100
	27,577	38,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

Their emoluments were within the following bands:

	2020 No. of employees	2019 No. of employees
HK\$7,000,001 to HK\$7,500,000	1	—
HK\$7,500,001 to HK\$8,000,000	—	1
HK\$8,500,001 to HK\$9,000,000	—	1
HK\$9,000,001 to HK\$9,500,000	1	—
HK\$10,500,001 to HK\$11,000,000	1	—
HK\$11,000,001 to HK\$11,500,000	—	1
HK\$11,500,001 to HK\$12,000,000	—	1

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2020 and 2019.

Note:

- ⁽ⁱ⁾ Discretionary and performance related incentive payments for the years ended December 31, 2020 and 2019 are provided based upon the Group's performance and the individual's contribution to the Group for the respective years.

14. DIVIDENDS

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

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

On May 28, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 19, 2020.

The Board did not recommend an interim dividend payment for the six months ended June 30, 2020 and does not recommend the payment of a final dividend for the year ended December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss/earnings per Share for the years ended December 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted loss/earnings per Share for the years ended December 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options (see note 24).

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

	2020	2019
(Loss)/profit		
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted loss/earnings per Share (HK\$'000)	(5,201,531)	1,931,228
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss/earnings per Share ('000)	3,800,062	3,800,057
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	—	3,231
Weighted average number of Shares for the purpose of diluted loss/earnings per Share ('000)	3,800,062	3,803,288
(Loss)/earnings per Share – Basic	(HK136.9 cents)	HK50.8 cents
(Loss)/earnings per Share – Diluted	(HK136.9 cents)	HK50.8 cents

⁽¹⁾ The computation of the diluted loss per share for the year ended December 31, 2020 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

16. PROPERTY AND EQUIPMENT

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST									
At January 1, 2019	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	1,781,527	36,368,208
Additions	96,457	361	14,530	62,519	24,601	12,889	6,789	300,982	519,128
Transfers from construction in progress	1,649,293	—	231,729	5,607	19,477	57,538	—	(1,963,644)	—
Transfers to other assets	—	—	—	—	—	—	—	(12,076)	(12,076)
Adjustment upon finalization of costs	(515,765)	—	—	—	—	—	—	—	(515,765)
Disposal/write-off	(15,149)	(2,004)	(7,884)	(18,676)	(3,850)	—	—	(2,393)	(49,956)
Exchange difference	—	99	36	—	10	—	—	—	145
At December 31, 2019 and January 1, 2020	29,264,987	2,153,538	2,759,149	863,551	859,979	252,721	51,363	104,396	36,309,684
Additions	25,652	735	17,526	20,979	6,867	298	—	449,432	521,489
Transfers from construction in progress	71,065	—	25,070	45,964	2,441	—	—	(144,540)	—
Transfers to other assets	—	—	—	—	—	—	—	(185)	(185)
Disposal/write-off	(13,093)	(3,080)	(6,128)	(18,182)	(3,778)	—	—	(6,283)	(50,544)
Exchange difference	—	2,377	886	—	253	—	—	—	3,516
At December 31, 2020	29,348,611	2,153,570	2,796,503	912,312	865,762	253,019	51,363	402,820	36,783,960
DEPRECIATION									
At January 1, 2019	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	—	(15,562)	—	(7,364,763)
Eliminated on disposal/write-off	494	1,999	7,642	18,368	3,850	—	—	—	32,353
Charge for the year	(1,378,630)	(103,790)	(451,328)	(136,309)	(190,601)	—	(8,364)	—	(2,269,022)
Exchange difference	—	77	5	—	5	—	—	—	87
At December 31, 2019 and January 1, 2020	(5,119,624)	(2,061,447)	(1,290,464)	(489,785)	(616,099)	—	(23,926)	—	(9,601,345)
Eliminated on disposal/write-off	2,128	3,052	5,044	15,489	3,776	—	—	—	29,489
Charge for the year	(1,435,085)	(20,764)	(472,844)	(136,002)	(186,912)	—	(8,045)	—	(2,259,652)
Exchange difference	—	(1,800)	(616)	—	(253)	—	—	—	(2,669)
At December 31, 2020	(6,552,581)	(2,080,959)	(1,758,880)	(610,298)	(799,488)	—	(31,971)	—	(11,834,177)
CARRYING AMOUNT									
At December 31, 2020	22,796,030	72,611	1,037,623	302,014	66,274	253,019	19,392	402,820	24,949,783
At December 31, 2019	24,145,363	92,091	1,468,685	373,766	243,880	252,721	27,437	104,396	26,708,339

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For the year ended December 31, 2020

16. PROPERTY AND EQUIPMENT *(Continued)*

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (2020: nil) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% per annum to expenditure on qualifying assets during the year ended December 31, 2019.

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

17. LEASES

THE GROUP AS A LESSEE

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

Buildings, equipment and others generally have lease terms between 1 to 5 years, but may have extension options as described below.

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

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

	Right-of-use assets			
	Leasehold	Equipment		Total
	Land	Buildings	and others	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At January 1, 2019	1,340,337	30,779	38,421	1,409,537
Addition	—	23,460	12,878	36,338
Depreciation charge	(36,959)	(14,709)	(11,985)	(63,653)
Foreign exchange difference	—	235	—	235
At December 31, 2019 and January 1, 2020	1,303,378	39,765	39,314	1,382,457
Addition	—	9,809	12,797	22,606
Depreciation charge	(36,960)	(23,023)	(18,759)	(78,742)
Foreign exchange difference	—	572	—	572
At December 31, 2020	1,266,418	27,123	33,352	1,326,893

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For the year ended December 31, 2020

17. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Within one year	42,182	56,181
Over one year but not exceeding two years	21,057	39,502
Over two years but not exceeding five years	44,803	33,964
Over five years	394,753	402,892
	502,795	532,539
Less: Effect of discounting at incremental borrowing rate	(285,859)	(296,070)
	216,936	236,469
Current	32,110	45,349
Non-current	184,826	191,120
	216,936	236,469

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

The following are the amounts recognized in profit or loss other than depreciation charge and interest expense:

	2020 HK\$'000	2019 HK\$'000
Variable lease payments not included in the measurement of lease liabilities	406	3,555
COVID-19-related rent concessions	(2,157)	—
Expenses relating to short-term leases	32,141	82,712
Expenses relating to leases of low value assets	353	327

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

	2020 HK\$'000	2019 HK\$'000
Total cash outflow for leases	89,338	106,709

Apart from the land concession contracts, the Group has extension options in a number of lease arrangements which are exercisable at the discretion of the Group and not by the respective lessors.

The Group assesses at each lease commencement date whether it is reasonably certain that the extension options will be exercised or not. The potential exposures to future lease payments pertaining to extension options which the Group is not reasonably certain to exercise is HK\$39.6 million (2019: HK\$38.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

17. LEASES *(Continued)*

THE GROUP AS A LESSEE *(Continued)*

In addition, the Group reassesses whether to exercise an extension option upon the occurrence of a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2020 and 2019, there was no such triggering event.

As at December 31, 2020 and 2019, there are no lease contracts that contain residual value guarantees provided to the lessor or leases which are not yet commenced.

THE GROUP AS THE GRANTOR OF THE RIGHT OF USE

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers.

The following are the amounts recognized in profit or loss:

	2020 HK\$'000	2019 HK\$'000
Payments that are fixed or depend on an index or a rate	31,354	46,645
Variable payments that do not depend on an index or a rate	52,224	75,818
	83,578	122,463

17. LEASES *(Continued)***THE GROUP AS THE GRANTOR OF THE RIGHT OF USE** *(Continued)*

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	45,258	60,814
More than one year and not longer than five years	47,738	58,747
	92,996	119,561

18. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At December 31, 2018 and January 1, 2019	1,560,000
Additions	213,592
At December 31, 2019 and December 31, 2020	1,773,592
AMORTIZATION	
At January 1, 2019	(1,401,847)
Charge for the year	(126,900)
At December 31, 2019 and January 1, 2020	(1,528,747)
Charge for the year	(103,147)
At December 31, 2020	(1,631,894)
CARRYING AMOUNT	
At December 31, 2020	141,698
At December 31, 2019	244,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

18. SUB-CONCESSION PREMIUM *(Continued)*

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 28). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

19. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	436,848	654,241
Less: Loss allowance	(144,808)	(122,298)
	292,040	531,943

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

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

As at January 1, 2019, trade receivables from contracts with customers amounted to HK\$322.6 million.

19. TRADE RECEIVABLES *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	137,967	218,010
31 – 90 days	5,661	202,759
91 – 180 days	6,540	88,732
Over 180 days	141,872	22,442
	292,040	531,943

As at December 31, 2020, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$156.9 million (2019: HK\$326.0 million), which are past due at the end of the reporting period. Out of the past due balances, HK\$142.0 million (2019: HK\$51.1 million) are 90 days past due or more and are not considered as in default. The Group's management considers that there is no default based upon the repayment history and creditworthiness of these individual customers.

Details of the impairment assessment of trade receivables for the years ended December 31, 2020 and 2019 are set out in note 26.

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For the year ended December 31, 2020

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020 HK\$'000	2019 HK\$'000
Cash at bank and on hand	1,669,474	2,067,772
Short-term bank deposits	966,037	1,202,524
Cash and cash equivalents, current	2,635,511	3,270,296
Restricted cash, non-current	36,439	—
Cash and cash equivalents and restricted cash	2,671,950	3,270,296

The cash and cash equivalents and restricted cash are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	2,426,175	2,927,268
US\$	122,974	208,605
Renminbi ("RMB")	57,581	42,046
Singapore dollar ("SG\$")	16,703	61,612
Other	48,517	30,765
	2,671,950	3,270,296

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are placed for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2020 and 2019.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

Restricted cash represents cash in a bank account of a controlled entity which was restricted in use by court order in 2020. As the controlled entity was not involved in the claim which resulted in the court order, the Company considers that the injunction should be dismissed and is taking the necessary steps to defend its position and obtain release of the funds.

21. BORROWINGS

During the year ended December 31, 2020, the Company completed the following significant refinancing transactions:

- entered into the Second Revolving Credit Facility, increasing the available undrawn credit facilities by HK\$2.34 billion to HK\$5.24 billion, with an option to increase the amount of the facility up to HK\$3.9 billion subject to certain conditions;
- the issuance of senior notes with an aggregate principal amount of US\$500 million. The net proceeds were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes;
- increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion; and
- entered into amendments to the financial covenants under the Revolving Credit Facility and Second Revolving Credit Facility to revise the permitted leverage ratio and permitted interest coverage ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

21. BORROWINGS (Continued)

At December 31, 2020 the Group's unsecured borrowings included credit facilities and senior notes.

	2020	2019
	HK\$'000	HK\$'000
Unsecured senior notes repayable:		
Over three years but not exceeding four years	5,814,675	—
Over four years but not exceeding five years	3,876,450	5,843,535
Over five years	5,814,675	5,843,535
	15,505,800	11,687,070
Less: Debt finance costs	(181,924)	(157,712)
	15,323,876	11,529,358
Unsecured credit facilities repayable:		
Over two years but not exceeding five years	5,970,000	5,200,000
	5,970,000	5,200,000
Less: Debt finance costs	(138,836)	(124,832)
	5,831,164	5,075,168
Current	—	—
Non-current	21,155,040	16,604,526
	21,155,040	16,604,526

21. BORROWINGS *(Continued)*

UNSECURED SENIOR NOTES

2024 Notes and 2026 Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. The net proceeds from the issuance were used to pay down outstanding borrowings under the Senior Secured Credit Facility. 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.

The 2024 Notes and 2026 Notes are general unsecured obligations of the Company. The 2024 Notes and 2026 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness. The 2024 Notes and 2026 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 2024 Notes and 2026 Notes.

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 2024 Notes and 2026 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 2024 Notes and 2026 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

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For the year ended December 31, 2020

21. BORROWINGS *(Continued)*

UNSECURED SENIOR NOTES *(Continued)*

2025 Notes

On June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million. 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.

The 2025 Notes are general unsecured obligations of the Company. The 2025 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness, including the 2024 Notes and the 2026 Notes and any outstanding obligations under the Revolving Credit Facility and the Second Revolving Credit Facility. The 2025 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 subordinated indebtedness, if any. None of the Company's subsidiaries have guaranteed the 2025 Notes.

The 2025 Notes were issued pursuant to an indenture, dated June 18, 2020, between the Company and Wilmington Savings Fund Society, FSB, as trustee.

The 2025 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 2025 Notes also provide for certain events of default, including certain insolvency related proceedings relating to the Group.

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

21. BORROWINGS *(Continued)*

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. The proceeds of the Revolving Credit Facility were used to replace the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and for ongoing working capital needs and general corporate purposes of the Group.

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

As at December 31, 2020, the Group had total available undrawn unsecured credit facilities of HK\$6.90 billion.

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For the year ended December 31, 2020

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Revolving Credit Facility and Second Revolving Credit Facility *(Continued)*

Principal and Interest

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

As at December 31, 2020, HK\$5.97 billion of the Revolving Credit Facility was drawn. HK\$3.78 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 2020, the Group paid interest at HIBOR plus 2.75% per annum (2019: HIBOR plus 2.25% per annum). As at the date of this report, HK\$6.87 billion of the Revolving Credit Facility was drawn.

General Covenants

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

Financial Covenants

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

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Revolving Credit Facility and Second Revolving Credit Facility *(Continued)*

Financial Covenants *(Continued)*

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 and a fourth amendment on February 24, 2021 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020 and a second amendment on February 24, 2021 under the Second Revolving Credit Facility.

The amendments of the permitted leverage ratio and permitted interest coverage ratio as follows:

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
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 accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

⁽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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

21. BORROWINGS *(Continued)*

UNSECURED CREDIT FACILITIES *(Continued)*

Revolving Credit Facility and Second Revolving Credit Facility *(Continued)*

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2020 and 2019.

Mandatory Prepayments

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

Events of Default

The Revolving Credit Facility and the Second Revolving Credit Facility contain certain events of default, including loss of concession (as defined therein) and certain insolvency related proceedings relating to the Group.

Security and Guarantees

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

22. PAYABLES AND ACCRUED CHARGES

	NOTE	2020 HK\$'000	2019 HK\$'000
Outstanding chips liabilities	6	1,031,086	1,682,714
Customer advances and other	6	689,567	619,946
Accrued staff costs		427,046	664,026
Gaming taxes payables		377,699	838,340
Other payables and accrued charges		284,117	377,809
Loyalty programs liabilities	6	151,278	145,875
Construction payables and accruals		146,586	224,822
Other casino liabilities		63,361	215,757
Trade payables		36,582	69,066
		3,207,322	4,838,355
Current		3,199,112	4,825,255
Non-current		8,210	13,100
		3,207,322	4,838,355

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	30,209	60,316
31 – 60 days	3,634	6,831
61 – 90 days	2,571	1,025
91 – 120 days	106	68
Over 120 days	62	826
	36,582	69,066

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) SHARE CAPITAL

	NOTE	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2019, December 31, 2019, January 1, 2020 and December 31, 2020			
		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2019			
		3,800,000,001	3,800,000,001
Share options exercised	24	503,600	503,600
Share repurchase and cancellation	(i)	(503,600)	(503,600)
At December 31, 2019 and January 1, 2020			
		3,800,000,001	3,800,000,001
Share options exercised	24	349,400	349,400
Share repurchase and cancellation	(i)	(349,400)	(349,400)
At December 31, 2020			
		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2020, 349,400 Shares (2019: 503,600) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$3.2 million (2019: HK\$6.9 million).

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 349,400 Shares (2019: 503,600) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2020. The premium of HK\$2.9 million (2019: HK\$6.4 million) paid on the repurchase of the 349,400 Shares (2019: 503,600) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$0.3 million (2019: HK\$0.5 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the years ended December 31, 2020 and 2019 are summarized as follows:

December 31, 2020

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2020	249,200	8.22	8.17	2,052
December 2020	100,200	11.62	11.44	1,158
	349,400			3,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(i) *(Continued)*

December 31, 2019

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

(ii) Equity reserve

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

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

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(iii) Other reserves

Other reserves of HK\$13,131.9 million as at December 31, 2020 (2019: HK\$13,133.3 million) comprise of the following:

- a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.
- c) Pursuant to Article 166 of the Company Law of the People's Republic of China, the Company's subsidiary incorporated in mainland China is required to transfer a minimum of 10% of the after tax profit to a legal reserve until that reserve equals 50% of its capital. During the year ended December 31, 2020, HK\$1.4 million was transferred to the legal reserve. This reserve is not distributable to the Shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

24. SHARE-BASED PAYMENTS

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

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

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

As at December 31, 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 107,437,088 (2019: 98,167,388), representing approximately 2.8% (2019: 2.6%) of the Shares of the Company in issue at that date.

24. SHARE-BASED PAYMENTS *(Continued)*

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

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

24. SHARE-BASED PAYMENTS (Continued)

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

December 31, 2020

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options				Outstanding at December 31, 2020
					Granted during the year	Exercised during the year	Forfeited during the year	Replacement during the year	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	–	–	–	–	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,109,400	–	–	(130,000)	(2,249,400) ⁽⁸⁾	1,730,000
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	–	–	–	(625,000) ⁽⁸⁾	–
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	–	–	–	–	750,000
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	–	–	–	–	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	–	–	–	–	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	–	–	–	–	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	–	–	–	–	700,000
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	–	–	–	–	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,350,000	–	–	(570,000)	–	10,780,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	–	–	–	–	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	–	–	–	–	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	–	–	–	–	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	257,500	–	–	(50,000)	–	207,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	170,000	–	–	(50,000)	–	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	–	–	–	–	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,164,388	–	–	(133,400)	–	5,030,988
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	–	–	–	–	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	285,000	–	–	(150,000)	–	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	780,000	–	–	(65,000)	–	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	–	–	–	–	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	–	–	–	–	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	–	–	–	–	3,535,200

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2020 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options				Outstanding at December 31, 2020
					Granted during the year	Exercised during the year	Forfeited during the year	Replacement during the year	
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	8,064,600	–	(268,400)	(323,200)	–	7,473,000
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	–	–	–	–	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	–	–	–	–	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,972,200	–	(81,000)	(108,800)	–	6,782,400
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	–	–	–	–	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	350,000	–	–	(50,000)	–	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,275,000	–	–	(337,500)	–	937,500
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	–	–	–	–	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	–	–	–	–	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,196,100	–	–	(671,400)	–	6,524,700
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	–	–	–	–	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	330,000	–	–	(80,000)	–	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	362,500	–	–	(62,500)	–	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,165,000	–	–	(335,000)	–	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	–	–	(170,000)	–	200,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	–	–	–	–	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	5,955,400	–	–	(923,400)	–	5,032,000
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	–	–	–	–	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	–	–	–	–	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	–	–	–	–	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	150,000	–	–	(100,000)	–	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	500,000	–	–	(80,000)	–	420,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	–	–	–	–	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	11,679,600	–	–	(1,991,500)	–	9,688,100
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	275,200	–	–	–	–	275,200

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For the year ended December 31, 2020

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2020 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options					Outstanding at December 31, 2020	
				Outstanding at January 1, 2020	Granted during the year	Exercised during the year	Forfeited during the year	Replacement during the year		
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	410,000	–	–	(80,000)	–	330,000	
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	–	–	–	–	1,000,000	
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	200,000	–	–	(50,000)	–	150,000	
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	–	180,000	–	–	–	180,000	
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	–	220,000	–	(60,000)	–	160,000	
Director	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	–	900,000	–	–	–	900,000	
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	–	15,350,000	–	(779,200)	–	14,570,800	
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	–	120,000	–	–	–	120,000	
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.620	–	–	–	–	2,249,400 ⁽¹⁾	2,249,400	
Employees	November 16, 2020	November 16, 2021 – November 15, 2030	15.120	–	–	–	–	625,000 ⁽¹⁾	625,000	
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	–	200,000	–	–	–	200,000	
				98,167,388	16,970,000	(349,400)	(7,350,900)		–	107,437,088
Weighted average exercise price per Share				HK\$16.51	HK\$9.48	HK\$11.09	HK\$15.89	HK\$15.51		HK\$15.46
Exercisable at end of the reporting period										73,032,788

Note:

- ⁽¹⁾ On November 16, 2020, the Company granted share options to subscribe for a total of 2,249,400 Shares and 625,000 Shares (“Replacement Share Options”) to the relevant grantees under the share options granted on June 3, 2011 and August 22, 2011, respectively, as replacement of the respective share options which have not been exercised or lapsed since they were granted.

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2019

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

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For the year ended December 31, 2020

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2019 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	–	–	–	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	7,101,300	–	(76,100)	(53,000)	6,972,200
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	–	–	–	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	400,000	–	–	(50,000)	350,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,307,500	–	(12,500)	(20,000)	1,275,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	382,500	–	–	(12,500)	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	–	–	–	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	7,719,200	–	–	(523,100)	7,196,100
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	–	–	–	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	355,000	–	–	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	400,000	–	–	(37,500)	362,500
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	1,215,000	–	–	(50,000)	1,165,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	370,000	–	–	–	370,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	–	–	–	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	6,358,800	–	–	(403,400)	5,955,400
Consultant	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	153,600	–	–	–	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	200,000	–	–	–	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	110,000	–	–	(60,000)	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	–	150,000	–	–	150,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	–	550,000	–	(50,000)	500,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	–	3,992,400	–	–	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	–	11,806,000	–	(126,400)	11,679,600
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	–	275,200	–	–	275,200

24. SHARE-BASED PAYMENTS *(Continued)*

December 31, 2019 *(Continued)*

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at December 31, 2019
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	–	410,000	–	–	410,000
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	–	1,000,000	–	–	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	–	200,000	–	–	200,000
				82,698,188	18,383,600	(503,600)	(2,410,800)	98,167,388
Weighted average exercise price per Share				HK\$17.54	HK\$11.89	HK\$12.00	HK\$17.37	HK\$16.51
Exercisable at end of the reporting period								60,314,638

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

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

	Year ended December 31,	
	2020	2019
Expected volatility	43.32%	43.13%
Expected life (years)	5.41	5.39
Risk-free annual interest rate	0.569%	1.607%
Expected dividends	1.22%	0.89%
Weighted average share price at the date of grant (HK\$)	9.73	11.65
Weighted average exercise price (HK\$)	10.35	11.89
Weighted average fair value of each share option granted by the Company (HK\$)	3.20	4.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

24. SHARE-BASED PAYMENTS *(Continued)*

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The weighted-average share price at the date of exercise for share options exercised in 2020 was HK\$13.02 (2019: HK\$14.62).

The Group recognized a total expense of HK\$68.6 million (2019: HK\$70.3 million) for the year ended December 31, 2020 in relation to share options granted by the Company.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised borrowings, net of debt finance costs, as described in note 21, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. As at December 31, 2020, the gearing ratio of the Group was 78.7% (2019: 56.0%).

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020	2019
	HK\$'000	HK\$'000
Financial assets		
Amortized cost:		
Cash and cash equivalents	2,635,511	3,270,296
Trade receivables	292,040	531,943
Restricted cash	36,439	—
Other receivables	18,537	29,206
Deposits	16,266	15,653
Amounts due from related companies	330	1,370
	2,999,123	3,848,468
Financial liabilities		
Amortized cost:		
Borrowings	21,155,040	16,604,526
Outstanding chips liabilities	1,031,086	1,682,714
Customer advances and other	606,237	500,712
Other payables	134,451	121,633
Other casino liabilities	62,349	214,747
Construction retention payable	46,182	308,377
Trade payables	36,582	69,066
Amounts due to related companies	18,244	48,085
Construction payables	4,166	4,613
Subtotal	23,094,337	19,554,473
Lease liabilities	216,936	236,469
	23,311,273	19,790,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS *(Continued)*

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

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

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2020 and 2019:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2020						
Casino receivables (i)	300,094	(66,051)	234,043	–	–	234,043

26. FINANCIAL INSTRUMENTS *(Continued)*

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

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
As at December 31, 2020						
Commission and incentives liabilities (ii)	65,814	(3,465)	62,349	—	—	62,349
Deposits received from gaming patrons and gaming promoters (iii)	659,874	(62,586)	597,288	—	—	597,288
	725,688	(66,051)	659,637	—	—	659,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS (Continued)

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

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

As at December 31, 2019

Casino receivables (i)	605,818	(143,974)	461,844	—	—	461,844
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	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented	Related amounts not set off in the consolidated statement of financial position	Cash collateral pledged	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	HK\$'000	HK\$'000

As at December 31, 2019

Commission and incentives liabilities (ii)	227,694	(12,947)	214,747	—	—	214,747
Deposits received from gaming patrons and gaming promoters (iii)	616,441	(131,027)	485,414	—	—	485,414
	844,135	(143,974)	700,161	—	—	700,161

26. FINANCIAL INSTRUMENTS *(Continued)*

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

- (i) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$292.0 million (2019: HK\$531.9 million) in the consolidated statement of financial position as at December 31, 2020.
- (ii) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$3,207.3 million (2019: HK\$4,838.4 million) in the consolidated statement of financial position as at December 31, 2020.
- (iii) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$3,207.3 million (2019: HK\$4,838.4 million) in the consolidated statement of financial position as at December 31, 2020.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

MARKET RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency risk management

The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in US\$ and RMB and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the years ended December 31, 2020 and 2019. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including cash and cash equivalents) and monetary liabilities (including payables and borrowings) at the end of the reporting period are as follows:

Assets

	2020 HK\$'000	2019 HK\$'000
US\$	122,974	208,605
RMB	60,412	44,626

Liabilities

	2020 HK\$'000	2019 HK\$'000
US\$	15,433,088	11,619,630
RMB	8,924	17,105

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$ and RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates.

As at December 31, 2020, if the HK\$ had weakened by 1% against the US\$ with all other variables held constant, loss for the year would have been higher by approximately HK\$153.1 million (2019: profit would be lower by HK\$114.1 million), mainly as a result of the translation of US\$ denominated Senior Notes (2019: same). If the HK\$ had weakened by 1% against the RMB with all other variables held constant, loss for the year would have been lower by approximately HK\$0.5 million (2019: profit would be higher by HK\$0.3 million), mainly as a result of the translation of RMB denominated cash and cash equivalents (2019: same).

INTEREST RATE RISK

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under 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.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS *(Continued)*

INTEREST RATE RISK *(Continued)*

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's borrowing costs for the year ended December 31, 2020, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$29.8 million (2019: HK\$26.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

CREDIT RISK

As at December 31, 2020 and 2019, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

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

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age of the receivables, the counterparty's financial condition, collection history and any other known information about the customers including the impact of the COVID-19 pandemic on the customers' ability to settle. The provision rates are reviewed and adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

For other receivables, no allowance for impairment was made since the management considers the probability of default is minimal after assessing the counterparties' financial background and creditability and/or exposure at default is minimal.

The following tables provide information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2020 and December 31, 2019.

Provision matrix – debtors' aging	Loss rate	Net receivable amount	
		2020 HK\$'000	2019 HK\$'000
Current (not past due)	0% – 0.6%	135,175	205,972
1 – 90 days past due	4% – 15%	14,908	274,884
91 – 360 days past due	15% – 46%	101,029	51,087
More than 360 days past due	50% – 100%	40,928	—
		292,040	531,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
At January 1	122,298	96,429
Charge for the year, net	92,642	28,267
Amount written off, net	(70,132)	(2,398)
At December 31	144,808	122,298

Charge for the year ended December 31, 2020 is mainly attributable to impairment losses recognized for trade receivables with gross carrying amounts of HK\$400.2 million (2019: HK\$589.3 million). As at December 31, 2020, the Group has specifically provided HK\$57.7 million of loss allowance on certain credit-impaired debtors because of the long aged balance and increasing uncertainty on their financial standing. Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2020 and which are still subject to enforcement activity was HK\$74.6 million (2019: HK\$9.7 million).

LIQUIDITY RISK

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

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

26. FINANCIAL INSTRUMENTS *(Continued)*

LIQUIDITY RISK *(Continued)*

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2020								
Trade payables	—	36,582	—	—	—	—	36,582	36,582
Construction payables	—	4,166	—	—	—	—	4,166	4,166
Other payables	—	25,007	—	101,234	8,210	—	134,451	134,451
Other casino liabilities	—	62,349	—	—	—	—	62,349	62,349
Outstanding chips liabilities	—	1,031,086	—	—	—	—	1,031,086	1,031,086
Customer advances and other	—	606,237	—	—	—	—	606,237	606,237
Borrowings	5.34	36,162	29,569	1,065,884	19,200,874	5,985,481	26,317,970	21,155,040
Construction retention payable	—	6,323	501	28,426	10,932	—	46,182	46,182
Amounts due to related companies	—	18,244	—	—	—	—	18,244	18,244
Lease liabilities	6.10	3,254	6,014	32,914	65,860	394,753	502,795	216,936
Guarantee contracts (note 28)	—	1,095,237	—	—	—	—	1,095,237	—
		2,924,647	36,084	1,228,458	19,285,876	6,380,234	29,855,299	23,311,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

	Weighted average interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2019								
Trade payables	—	69,066	—	—	—	—	69,066	69,066
Construction payables	—	4,613	—	—	—	—	4,613	4,613
Other payables	—	18,978	—	89,555	13,100	—	121,633	121,633
Other casino liabilities	—	214,747	—	—	—	—	214,747	214,747
Outstanding chips liabilities	—	1,682,714	—	—	—	—	1,682,714	1,682,714
Customer advances and other	—	500,712	—	—	—	—	500,712	500,712
Borrowings	5.33	9,273	53,354	758,938	14,272,265	6,358,497	21,452,327	16,604,526
Construction retention payable	—	10,666	269,414	27,484	813	—	308,377	308,377
Amounts due to related								
companies	—	48,085	—	—	—	—	48,085	48,085
Lease liabilities	6.04	6,939	7,968	41,274	73,466	402,892	532,539	236,469
Guarantee contracts (note 28)	—	1,095,237	—	—	—	—	1,095,237	—
		3,661,030	330,736	917,251	14,359,644	6,761,389	26,030,050	19,790,942

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

FAIR VALUE

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings HK\$'000	Interest payable HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At January 1, 2019	18,873,205	7,247	—	219,219	19,099,671
Financing cashflows ⁽ⁱ⁾	(2,397,412)	(807,932)	(486,404)	(32,883)	(3,724,631)
Interest expenses	—	899,713	—	13,677	913,390
Loss on extinguishment of debt	171,051	—	—	—	171,051
Amortization of debt finance costs	42,646	—	—	—	42,646
Dividend declared	—	—	486,404	—	486,404
New leases/lease modification	—	—	—	35,781	35,781
Foreign exchange difference	(84,271)	(202)	—	675	(83,798)
Other	(693)	—	—	—	(693)
At December 31, 2019 and January 1, 2020	16,604,526	98,826	—	236,469	16,939,821
Financing cashflows	4,539,190	(1,008,884)	(315,400)	(53,096)	3,161,810
Interest expenses	—	1,016,505	—	13,271	1,029,776
Amortization of debt finance costs	67,735	—	—	—	67,735
Dividend declared	—	—	315,400	—	315,400
New leases/lease modification	—	—	—	22,606	22,606
Effect of rent concessions and reduction	—	—	—	(3,019)	(3,019)
Foreign exchange difference	(56,693)	(1,156)	—	705	(57,144)
Other	282	—	—	—	282
At December 31, 2020	21,155,040	105,291	—	216,936	21,477,267

⁽ⁱ⁾ The cash flows from borrowings comprise the net amount of proceeds from credit facilities and issuance of senior notes and repayments of credit facilities in the consolidated statement of cash flows. During the year ended December 31, 2019, HK\$880.0 million of the Group's secured term loan was settled through the Group's secured revolving credit facility.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. CONTINGENT LIABILITIES

a) GUARANTEES

As at December 31, 2020, the Group has given bank guarantees totaling HK\$1,095.2 million (2019: HK\$1,095.2 million) to certain parties, of which HK\$1,091.4 million (2019: HK\$1,091.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract, the Sub-Concession Extension Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (2019: 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 (2019: HK\$3.2 million) was issued in favor of certain vendors.

b) LITIGATION

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

29. CAPITAL COMMITMENTS

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

	2020	2019
	HK\$'000	HK\$'000
Contracted but not accounted for	273,361	110,651

30. OTHER COMMITMENTS

SUB-CONCESSION

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2020, the Group is obligated under its Sub-Concession Contract and Sub-Concession Extension Contract to make minimum future payments of approximately MOP225.4 million (equivalent to approximately HK\$218.8 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. RELATED PARTY TRANSACTIONS

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

(a)(i) Amounts due from related companies represent trade balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.

(a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.5 million (2019: HK\$12.6 million), and the ultimate holding company of the Company amounting to HK\$17.8 million (2019: HK\$35.5 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance based upon invoice date:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	18,244	35,962
31 – 60 days	—	306
61 – 90 days	—	3,818
91 – 120 days	—	4,004
Over 120 days	—	3,995
	18,244	48,085

(a)(iii) As at December 31, 2020, the Group had lease liabilities of HK\$8.4 million (2019: HK\$7.7 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

During the year ended December 31, 2020, the Group entered into several new lease agreements for the use of building and equipment (2019: equipment) for approximately 1-2 years (2019: approximately 2-3 years). Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group recognized an addition of right-of-use assets and lease liabilities of HK\$7.3 million (2019: HK\$4.3 million).

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

Related parties	Type of transaction	2020	2019
		HK\$'000	HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises	365	1,687
	Travelling, accommodation and transportation, net of discounts	30,731	79,692
	Interest expense on lease liabilities	205	287
Ultimate holding company	Marketing referral fees	4,165	14,352
	Marketing referral income	—	(81)
	Rental income	(194)	(428)
Company jointly-owned by Shareholders	License fee	89,180	397,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

31. RELATED PARTY TRANSACTIONS *(Continued)*

b) *(Continued)*

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. For the year ended December 31, 2020, the annual caps of MGM MACAU and MGM COTAI were US\$129.0 million (equivalent to approximately HK\$1,002.5 million) and US\$28.8 million (equivalent to approximately HK\$223.8 million), respectively. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI were US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million) respectively. The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and will expire on June 26, 2022. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$82.3 million (equivalent to approximately HK\$638.6 million) for the year ended December 31, 2020.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

31. RELATED PARTY TRANSACTIONS *(Continued)*

c) Compensation to key management personnel

The remuneration of key management is as follows:

	2020 HK\$'000	2019 HK\$'000
Short term benefits	86,070	106,052
Post-employment benefits	3,335	2,972
Share-based payments	40,391	38,440
	129,796	147,464

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

32. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2020	December 31, 2019	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games

32. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2020	December 31, 2019	
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	100%	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

32. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2020	December 31, 2019	
珠海市橫琴新區倍福信息服務外包有限公司 (ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation
珠海貝芙信息服務外包有限公司 (ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservations and convention consultation

32. SUBSIDIARIES *(Continued)*

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Ms. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

AT DECEMBER 31, 2020

	2020 HK\$'000	2019 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	26,937,052	26,268,269
Amount due from subsidiaries	15,663,303	12,961,145
Total non-current assets	42,600,355	39,229,414
Current assets		
Prepayments	2,156	1,562
Cash and cash equivalents	48,040	48,179
Total current assets	50,196	49,741
TOTAL ASSETS	42,650,551	39,279,155

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)***AT DECEMBER 31, 2020** *(Continued)*

	2020	2019
	HK\$'000	HK\$'000
EQUITY		
Capital and reserves		
Share capital (note 23)	3,800,000	3,800,000
Share premium and reserves	17,560,558	17,403,482
TOTAL EQUITY	21,360,558	21,203,482
LIABILITIES		
Non-current liabilities		
Borrowings	21,155,040	16,604,526
Amounts due to subsidiaries	26,238	—
Total non-current liabilities	21,181,278	16,604,526
Current liabilities		
Payables and accrued charges	108,488	101,472
Amounts due to subsidiaries	227	1,369,675
Total current liabilities	108,715	1,471,147
TOTAL LIABILITIES	21,289,993	18,075,673
TOTAL EQUITY AND LIABILITIES	42,650,551	39,279,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

Note:

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

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2019		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528
Profit for the year and total comprehensive income		—	—	—	—	94,950	94,950
Exercise of share options	23&24	7,434	—	(1,896)	—	—	5,538
Share repurchase and cancellation							
— repurchases of Shares	23	(6,438)	—	—	—	—	(6,438)
— transfer	23	—	504	—	—	(504)	—
Forfeiture of share options	24	—	—	(4,775)	—	4,775	—
Recognition of share-based payments	24	—	—	70,308	—	—	70,308
Dividends paid	14	—	—	—	—	(486,404)	(486,404)
At December 31, 2019 and January 1, 2020		10,404,373	14,380	470,142	132,000	6,382,587	17,403,482
Profit for the year and total comprehensive income		—	—	—	—	403,227	403,227
Exercise of share options	23&24	4,711	—	(1,184)	—	—	3,527
Share repurchase and cancellation							
— repurchases of Shares	23	(2,861)	—	—	—	—	(2,861)
— transfer	23	—	349	—	—	(349)	—
Forfeiture of share options	24	—	—	(15,034)	—	15,034	—
Recognition of share-based payments	24	—	—	68,583	—	—	68,583
Dividends paid	14	—	—	—	—	(315,400)	(315,400)
At December 31, 2020		10,406,223	14,729	522,507	132,000	6,485,099	17,560,558

FINANCIAL SUMMARY

	For the year ended December 31				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Results					
Operating revenue	5,095,983	22,765,036	19,200,721	14,480,532	14,064,940
(Loss)/profit before tax	(5,191,345)	1,941,690	772,894	2,638,479	3,051,609
(Loss)/profit for the year attributable to owners of the Company	(5,201,531)	1,931,228	1,068,499	2,320,185	3,036,508
	As at December 31				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Assets and liabilities					
Total assets	29,668,754	32,506,222	35,132,575	36,606,502	27,080,210
Total liabilities	24,651,090	22,046,088	26,186,796	28,094,146	19,863,514
Net assets	5,017,664	10,460,134	8,945,779	8,512,356	7,216,696

The consolidated results, assets and liabilities of the Group for the last five financial years are those set out in the audited consolidated financial statements.

GLOSSARY

DEFINITIONS AND GLOSSARY USED IN THIS ANNUAL REPORT

“2024 Notes”	US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024
“2025 Notes”	US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“2026 Notes”	US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“Acquisition Note”	the non-interest bearing note issued by the Company to Grand Paradise Macau Limited as part of the Group Reorganization
“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles of Association”	the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board of Directors” or “Board”	the board of Directors of the Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentaries and other incentives and in accordance with IFRS
“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

“Consultancy Services Agreement”	the Consultancy Services Agreement dated January 13, 2021, entered into between MGM Grand Paradise and Occasions
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Ms. Pansy Ho and the Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service of the Macau Government
“First Renewed Branding Agreement”	the first renewed Branding Agreement, dated September 30, 2019, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Deed of Non-Compete Undertakings”	the first renewed Deed of Non-compete Undertakings dated September 30, 2019, entered into among MGM Resorts International, Ms. Pansy Ho and the Company
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise
“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company

GLOSSARY

“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 the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Ms. Pansy Ho
“GGR” or “gross gaming revenue”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“Group Reorganization”	the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Ms. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. on April 13, 2011 as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company’s Shares
“HIBOR”	Hong Kong InterBank Offer Rate

“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from mainland China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Independent Third Party(ies)”	parties which are not connected persons of the Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau

GLOSSARY

“Macau Group”	collectively, the Company, MGM Grand Paradise and their respective controlled affiliates which carry on the casino gaming business
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly owned, directly or indirectly, by MGM Resorts International and Ms. Pansy Ho in equal portions
“MGM COTAI”	the 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 (“sociedade anónima”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries
“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM Group”	collectively, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and their controlled affiliates which carry on the casino gaming business but shall not include the Macau Group
“MGM MACAU”	the integrated casino, hotel and entertainment resort in Macau owned by MGM Grand Paradise

“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned by Ms. Pansy Ho
“Occasions”	Occasions Asia Pacific Limited, is a company incorporated in Hong Kong, indirectly 50% owned by Ms. Pansy Ho
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company
“Purchase Note”	a note that represents an amount due from MRIH to the Company that will be paid in cash upon consummation of the Listing
“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 and February 24, 2021
“REVPAR”	Revenue per available room includes commissions, complimentary and other incentives

GLOSSARY

“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Second Renewed Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise
“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
“Second Revolving Credit Facility”	the second 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 and February 24, 2021
“Senior Secured Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemrego Limitada, MGM – Security Services, Ltd. and Bank of America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot 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 complimentarys and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Sub-Concession”, “Sub-Concession Contract” or “Sub-Concession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019
“Sub-Concessionaire(s)”	the holder(s) of a Sub-Concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“Third Renewed Development Agreement”	the third renewed Development Agreement dated December 27, 2019 entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Third Renewed Master Service Service Agreement”	the third renewed Master Service Agreement dated December 27, 2019 entered into between Shun Tak and MGM Grand Paradise
“Third Renewed MGM Marketing Agreement”	the third renewed MGM Marketing Agreement dated December 27, 2019 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company

GLOSSARY

“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

