



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



INTERIM REPORT 2022 中期報告

美高梅中國控股有限公司
MGM China Holdings Limited

(Incorporated in the Cayman Islands with limited liability) (於開曼群島註冊成立之有限公司)
Stock Code 股份代號 : 2282



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Corporate Information

Board of Directors

Executive Directors

William Joseph Hornbuckle (*Chairperson*)
Pansy Catilina Chiu King Ho (*Co-Chairperson*)
Chen Yau Wong
John M. McManus

Non-executive Directors

Kenneth Xiaofeng Feng
Daniel J. Taylor
Ayesha Khanna Molino
Jonathan S. Halkyard

Independent Non-executive Directors

Sze Wan Patricia Lam
Russell Francis Banham
Simon Meng
Chee Ming Liu

Audit Committee

Russell Francis Banham (*Chairperson*)
Simon Meng
Ayesha Khanna Molino
Chee Ming Liu
Jonathan S. Halkyard

Remuneration Committee

Sze Wan Patricia Lam (*Chairperson*)
Pansy Catilina Chiu King Ho
Russell Francis Banham
Simon Meng
Daniel J. Taylor
Chee Ming Liu

Nomination and Corporate Governance Committee

Simon Meng (*Chairperson*)
Chen Yau Wong
Russell Francis Banham
John M. McManus
Sze Wan Patricia Lam
Ayesha Khanna Molino
Chee Ming Liu

Company Secretary

Antonio Jose Menano

Authorized Representatives

William Joseph Hornbuckle
Antonio Jose Menano

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

<https://en.mgmchinaholdings.com>

Stock Code

2282

Financial Highlights

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

Management Discussion and Analysis

Business Overview

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

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

Recent Developments

Financial Impact of the COVID-19 Pandemic

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

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

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

Management Discussion and Analysis

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

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

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

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

MGM MACAU

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

Management Discussion and Analysis

MGM COTAI

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

Our Competitive Strengths and Operating Strategies

We have a number of competitive strengths including:

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

Management Discussion and Analysis

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

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;
- Utilize The Mansion, Mansion One and Emerald Villa to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

Strategies for business recovery from the COVID-19 pandemic

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

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

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

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

Management Discussion and Analysis

- continuing to invest in gaming products, refurbish and upgrade amenities on the gaming floor to drive table yield and customers acquisition; and
- leveraging the newly launched Emerald Villa, as well as Mansion to further strengthen our positioning in the premium mass market.

Factors Affecting Our Results of Operations and Financial Position

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

Macau Gaming Market and Tourism

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

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

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

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

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

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

Management Discussion and Analysis

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

Competition

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

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

Gaming Sub-Concession

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

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

Gaming Patrons

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

Main Floor Table Gaming Operations

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

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

Management Discussion and Analysis

VIP Gaming Operations

In-house VIP Players

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

Gaming Promoters

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

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Sub-concession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability. We have established procedures to screen prospective gaming promoters prior to their engagement and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards.

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

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

Management Discussion and Analysis

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

GGR Mix

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

Non-gaming Attractions and Branding Activities

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

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

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

Management Discussion and Analysis

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

Segment Information

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

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

Management Discussion and Analysis

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 attributable to owners of the Company for the six months ended June 30, 2022 and 2021:

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

⁽¹⁾ MGM MACAU Adjusted EBITDA for the six months ended June 30, 2022 includes a reversal of provisions of HK\$60.6 million, as result of the final settlement of certain litigations related to the Group's joint liability with gaming promoters as disclosed in note 21 to the condensed consolidated financial statements.

Management Discussion and Analysis

Discussion of Results of Operations

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

Operating Revenue

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

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

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

Management Discussion and Analysis

Summary Statistics

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

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

Management Discussion and Analysis

Casino Revenue

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

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

Main Floor Table Gaming Operations

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

VIP Gaming Operations

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

Slot Machine Gaming Operations

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

Management Discussion and Analysis

Other Revenue

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

Operating Costs and Expenses

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

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

Gaming taxes

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

Inventories consumed

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

Staff costs

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

Management Discussion and Analysis

Other expenses and losses

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

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

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

Depreciation and amortization

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

Finance costs

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

Loss attributable to owners of the Company

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

Liquidity and Capital Resources

Capital Resources

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

Management Discussion and Analysis

Gearing Ratio

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

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

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

Management Discussion and Analysis

Group Cash Flows

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

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

Net cash used in operating activities

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

Net cash used in investing activities

Net cash used in investing activities was HK\$218.7 million for the six months ended June 30, 2022 compared to HK\$326.5 million for the six months ended June 30, 2021. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment, and other assets in total amounting to HK\$173.1 million and HK\$329.2 million for the six months ended June 30, 2022 and 2021, respectively. A payment was made during the current period of HK\$45.6 million related to the Sub-concession Further Extension for the period up to December 31, 2022.

Net cash generated from financing activities

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

Management Discussion and Analysis

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

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

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

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

Capital Commitments

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

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

Provisions and Contingent Liabilities

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

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

Management Discussion and Analysis

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

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

Indebtedness

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

Unsecured Senior Notes

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

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

Management Discussion and Analysis

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

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

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

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

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

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

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

Management Discussion and Analysis

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

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

Principal and Interest

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

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

General Covenants

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

Financial Covenants

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

Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

Compliance with Covenants

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

Cancellation

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

Management Discussion and Analysis

Events of Default

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

Security and Guarantees

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

Market Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

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

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 expenditures, including reducing or deferring of certain capital expenditures that we had planned to begin during the pandemic, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. Our estimated capital expenditures at present include future development projects to strengthen our position in the premium mass market.

Employees and Remuneration Policy

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

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

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

Management Discussion and Analysis

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.

Other Information

Dividends

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

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 June 30, 2022, 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	5,018,400 ⁽³⁾	—	—	5,018,400	0.13%

(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 ⁽⁴⁾ (Beneficial)	—	—	US\$15,000,000	3%

Other Information

(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 ⁽⁵⁾	—	—	20,000	10.00%

(d) Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International⁽⁶⁾

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	34,951 ⁽⁷⁾	—	—	—	34,951	0.0088%
	219,272 ⁽⁸⁾	—	—	—	219,272	0.0550%
	494 ⁽⁹⁾	—	—	—	494	0.0001%
	571,105 ⁽¹⁰⁾	—	—	—	571,105	0.1433%
	2,273 ⁽¹¹⁾	—	—	—	2,273	0.0006%
	—	—	—	132,603 ⁽¹²⁾	132,603	0.0333%
	243,051 ⁽¹³⁾	—	—	—	243,051	0.0610%
Pansy Ho	—	—	3,266,157 ⁽¹⁴⁾	—	3,266,157	0.8198%
John M. McManus	475 ⁽¹⁵⁾	—	—	—	475	0.0001%
	58,528 ⁽¹⁶⁾	—	—	—	58,528	0.0147%
	203 ⁽¹⁷⁾	—	—	—	203	0.0001%
	150,084 ⁽¹⁸⁾	—	—	—	150,084	0.0377%
	984 ⁽¹⁹⁾	—	—	—	984	0.0002%
	60,928 ⁽²⁰⁾	—	—	—	60,928	0.0153%
Kenneth Xiaofeng Feng	32,392 ⁽²¹⁾	—	—	—	32,392	0.0081%
	1,642 ⁽²²⁾	—	—	—	1,642	0.0004%
	61 ⁽²³⁾	—	—	—	61	0.00002%
	15,915 ⁽²⁴⁾	—	—	—	15,915	0.0040%
	875 ⁽²⁵⁾	—	—	—	875	0.0002%
Daniel J. Taylor	79,473 ⁽²⁶⁾	—	—	—	79,473	0.0199%
	57,337 ⁽²⁷⁾	—	—	—	57,337	0.0144%
	4,453 ⁽²⁸⁾	—	—	—	4,453	0.0011%
	3,434 ⁽²⁹⁾	—	—	—	3,434	0.0009%
	—	—	—	4,499 ⁽³⁰⁾	4,499	0.0011%
Ayesha Khanna Molino	20,000 ⁽³¹⁾	—	—	—	20,000	0.0050%
	16,738 ⁽³²⁾	—	—	—	16,738	0.0042%
	162 ⁽³³⁾	—	—	—	162	0.00004%
	15,585 ⁽³⁴⁾	—	—	—	15,585	0.0039%
	6 ⁽³⁵⁾	—	—	—	6	0.000002%
	5,706 ⁽³⁶⁾	—	—	—	5,706	0.0014%
	—	200 ⁽³⁷⁾	—	—	200	0.00005%

Other Information

(d) Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International⁽⁶⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
Jonathan S. Halkyard	11,635 ⁽³⁸⁾	—	—	—	11,635	0.0029%
	23,061 ⁽³⁹⁾	—	—	—	23,061	0.0058%
	10 ⁽⁴⁰⁾	—	—	—	10	0.000003%
	29,491 ⁽⁴¹⁾	—	—	—	29,491	0.0074%
	6 ⁽⁴²⁾	—	—	—	6	0.000002%
	5,733 ⁽⁴³⁾	—	—	—	5,733	0.0014%

Notes:

- (1) This represents the Shares beneficially held by Ms. Pansy Ho in her personal capacity.
- (2) This represents the Shares held by Grand Paradise Macau Limited, a company which Ms. Pansy Ho has control.
- (3) This represents 5,018,400 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 20 to the condensed consolidated financial statements.
- (4) This represents US\$15,000,000 of the 2025 Notes of the Company purchased by Ms. Pansy Ho.
- (5) 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.
- (6) 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.
- (7) This represents 34,951 vested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (8) This represents 219,272 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (9) This represents 494 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (10) This represents 356,941 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.
- (11) This represents 1,421 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.

Other Information

- (12) This represents the common stock of MGM Resorts International indirectly held through trust.
- (13) This represents the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (14) This represents the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Ms. Pansy Ho has control.
- (15) This represents 475 vested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (16) This represents 58,528 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (17) This represents 203 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (18) This represents 93,803 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.
- (19) This represents 615 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.
- (20) This represents the common stock of MGM Resorts International held by John M. McManus.
- (21) This represents 32,392 vested SARs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (22) This represents 1,642 unvested RSUs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (23) This represents 61 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (24) This represents the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (25) This represents the common stock of MGM Resorts International directly held through Morgan Stanley.
- (26) This represents 79,473 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (27) This represents 57,337 vested RSUs in the common stock of MGM Resorts International held by Daniel J. Taylor.
- (28) This represents 4,453 unvested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (29) This represents 3,434 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.
- (30) This represents the common stock of MGM Resorts International indirectly held through trust.
- (31) This represents 20,000 vested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (32) This represents 16,738 unvested RSUs in the common stock of MGM Resorts International granted to Ayesha Khanna Molino.

Other Information

- (33) This represents 162 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino.
- (34) This represents 9,741 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.
- (35) This represents 4 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.
- (36) This represents the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (37) This represents the common stock of MGM Resorts International held by Ayesha Khanna Molino's spouse.
- (38) This represents 11,635 vested RSUs in the common stock of MGM Resorts International held by Jonathan S. Halkyard.
- (39) This represents 23,061 unvested RSUs in the common stock of MGM Resorts International granted to Jonathan S. Halkyard.
- (40) This represents 10 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Jonathan S. Halkyard.
- (41) This represents 18,432 unvested PSUs in the common stock of MGM Resorts International granted to Jonathan S. Halkyard. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (42) This represents 3 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Jonathan S. Halkyard. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (43) This represents the common stock of MGM Resorts International held by Jonathan S. Halkyard.

Except as disclosed above, as at June 30, 2022, 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.

Other Information

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at June 30, 2022, 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%

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.

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at June 30, 2022, 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.

Save as disclosed in this interim report, pursuant to paragraph 40 of Appendix 16 to the Listing Rules, there has been no material change to the information disclosed in the Company's 2021 Annual Report in relation to the matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

Other Information

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 (the “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).

As at June 30, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 124,903,788, representing approximately 3.3% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Renewed Share Option Scheme of the Company is 379,972,600, which is approximately 10.0% of the issued share capital as at the date of this interim report. The Share Option Scheme expired on May 10, 2021 and no further option will be granted under this scheme. The total number of Shares available for issue based on the outstanding options granted under the expired Share Option Scheme as at the date of this interim report is 65,834,588.

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, with the exception of the options granted on May 3, 2021, in which were 100% vested on December 31, 2021.

A summary of the movements of the outstanding options under the Scheme during the six months ended June 30, 2022 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
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	9,050,000	—	—	(1,225,000)	7,825,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	—	—	—	400,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	100,000	—	—	—	100,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	162,500	—	—	(12,500)	150,000
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	120,000	—	—	—	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	4,265,288	—	—	(318,400)	3,946,888
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	135,000	—	—	—	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	715,000	—	—	—	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	—	—	—	137,500
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	4,164,900	—	—	—	4,164,900
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	—	—	—	550,000
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	5,595,600	—	—	(481,500)	5,114,100
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	300,000	—	—	(50,000)	250,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	825,000	—	—	—	825,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	—	—	(110,000)	260,000
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	5,738,100	—	—	(533,200)	5,204,900
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	250,000	—	—	—	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	300,000	—	—	—	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	830,000	—	—	—	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	200,000	—	—	—	200,000
Grant R. Bowie*	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	—	—	—	1,629,600

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	4,478,500	—	—	(140,600)	4,337,900
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	100,000	—	—	—	100,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	50,000	—	—	—	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	340,000	—	—	—	340,000
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	8,740,000	—	—	(188,600)	8,551,400
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	267,500	—	—	—	267,500
Kenneth Feng	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	150,000	—	—	—	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	130,000	—	—	—	130,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	160,000	—	—	—	160,000
Kenneth Feng	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	13,369,200	—	—	(208,100)	13,161,100
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	120,000	—	—	—	120,000
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.620	2,249,400	—	—	(20,400)	2,229,000
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.120	625,000	—	—	—	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	200,000	—	—	—	200,000
Employees	March 15, 2021	March 15, 2022 – March 14, 2031	13.860	200,000	—	—	(150,000)	50,000
Employees	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	1,393,600	—	—	—	1,393,600
Kenneth Feng	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	282,400	—	—	—	282,400
Employees	May 17, 2021	May 17, 2022 – May 16, 2031	11.312	290,000	—	—	—	290,000
Kenneth Feng	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	859,600	—	—	—	859,600
Employees	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	11,398,000	—	—	(116,000)	11,282,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
Employees	August 16, 2021	August 16, 2022 – August 15, 2031	8.256	250,000	—	—	—	250,000
Employees	March 11, 2022	March 11, 2023 – March 10, 2032	4.626	—	660,000 ⁽¹⁾	—	—	660,000
Employees	May 16, 2022	May 16, 2023 – May 15, 2032	4.146	—	480,000 ⁽²⁾	—	—	480,000
Employees	June 10, 2022	June 10, 2023 – June 9, 2032	4.330	—	26,638,000 ⁽³⁾	—	—	26,638,000
Kenneth Feng	June 10, 2022	June 10, 2023 – June 9, 2032	4.330	—	1,976,400 ⁽³⁾	—	—	1,976,400
				98,703,688	29,754,400	—	(3,554,300)	124,903,788

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

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$4.66 and the estimated weighted average fair value of share options granted on that date was HK\$1.45 per share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$4.10 and the estimated weighted average fair value of share options granted on that date was HK\$1.33 per share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$4.33 and the estimated weighted average fair value of share options granted on that date was HK\$1.77 per share.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance Practices

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

Compliance with Company's Code for Securities Transactions by Directors and Officers

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

Other Information

Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2021 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. John M. McManus ceased to be Director of MGM Growth Properties LLC in April 2022, following the acquisition by VICI Properties.
2. Daniel J. Taylor ceased to be Director of MGM Growth Properties LLC in April 2022, following the acquisition by VICI Properties.
3. Sze Wan Patricia Lam was appointed as independent non-executive Director and member of the Nomination Committee at Hang Seng Bank since July 2022, and she was appointed as Senior International Chairman of Sotheby's.
4. Russell Francis Banham was appointed as the senior independent Director of National Atomic Company Kazatomprom.

Review of Unaudited Condensed Consolidated Financial Statements

The Group's unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company's Audit Committee members, being Russell Francis Banham (Chairperson), Simon Meng, Ayesha Khanna Molino, Chee Ming Liu and Jonathan S. Halkyard and by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, August 4, 2022

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 44 to 82, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 4, 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	NOTES	Six months ended June 30	
		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	2,752,694	4,133,230
Other revenue	4	463,162	577,827
		3,215,856	4,711,057
OPERATING COSTS AND EXPENSES			
Gaming taxes		(1,386,741)	(2,165,895)
Inventories consumed		(187,522)	(224,867)
Staff costs	5	(1,541,065)	(1,564,102)
Loss allowance on trade receivable, net		(27,306)	(25,304)
Other expenses and losses	6	(563,177)	(699,477)
Depreciation and amortization	7	(1,034,064)	(1,081,200)
		(4,739,875)	(5,760,845)
Operating loss		(1,524,019)	(1,049,788)
Interest income		2,154	2,499
Finance costs	8	(735,561)	(664,190)
Net foreign currency loss		(138,807)	(10,632)
Loss before tax		(2,396,233)	(1,722,111)
Income tax expense	9	(7,940)	(11,200)
Loss for the period attributable to owners of the Company		(2,404,173)	(1,733,311)
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(3,805)	630
Total comprehensive loss for the period attributable to owners of the Company		(2,407,978)	(1,732,681)
Loss per Share — Basic	11	(HK63.3 cents)	(HK45.6 cents)
Loss per Share — Diluted	11	(HK63.3 cents)	(HK45.6 cents)

Condensed Consolidated Statement of Financial Position

At June 30, 2022

NOTES	At June 30 2022 HK\$'000 (unaudited)	At December 31 2021 HK\$'000 (audited)
ASSETS		
Non-current assets		
Property and equipment	12	22,542,402
Right-of-use assets	13	1,253,732
Sub-concession premium	14	44,660
Other assets		43,190
Prepayments, deposits and other receivables		29,478
Total non-current assets		23,913,462
Current assets		
Inventories		166,091
Trade receivables	15	265,642
Prepayments, deposits and other receivables		139,848
Amounts due from related companies	24	238
Cash and cash equivalents		6,948,669
Total current assets		7,520,488
TOTAL ASSETS		31,433,950

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	NOTES	At June 30 2022 HK\$'000 (unaudited)	At December 31 2021 HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	16	3,800,000	3,800,000
Reserves and accumulated losses		(4,987,482)	(2,603,084)
TOTAL (DEFICIT)/EQUITY		(1,187,482)	1,196,916
LIABILITIES			
Non-current liabilities			
Borrowings	17	30,366,736	23,929,106
Lease liabilities		174,049	188,174
Payables and accrued charges	18	7,290	10,671
Construction retention payable		890	1,000
Total non-current liabilities		30,548,965	24,128,951
Current liabilities			
Lease liabilities		25,591	27,895
Payables and accrued charges	18	1,991,538	3,016,350
Construction retention payable		34,575	36,471
Amounts due to related companies	24	13,107	18,332
Income tax payable		7,656	14,660
Total current liabilities		2,072,467	3,113,708
TOTAL LIABILITIES		32,621,432	27,242,659
TOTAL EQUITY AND LIABILITIES		31,433,950	28,439,575

The condensed consolidated financial statements on pages 44 to 82 were approved and authorized for issue by the Board of Directors on August 4, 2022 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserve	Reserves and (Accumulated losses)/ retained earnings	Reserves and (accumulated losses)/ retained earnings total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At December 31, 2021 and January 1, 2022 (audited)	3,800,000	10,409,009	23,708	445,682	293,725	(13,131,327)	4,778	(648,659)	(2,603,084)	1,196,916
Loss for the period	—	—	—	—	—	—	—	(2,404,173)	(2,404,173)	(2,404,173)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(3,805)	—	(3,805)	(3,805)
Total comprehensive loss	—	—	—	—	—	—	(3,805)	(2,404,173)	(2,407,978)	(2,407,978)
Forfeiture of share options	—	—	—	(18,653)	—	—	—	18,653	—	—
Recognition of share-based payments	—	—	—	23,580	—	—	—	—	23,580	23,580
At June 30, 2022 (unaudited)	3,800,000	10,409,009	23,708	450,609	293,725	(13,131,327)	973	(3,034,179)	(4,987,482)	(1,187,482)
At December 31, 2020 and January 1, 2021 (audited)	3,800,000	10,406,223	14,729	522,507	293,725	(13,131,933)	2,565	3,109,848	1,217,664	5,017,664
Loss for the period	—	—	—	—	—	—	—	(1,733,311)	(1,733,311)	(1,733,311)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	630	—	630	630
Total comprehensive loss	—	—	—	—	—	—	630	(1,733,311)	(1,732,681)	(1,732,681)
Exercise of share options	8,979	121,830	—	(30,773)	—	—	—	—	91,057	100,036
Share repurchase and cancellation										
— repurchases of Shares	(8,979)	(119,044)	—	—	—	—	—	—	(119,044)	(128,023)
— transfer	—	—	8,979	—	—	—	—	(8,979)	—	—
Forfeiture of share options	—	—	—	(82,498)	—	—	—	82,498	—	—
Recognition of share-based payments	—	—	—	24,009	—	—	—	—	24,009	24,009
At June 30, 2021 (unaudited)	3,800,000	10,409,009	23,708	433,245	293,725	(13,131,933)	3,195	1,450,056	(518,995)	3,281,005

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	NOTES	Six months ended June 30	
		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	19	(1,406,025)	(675,527)
INVESTING ACTIVITIES			
Purchase of property and equipment		(128,297)	(329,177)
Payment of Sub-concession premium		(45,631)	—
Purchase of other assets		(44,765)	—
Proceeds from disposal of property and equipment and other assets		12	12
Proceeds from insurance claims		—	2,649
NET CASH USED IN INVESTING ACTIVITIES		(218,681)	(326,516)
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities	17	6,460,000	1,700,000
Proceeds from issuance of unsecured senior notes	17	—	5,813,006
Repayments of credit facilities	17	(200,000)	(5,910,000)
Payments of debt finance costs		(10,500)	(88,111)
Payments of lease liabilities		(15,873)	(17,366)
Interest paid		(768,460)	(539,972)
Proceeds from exercise of share options		—	102,750
Payments on repurchase of Shares		—	(128,023)
NET CASH GENERATED FROM FINANCING ACTIVITIES		5,465,167	932,284
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,840,461	(69,759)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,112,020	2,635,511
Effect of foreign exchange rate changes, net		(3,812)	555
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by cash and cash equivalents		6,948,669	2,566,307

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. General

MGM China Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company’s Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 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 condensed consolidated financial statements are presented in HK\$, which is the functional currency of the Company and its subsidiaries.

Gaming Sub-Concession

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. General (Continued)

Gaming Sub-Concession (Continued)

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. General (Continued)

Impact of COVID-19

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. General (Continued)

Impact of COVID-19 (Continued)

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

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

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

2. Basis of Preparation and Principal Accounting Policies

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

As described in note 1, the Sub-Concession Further Extension Contract has an expiry date of December 31, 2022 which falls within twelve months from the end of the reporting period. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's assessment of key variables including future economic conditions (in particular, the expected duration of the impact of COVID-19); competition in Macau including opening of new properties; and the regulatory environment (including an award of a new gaming concession). The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 17) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

Application of amendments to IFRSs

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

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

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

3. Segment Information

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

3. Segment Information (Continued)

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

4. 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:

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

Other revenue comprises:

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	183,566	239,853
Food and beverage	221,929	267,888
Retail and other	57,667	70,086
	463,162	577,827

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

5. Staff Costs

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and discretionary and performance related incentive payments	1,231,483	1,256,005
Retirement benefits scheme contributions	50,204	48,408
Share-based payments	23,341	23,535
Other benefits	236,037	236,154
	1,541,065	1,564,102

6. Other Expenses and Losses

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	136,205	181,733
Repairs and maintenance	120,626	124,141
Utilities and fuel	113,499	112,855
Other support services	91,686	91,433
License fees (note 24(b))	56,277	82,443
Loss on disposal/write-off of property and equipment and other assets	7,003	10,027
Auditor's remuneration	4,390	4,168
Other ⁽¹⁾	33,491	92,677
	563,177	699,477

⁽¹⁾ Other expenses for the period ended June 30, 2022 includes a reversal of provisions of HK\$60.6 million, as result of the final settlement of certain litigations related to the Group's joint liability with gaming promoters, further details of which are disclosed in note 21.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

7. Depreciation and Amortization

	Six months ended June 30	
	2022	2021
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Depreciation in respect of:		
— Property and equipment	949,426	995,576
— Right-of-use assets	34,761	35,375
Amortization in respect of:		
— Sub-concession premium	47,245	47,320
— Other assets	2,632	2,929
	1,034,064	1,081,200

8. Finance Costs

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. Income Tax Expense

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

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

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 and MOP7,390,000 (equivalent to approximately HK\$7,175,000) for the period from January 1, 2022 to June 26, 2022 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years.

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

10. Dividends

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

11. Loss Per Share

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

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

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

12. Property and Equipment

	At	At
	June 30, 2022 HK\$'000 (unaudited)	December 31, 2021 HK\$'000 (audited)
Carrying amount at January 1	23,397,105	24,949,783
Additions	102,840	458,797
Disposal/write-off	(8,063)	(25,524)
Depreciation	(949,426)	(1,986,146)
Foreign exchange difference	(54)	195
Carrying amount at June 30/December 31	22,542,402	23,397,105

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

12. Property and Equipment (Continued)

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 reflect the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. In determining the estimated useful lives of property and equipment beyond the expiration of the Sub-Concession Further Extension Contract on December 31, 2022, the Group considers the possibility of an award of a new gaming concession as well as the anticipated usage 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.

13. Right-of-use Assets

The Group leases several assets including leasehold land, buildings and other equipment. Leasehold land represents the land concession contracts entered with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which were granted on April 6, 2006 (for MGM MACAU) and January 9, 2013 (for MGM COTAI), with an initial term of 25 years and a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5 years.

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

	At June 30, 2022 HK\$'000 (unaudited)	At December 31, 2021 HK\$'000 (audited)
Leasehold land	1,210,979	1,229,459
Buildings	21,179	32,285
Equipment and others	21,574	26,202
	1,253,732	1,287,946

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

14. Sub-Concession Premium

	At	
	June 30, 2022	December 31, 2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Carrying amount at January 1	46,274	141,698
Addition	45,631	—
Amortization	(47,245)	(95,424)
Carrying amount at June 30/December 31	44,660	46,274

On June 23, 2022, the Sub-Concession Further Extension Contract was approved and authorized by the Macau Government and executed between SJM Resorts and MGM Grand Paradise, pursuant to which the gaming sub-concession of MGM Grand Paradise, which was due to expire on June 26, 2022, was extended for a further period up to December 31, 2022. MGM Grand Paradise paid the Macau Government MOP47 million (approximately HK\$45.6 million) for the extension.

15. Trade Receivables

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

15. 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:

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

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

16. Share Capital

	Notes	Number of Shares	Share Capital HK\$
Issued and fully paid			
At December 31, 2020 and January 1, 2021 (audited)		3,800,000,001	3,800,000,001
Share options exercised	20	8,979,100	8,979,100
Share repurchase and cancellation	(i)	(8,979,100)	(8,979,100)
At June 30, 2021 (unaudited)		3,800,000,001	3,800,000,001
At December 31, 2021 and January 1, 2022 (audited) and June 30, 2022 (unaudited)		3,800,000,001	3,800,000,001

- (i) During the six months ended June 30, 2021: 8,979,100 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$128.0 million (for the six months ended June 30, 2022: no repurchase).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. Borrowings

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. Borrowings (Continued)

Unsecured Senior Notes

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. Borrowings (Continued)

Unsecured Senior Notes (Continued)

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

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

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

General Covenants

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

Financial Covenants

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. Borrowings (Continued)

Unsecured Credit Facilities (Continued)

Revolving Credit Facility and Second Revolving Credit Facility (Continued)

Financial Covenants (Continued)

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

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

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

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

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

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

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

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

Compliance with Covenants

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. Borrowings (Continued)

Unsecured Credit Facilities (Continued)

Revolving Credit Facility and Second Revolving Credit Facility (Continued)

Cancellation

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

Events of Default

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

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

Security and Guarantees

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

18. Payables and Accrued Charges

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

19. Note to Condensed Statement of Cash Flows

Net cash used in operating activities is as follows:

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating cash flows before movements in working capital	(441,191)	102,286
Decrease in payables and accrued charges	(910,268)	(694,188)
Other changes in working capital	(41,627)	(85,333)
Cash used in operations	(1,393,086)	(677,235)
Income tax paid	(14,937)	(739)
Interest received	1,998	2,447
Net cash used in operating activities	(1,406,025)	(675,527)

20. Share-Based Payments

As at June 30, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 124,903,788 (December 31, 2021: 98,703,688), representing approximately 3.3% (December 31, 2021: 2.6%) of the Shares of the Company in issue at that date.

A summary of the movements of the outstanding options under the Scheme is as follows:

June 30, 2022

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022 (unaudited)	Number of share options			Outstanding at June 30, 2022 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
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	9,050,000	—	—	(1,225,000)	7,825,000
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	100,000	—	—	—	100,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2022 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022 (unaudited)	Number of share options			Outstanding at June 30, 2022 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
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	162,500	—	—	(12,500)	150,000
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	120,000	—	—	—	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	4,265,288	—	—	(318,400)	3,946,888
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	135,000	—	—	—	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	715,000	—	—	—	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	—	—	—	137,500
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	4,164,900	—	—	—	4,164,900
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	—	—	—	550,000
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	5,595,600	—	—	(481,500)	5,114,100
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	300,000	—	—	(50,000)	250,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	825,000	—	—	—	825,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	—	—	(110,000)	260,000
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	5,738,100	—	—	(533,200)	5,204,900
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	250,000	—	—	—	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	300,000	—	—	—	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	830,000	—	—	—	830,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2022 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022 (unaudited)	Number of share options			Outstanding at June 30, 2022 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	200,000	—	—	—	200,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	4,478,500	—	—	(140,600)	4,337,900
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	100,000	—	—	—	100,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	50,000	—	—	—	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	340,000	—	—	—	340,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	—	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	8,740,000	—	—	(188,600)	8,551,400
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	267,500	—	—	—	267,500
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	150,000	—	—	—	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	130,000	—	—	—	130,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	160,000	—	—	—	160,000
Director	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	900,000	—	—	—	900,000
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	13,369,200	—	—	(208,100)	13,161,100
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	120,000	—	—	—	120,000
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.620	2,249,400	—	—	(20,400)	2,229,000
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.120	625,000	—	—	—	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	200,000	—	—	—	200,000
Employees	March 15, 2021	March 15, 2022 – March 14, 2031	13.860	200,000	—	—	(150,000)	50,000
Employees	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	1,393,600	—	—	—	1,393,600

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2022 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2022 (unaudited)	Number of share options			Outstanding at June 30, 2022 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Director	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	282,400	—	—	—	282,400
Employees	May 17, 2021	May 17, 2022 – May 16, 2031	11.312	290,000	—	—	—	290,000
Director	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	859,600	—	—	—	859,600
Employees	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	11,398,000	—	—	(116,000)	11,282,000
Employees	August 16, 2021	August 16, 2022 – August 15, 2031	8.256	250,000	—	—	—	250,000
Employees	March 11, 2022	March 11, 2023 – March 10, 2032	4.626	—	660,000	—	—	660,000
Employees	May 16, 2022	May 16, 2023 – May 15, 2032	4.146	—	480,000	—	—	480,000
Employees	June 10, 2022	June 10, 2023 – June 9, 2032	4.330	—	26,638,000	—	—	26,638,000
Director	June 10, 2022	June 10, 2023 – June 9, 2032	4.330	—	1,976,400	—	—	1,976,400
				98,703,688	29,754,400	—	(3,554,300)	124,903,788
Weighted average exercise price per Share				HK\$15.32	HK\$4.33	—	HK\$18.63	HK\$12.61
Exercisable at end of the reporting period								74,170,888

June 30, 2021

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2021 (unaudited)	Number of share options			Outstanding at June 30, 2021 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Director	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	—	—	(3,500,000)	—
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	1,730,000	—	—	(1,730,000)	—
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	—	—	(750,000)	—
Consultant	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	775,000	—	—	(775,000)	—
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	—	—	—	700,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2021 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2021 (unaudited)	Number of share options				Outstanding at June 30, 2021 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Expired during the period (unaudited)	
Director	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	—	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	10,780,000	—	—	(880,000)	—	9,900,000
Consultant	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	—	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	180,000	—	—	(80,000)	—	100,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	800,000	—	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 – February 24, 2025	19.240	207,500	—	—	—	—	207,500
Employees	May 15, 2015	May 15, 2016 – May 14, 2025	15.100	120,000	—	—	—	—	120,000
Director	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	—	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,030,988	—	—	(479,900)	—	4,551,088
Consultant	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	—	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	135,000	—	—	—	—	135,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	715,000	—	—	—	—	715,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	135,000	—	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	137,500	—	—	—	—	137,500
Director	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	—	(3,535,200)	—	—	—
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	7,473,000	—	(2,736,000)	(436,400)	—	4,300,600
Consultant	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	—	—	—	—	550,000
Director	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	—	(2,106,400)	—	—	—
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	6,782,400	—	(339,100)	(428,000)	—	6,015,300
Consultant	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	300,000	—	—	—	—	300,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	937,500	—	—	(112,500)	—	825,000
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	370,000	—	—	—	—	370,000
Director	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	—	—	—	—	2,220,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2021 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2021 (unaudited)	Number of share options				Outstanding at June 30, 2021 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Expired during the period (unaudited)	
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	6,524,700	—	—	(396,800)	—	6,127,900
Consultant	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	250,000	—	—	—	—	250,000
Employees	November 15, 2017	November 15, 2018 – November 14, 2027	19.240	300,000	—	—	—	—	300,000
Employees	February 23, 2018	February 23, 2019 – February 22, 2028	23.200	830,000	—	—	—	—	830,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	200,000	—	—	—	—	200,000
Director	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	1,629,600	—	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	5,032,000	—	—	(287,000)	—	4,745,000
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	—	—	(25,000)	—	175,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	50,000	—	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 – April 3, 2029	17.500	50,000	—	—	—	—	50,000
Employees	May 15, 2019	May 15, 2020 – May 14, 2029	14.292	420,000	—	—	(80,000)	—	340,000
Director	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	3,992,400	—	—	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	9,688,100	—	(210,000)	(267,900)	—	9,210,200
Consultant	June 6, 2019	June 6, 2020 – June 5, 2029	11.744	275,200	—	—	—	—	275,200
Employees	August 15, 2019	August 15, 2020 – August 14, 2029	11.564	330,000	—	(12,500)	—	—	317,500
Director	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	1,000,000	—	—	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 – November 14, 2029	12.176	150,000	—	—	—	—	150,000
Employees	April 1, 2020	April 1, 2021 – March 31, 2030	7.976	180,000	—	(12,500)	(37,500)	—	130,000
Employees	May 15, 2020	May 15, 2021 – May 14, 2030	9.316	160,000	—	—	—	—	160,000
Director	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	900,000	—	—	—	—	900,000
Employees	June 3, 2020	June 3, 2021 – June 2, 2030	9.470	14,570,800	—	(27,400)	(552,800)	—	13,990,600

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

June 30, 2021 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2021 (unaudited)	Number of share options				Outstanding at June 30, 2021 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Expired during the period (unaudited)	
Employees	August 17, 2020	August 17, 2021 – August 16, 2030	10.380	120,000	—	—	—	—	120,000
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.620	2,249,400	—	—	—	—	2,249,400
Employees	November 16, 2020	November 16, 2020 – November 15, 2030	15.120	625,000	—	—	—	—	625,000
Consultant	November 16, 2020	November 16, 2021 – November 15, 2030	11.240	200,000	—	—	—	—	200,000
Employees	March 15, 2021	March 15, 2022 – March 14, 2031	13.860	—	200,000	—	—	—	200,000
Employees	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	—	1,422,800	—	—	—	1,422,800
Director	May 3, 2021	December 31, 2021 – May 2, 2031	12.672	—	282,400	—	—	—	282,400
Employees	May 17, 2021	May 17, 2022 – May 16, 2031	11.312	—	290,000	—	—	—	290,000
Director	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	—	859,600	—	—	—	859,600
Employees	June 3, 2021	June 3, 2022 – June 2, 2031	12.480	—	11,439,600	—	—	—	11,439,600
				107,437,088	14,494,400	(8,979,100)	(4,813,800)	(6,005,000)	102,133,588
				Weighted average exercise price per Share HK\$15.46	HK\$12.50	HK\$11.14	HK\$16.30	HK\$15.39	HK\$15.39
									Exercisable at end of the reporting period 65,855,588

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, except for the grant of 1,705,200 share options on May 3, 2021, which was fully vested on December 31, 2021. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon management's best estimate, changes in which could materially affect the fair value estimate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. Share-Based Payments (Continued)

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Six months ended June 30	
	2022	2021
Expected volatility	45.02%	42.96%
Expected life (years)	5.31	5.08
Risk-free annual interest rate	2.500%	0.541%
Expected dividends	0.80%	1.67%
Weighted average share price at the date of grant (HK\$)	4.33	12.46
Weighted average exercise price (HK\$)	4.33	12.50
Weighted average fair value of each share option granted by the Company (HK\$)	1.75	4.03

Expected volatility used in the valuation of options granted during the period 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 for the six months ended June 30, 2021 was HK\$13.32 (for the six months ended June 30, 2022: no exercise).

The Group recognized a total expense of HK\$23.6 million for the six months ended June 30, 2022 (six months ended June 30, 2021: HK\$24.0 million) in relation to share options granted by the Company.

21. Provisions and Contingent Liabilities

a) Guarantees

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

21. Provisions and Contingent Liabilities (Continued)

b) Litigation

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

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

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

22. Capital Commitments

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	At June 30, 2022	At December 31, 2021
	HK\$'000 (unaudited)	HK\$'000 (audited)
Contracted but not accounted for	423,387	102,538

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

23. Other Commitments

Sub-Concession

Pursuant to the Sub-Concession Contract, the Sub-Concession Extension Contract and the Sub-Concession Further Extension Contract signed with the Macau Government for an extended period ending on December 31, 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 June 30, 2022, the Group is obligated under its Sub-Concession Contract, Sub-Concession Extension Contract and Sub-Concession Further Extension Contract to make minimum future payments of approximately MOP55.9 million (equivalent to approximately HK\$54.3 million).

On June 23, 2022, MGM Grand Paradise executed the Reversion Undertakings, pursuant to which the Casino MGM MACAU and Casino MGM COTAI shall be reverted, free of charge and without any encumbrances, to the Macau Government upon the expiry of the Sub-Concession Further Extension Contract. Refer to note 1 for further information related to the Gaming Sub-Concession.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

24. Related Party Transactions

Apart from the guarantees as described in note 21, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by the 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\$6.3 million (December 31, 2021: HK\$0.01 million), and the ultimate holding company of the Company amounting to HK\$6.8 million (December 31, 2021: HK\$18.3 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance based upon invoice date:

	At June 30, 2022 HK\$'000 (unaudited)	At December 31, 2021 HK\$'000 (audited)
Within 30 days	11,876	18,332
31 — 60 days	186	—
61 — 90 days	300	—
Over 120 days	745	—
	13,107	18,332

- (a)(iii) As at June 30, 2022, the Group had lease liabilities of HK\$1.5 million (December 31, 2021: HK\$4.2 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

24. Related Party Transactions (Continued)

- (b) The Group had the following significant transactions with related companies during the period:

Related parties	Type of transaction	Six months ended June 30	
		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Travelling, accommodation and transportation, net of discounts	8,152	11,227
	Interest expense on lease liabilities	35	97
Ultimate holding company	Marketing referral fees	743	2,155
Company jointly-owned by Shareholders	License fee ⁽¹⁾	56,277	82,443
Companies in which one of the Directors of the Company has jointly controlling beneficial interests	Consultancy fee ⁽²⁾	22,596	6,088

- ⁽¹⁾ Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and expired on June 26, 2022. The Second Renewed Branding Agreement was entered on June 26, 2022 to replace and renew the First Branding Agreement with effect from June 26, 2022 and will expire on December 31, 2022. Pursuant to the terms of the Branding Agreement, First Renewed Branding Agreement and Second Renewed Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. Pursuant to the First Renewed Branding Agreement and Second Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$45.6 million (equivalent to approximately HK\$356.5 million) for the period ended June 26, 2022, US\$45.6 million (equivalent to approximately HK\$356.5 million) for the period from June 26, 2022 to December 31, 2022 and US\$88.2 million (equivalent to approximately HK\$685.5 million) for the year ended December 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

24. Related Party Transactions (Continued)

(b) (Continued)

- ⁽²⁾ On January 13, 2021, MGM Grand Paradise entered into the Consultancy Services Agreement with Occasions, a comprehensive integrated communications group, which sets out the principal framework upon which any member of the Occasions Group may provide services to any member of the Group from time to time, for a term commencing from January 13, 2021 and ending on December 31, 2023. The annual cap under the Consultancy Services Agreement is HK\$126 million for the year ending December 31, 2022.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	34,889	38,529
Post-employment benefits	859	1,929
Share-based payments	8,827	9,894
	44,575	50,352

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

Glossary

Definitions and Glossary Used in this Interim 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
“2027 Notes”	US\$750 million aggregate principal amount of 4.75% senior unsecured notes due February 1, 2027
“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
“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, complimentary 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

Glossary

“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service of the Macau Government
“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
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the DICJ to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“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, complimentarys 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, complimentarys and other incentives

Glossary

“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from mainland China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players

Glossary

“marker”	evidence of indebtedness by a player to the casino
“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 MACAU”	the integrated casino, hotel and entertainment resort in Macau peninsula owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“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

Glossary

“Revolving Credit Facility”	the revolving credit facility dated August 12, 2019 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020, February 24, 2021 and February 10, 2022
“REVPAR”	Revenue per available room includes commissions, complimentarys and other incentives
“Reversion Undertakings”	the undertaking executed by MGM Grand Paradise on June 23, 2022 for reversion of the Casino MGM COTAI and the Casino MGM MACAU on December 31, 2022
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to individual VIP players and gaming promoters
“Second Renewed Branding Agreement”	the second renewed Branding Agreement, dated June 26, 2022, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Revolving Credit Facility”	the second revolving credit facility dated May 26, 2020 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility with a final maturity date on May 15, 2024, in an initial aggregate amount of HK\$2.34 billion, increased to HK\$3.12 billion on June 29, 2020, and with an increase option pursuant to which the Company may increase the amount of the facility up to HK\$3.9 billion, subject to certain conditions, as amended on October 14, 2020, February 24, 2021 and February 10, 2022
“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
“SJM”	SJM Resorts, S.A., formerly Sociedade de Jogos de Macau, S.A., one of three Concessionaires

Glossary

“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Sub-Concession Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019 and extended to December 31, 2022 by the Sub-Concession Further Extension Contract, dated as of June 23, 2022
“Sub-Concessionaire(s)”	the holder(s) of a Sub-Concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP”, “VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based upon information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day
“%”	per cent

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