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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2282)

INSIDE INFORMATION

PROPOSED ISSUE OF USD DENOMINATED SENIOR NOTES

This announcement is made by MGM China Holdings Limited (“the **Company**”) pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the SFO.

THE PROPOSED NOTES ISSUE

Introduction

The Company is pleased to announce that it proposes to conduct an international offering of the Notes to Professional Investors only.

The completion of the Proposed Notes Issue is subject to market conditions and investors' interest. BofA Securities, Inc. has been appointed as sole global coordinator in relation to the Proposed Notes Issue. Pricing of the Notes will be determined through a book building exercise to be conducted by the sole global coordinator and the joint bookrunners. The Notes, if issued, will be repayable at maturity, unless earlier redeemed or repurchased pursuant to their terms.

The aggregate principal amount and certain terms and conditions of the Notes have not been determined as at the date of this announcement. Upon finalization of the terms of the Notes, it is expected that the Representative and the Company will enter into the Purchase Agreement. The Company will make a further announcement in respect of the proposed offering of the Notes if the Purchase Agreement is signed.

The Notes have not been and will not be registered under the U.S. Securities Act, or the securities laws of any other jurisdiction, and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act. None of the Notes will be offered to the public in Hong Kong nor will the Notes be placed to any connected persons of the Company.

In connection with the Proposed Notes Issue, the Company will provide certain professional investors with certain corporate and financial information regarding the Group included in the Offering Memorandum, which information may not necessarily have been made public previously. For purposes of equal, effective and timely dissemination of information to shareholders and the investment community, an extract of such information from the Offering Memorandum is attached to this announcement, and a copy of this announcement will be available on the Company's website at en.mgmchinaholdings.com.

Reasons for the Proposed Notes Issue and proposed use of proceeds

If the Notes are issued, the Company intends to use the net proceeds to repay a portion of the amounts outstanding under the Revolving Credit Facility and for general corporate purposes.

The Directors (including the independent non-executive Directors) consider that the Proposed Notes Issue represents a good opportunity to raise additional funds for the Company and is in the interest of the Company and shareholders of the Company as a whole.

Proposed listing

The Company is in the process of applying to the Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issue to Professional Investors only, and has received the eligibility letter from the Stock Exchange for the listing of the Notes. Listing of the Notes on the Stock Exchange is not to be taken as an indication of the merits of the Company, the Group or the Notes.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not proceed. Investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

Further announcement(s) in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement in respect of the Proposed Notes Issue be signed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	MGM China Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Purchasers”	means BofA Securities, Inc. and other initial purchasers of the Notes (if any).

“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Notes”	the USD denominated senior unsecured notes to be issued by the Company
“Offering Memorandum”	the offering memorandum in connection with the Proposed Notes Issue
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“Professional Investors”	means (1) for persons in Hong Kong, professional investors as defined in Part 1 of Schedule 1 to the SFO (including those prescribed under section 397 of the SFO) and (2) for persons outside Hong Kong, a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction.
“Proposed Notes Issue”	the proposed issue of the Notes
“Purchase Agreement”	the agreement proposed to be entered into between the Representative and the Company in relation to the issuance of the Notes
“Representative”	BofA Securities, Inc., as representative of the Initial Purchasers
“Revolving Credit Facility”	the revolving credit facility entered into between the Company and certain lenders, dated August 12, 2019 pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“USD”	United States dollar, the lawful currency of the United States of America
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

By Order of the Board
MGM China Holdings Limited
Antonio MENANO
Company Secretary

Hong Kong, June 10, 2020

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

APPENDIX

EXTRACT OF OFFERING MEMORANDUM

As used in this appendix to this announcement, references to “we”, “us”, “our” and the “Company” are to MGM China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and its subsidiaries, as the context requires. The term “our Group”, refers to MGM China Holdings Limited and its subsidiaries.

SUMMARY

Recent Developments

Financial Impact of COVID-19

For the three months ended March 31, 2020, our operating revenues and Adjusted EBITDA were down 63.3% and 107.6%, respectively, compared to the equivalent period in 2019. Our room occupancy rate at MGM Macau and MGM Cotai dropped from 96.1% and 90.0% in the three months ended March 31, 2019 to 44.0% and 33.2% in the three months ended March 31, 2020, respectively, demonstrating the impact that the onset of the COVID-19 pandemic had on our operations during the quarter. During the month of April 2020, we generated operating revenues of HK\$122.5 million (approximately US\$15.8 million) and incurred cash operating expenses, exclusive of rent, interest, variable gaming taxes and expected capital expenditures, of approximately HK\$346.1 million (approximately US\$44.7 million), which is significantly in excess of amounts being earned at both properties.

As at March 31, 2020, we did not have any current portions of long-term debt on our balance sheet and have no long-term debt maturing until 2024. As of March 31, 2020 and May 31, 2020, we had cash and cash equivalents of HK\$2,952.5 million (approximately US\$380.9 million) and HK\$2,052.0 million (approximately US\$264.7 million), respectively. We also have available capacity of HK\$5,240.0 million (approximately US\$676.0 million) under our Revolving Credit Facility and our Second Revolving Credit Facility as of May 31, 2020. Given the uncertain nature of these circumstances, the ultimate impact of the COVID-19 pandemic on the Group’s results of operations, cash flows and financial condition cannot be reasonably estimated at this time.

To mitigate the impact of the COVID-19 pandemic, the Company entered into an amendment to the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment to the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under the Revolving Credit Facility, to reflect a further amendment to the permitted leverage ratio and permitted interest coverage ratio. We cannot assure you that we will not need to seek further amendments to the Revolving Credit Facility to the extent that conditions deteriorate, or that we will be able to obtain such amendments on favorable terms or at all.

On May 26, 2020, the Company entered into the Second Revolving Credit Facility in an aggregate amount of HK\$2.34 billion (approximately US\$301.9 million) with a final maturity date of May 15, 2024, all of which remains undrawn as of the date of this offering memorandum. The Company has the option to increase the amount of the Second Revolving Credit Facility to up to HK\$3.9 billion (approximately US\$503.1 million) subject to certain conditions. The Second Revolving Credit Facility is available for drawdown to and including the date falling one month prior to the final maturity date, subject to satisfaction of certain conditions precedent, including evidence that the Revolving Credit Facility (in an aggregate amount of HK\$9.75 billion) (approximately US\$1.3 billion) has been fully drawn. The financial covenants under the Second Revolving Credit Facility are not effective until September 30, 2021. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group.

In the current operating environment that has resulted from the impact of the COVID-19 pandemic, the Company estimates monthly cash outflows of approximately HK\$505.7 million (approximately US\$65.2 million), including run-rate operating costs of approximately HK\$318.8 million (approximately US\$41.1 million), development and maintenance capital expenditures of approximately HK\$107.2 million (approximately US\$13.8 million) and interest expense of approximately HK\$79.7 million (approximately US\$10.3 million). Estimated capital expenditures include future development projects to strengthen our position in the premium mass segment, including the development of the MGM Cotai South Tower suites. We have undertaken a series of actions to minimize our expenses, including reducing or deferring of capital expenditures that we had planned to begin during the second quarter of 2020, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. After giving effect to the application of the proceeds of this offering as described in “Use of Proceeds,” and assuming an offering size of US\$500.0 million, we believe that the Company’s liquidity could support over 22 months of operations with zero revenue. Our actual level of cash operating expenses in coming periods could be impacted by unanticipated developments or by events beyond our control.

The COVID-19 pandemic has caused, and is continuing to cause, significant disruption in the financial markets globally, and will continue to impact, possibly materially, our business, financial condition and results of operations. As of the date hereof, Macau has experienced 45 confirmed COVID-19 cases since the outbreak of the disease and no deaths, but significant restrictions (as described above) have been imposed in order to prevent further cases and no assurances can be made that these numbers will not increase when these restrictions are eased or eliminated. We cannot predict the degree to which, or for how long, our operations will be affected by the COVID-19 pandemic, and the effects could be material. While we believe we have sufficient liquidity in place to fund our current obligations for the foreseeable future, COVID-19 has resulted in significant disruption of global financial markets, which could have a negative impact on our

ability to access capital in the future. On March 25, 2020, Fitch Ratings downgraded the corporate rating of the Group and MGM Resorts International to BB- from BB with a negative outlook, citing decreased financial flexibility. Although Moody's has since affirmed the rating of our Existing Notes, and there have been no further downgrades, there can be no assurance that we will not experience further downgrades as the COVID-19 pandemic continues and thereafter as the global economy begins to recover.

Our Operating Strategies

Recovery strategies for business recovery from COVID-19

The COVID-19 pandemic has caused, and is continuing to cause, significant disruption in our operations and has materially impacted our business, results of operations and financial condition. We have taken aggressive efforts to reduce operating expenses and defer non-essential planned capital expenditures in 2020 to improve the Group's liquidity position and prepare for the economic recovery.

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

The Company has developed recovery strategies to attract customer visitations, which will be rolled out once travel restrictions imposed by the Macau Government, Chinese Government and Hong Kong Government are lifted, and once we have seen the resumption of China's visa scheme that permits mainland Chinese residents to travel to Macau. The strategies include:

- implementation of new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public space, resort technology and family and cultural tourism products to drive property visitation and new business growth;
- increasing the intensity and scope of our sales and marketing campaigns with a view to capitalizing on the resumption of the individual visit scheme ("IVS") to drive visitation and business growth, with a prudent approach to reinvestment in order to maintain profit margin;
- introducing new food and beverage concepts and menu offerings throughout the relaunch process to "stay fresh" in order to continue to draw in new players;

- continuing to drive social media awareness and sales through e-commerce channels; and
- implementing planned gaming floor enhancement projects while traffic is low to prepare for future growth.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

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

MGM Cotai

The Company had been involved in negotiations with the principal contractors of MGM Cotai and reached a settlement agreement in connection with the construction costs of MGM Cotai in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders’ work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately US\$1,286.4 million) and the Company agreed to pay to the principal contractors the sum of MOP612.5 million (approximately US\$76.7 million), which was calculated as the sum of MOP10,270.5 million less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million. This sum was paid in two installments, and the settlement agreement had been fully enforced as at March 31, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the MGM Cotai development.

Factors Affecting Our Results of Operations and Financial Position

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market’s recovery and growth potential. Our proportion of GGR from the mass and VIP market was 64% and 36%, respectively, for the year ended December 31, 2019 compared to 58% and 42% in 2018, and 53% and 47% in 2017, respectively. The higher margins from the mass market significantly contributed to casino profit in 2019. Our proportion of GGR from the mass and VIP market was 67% and 33%, respectively, for the three months ended March 31, 2020 compared to 60% and 40% for the three months ended March 31, 2019, respectively, however, as

described under “—Discussion of Results of Operations”, our revenues were down substantially in the quarter ended March 31, 2020, and therefore our proportion of GGR from the mass and VIP markets for the quarter ended March 31, 2020 is not comparable to our proportion of GGR from the mass and VIP markets for the quarter ended March 31, 2019.

Discussion of Results of Operations

Operating Revenue

	For the three months ended March 31,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
MGM Macau	1,128,806	3,400,466
Casino revenue	1,027,743	3,158,668
Other revenue	101,063	241,798
MGM Cotai	984,255	2,360,282
Casino revenue	837,640	2,042,749
Other revenue	146,615	317,533
Total operating revenue	2,113,061	5,760,748

During the month of April 2020, we generated operating revenues of HK\$122.5 million (approximately US\$15.8 million) and incurred cash operating expenses, exclusive of rent, interest, variable gaming taxes and expected capital expenditures, of approximately HK\$346.1 million (approximately US\$44.7 million), which is significantly in excess of amounts being earned at both properties.

Financial results for the three months ended March 31, 2020 compared to financial results for the three months ended March 31, 2019

Operating Revenue

Total operating revenue of HK\$2,113.1 million for the three months ended March 31, 2020 was 63.3% lower than the same period in the prior year. This decrease was driven by the impact of the temporary COVID-19 related closures and restrictions on travel and capacity at our facilities as discussed above.

Casino Revenue

Casino revenue decreased by 64.1% to HK\$1,865.4 million for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The components of our gaming operations were:

VIP Gaming Operations

Our VIP gross table games win decreased by 68.6% to HK\$843.5 million for the three months ended March 31, 2020 as compared to the same period in the prior year. The decrease was primarily due to the impact of the temporary COVID-19-related closures, discussed above, and related restrictions on travel and capacity at our facilities. Similarly, VIP table games turnover in MGM Cotai decreased by 55.9% to HK\$10,823.9 million, and VIP table games turnover in MGM Macau decreased by 70.7% to HK\$15,792.8 million during the current period.

Main Floor Table Gaming Operations

Our main floor business suffered during the quarter due to the impact of the temporary COVID-19-related closures, and related restrictions on travel and capacity at our facilities. Main floor gross table games win decreased by 58.2% to HK\$1,457.9 million for the three months ended March 31, 2020 as compared to the same period in the prior year.

Slot Machine Gaming Operations

Slot machine gross win decreased by 58.2% to HK\$224.7 million for the three months ended March 31, 2020 as compared to the same period in the prior year due to the impact of the temporary COVID-19-related closures and other related restrictions on travel and capacity at our facilities.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased by 55.7% to HK\$247.7 million for the three months ended March 31, 2020. These sources of revenue were also directly impacted by the temporary closures and subsequent substantial decrease in inbound tourists, compared to the same period in the prior year. Due to the travel restrictions, we are currently focused on providing non-gaming offerings to attract local resident customers.

Operating Costs and Expenses

Gaming Taxes

Gaming taxes decreased quarter-over-quarter by 62.5% to HK\$1,015.5 million for the three months ended March 31, 2020. This decrease was attributable to the lower gross casino win generated during the first three months of 2020.

Inventories Consumed

Inventories consumed decreased quarter-over-quarter by 48.6% to HK\$84.9 million for the three months ended March 31, 2020. This decrease was attributable to the substantial reduction in consumption of food and beverage and other supplies in response to our business activities.

Staff Costs

Staff costs remained relatively flat for the three months ended March 31, 2020 as compared to the same period in the prior year. To mitigate the impact of the COVID-19 pandemic, we have subsequently taken a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave.

Other Expenses and Losses

Other expenses and losses decreased by 38.3% to HK\$330.9 million for the three months ended March 31, 2020 as compared to the same period in the prior year, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 50.8% from HK\$135.3 million for the three months ended March 31, 2019 to HK\$66.6 million for the three months ended March 31, 2020. The decrease resulted from reduced marketing activities being organized during the first three months of 2020 in light of travel restrictions and constraints around visa issuances for international visitors.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 62.4% from HK\$104.4 million for the three months ended March 31, 2019 to HK\$39.2 million for the three months ended March 31, 2020. This decrease primarily resulted from lower revenue generated during the first three months of 2020.

Loss allowance on trade receivables, net. Loss allowance on trade receivables, net, decreased by 26.3% from HK\$34.9 million for the three months ended March 31, 2019 to HK\$25.7 million for the three months ended March 31, 2020. The decrease was primarily due to the substantial reduction in markers issued during the first three months of 2020.

Depreciation and Amortization

Depreciation and amortization remained relatively flat for the three months ended March 31, 2020 as compared to the same period in the prior year.

Finance Costs

Total borrowing costs increased from HK\$194.1 million for the three months ended March 31, 2019 to HK\$259.6 million for the three months ended March 31, 2020. This increase was primarily due to a HK\$237.1 million increase in interest expense attributable to the Existing Notes issued and the Revolving Credit Facility obtained in May and August 2019, respectively. This increase was partly offset by a HK\$190.9 million decrease in interest expense as a result of the replacement of the MGM China Credit Facility in 2019. The replacement of secured debt with unsecured debt provides the Group with additional financial flexibility beyond the date of extension of the gaming Subconcession.

Finance costs increased from HK\$179.0 million for the three months ended March 31, 2019 to HK\$259.6 million for the three months ended March 31, 2020. This increase was primarily due to a HK\$65.5 million increase in total borrowing costs and a HK\$15.1 million decrease in capitalized interest as the Mansion opened in March 2019.

Income Tax expense

Income tax expense in the current and prior periods primarily relates to the Macau dividend withholding tax under the extended tax concession arrangement entered with the Macau Government in March 2018.

Profit/Loss Attributable to Owners of the Company

Profit/loss attributable to owners of the Company decreased significantly from a profit of HK\$650.3 million for the three months ended March 31, 2019 to a loss of HK\$1,056.3 million for the three months ended March 31, 2020. This decrease was attributable to the substantial reduction in activity in the quarter as a result of the closures and restrictions described above.

Liquidity and Capital Resources

Capital Resources

As at March 31, 2020, our bank balances and cash, and available undrawn credit facilities were HK\$2.95 billion and HK\$3.35 billion, respectively. On May 26, 2020, the Company entered into the Second Revolving Credit Facility, increasing the available undrawn credit facilities by HK\$2.34 billion. These balances are available for operations, new development activities and enhancement to our properties, repayment of bank borrowings and other corporate purposes.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at March 31, 2020 and December 31, 2019.

	As at March 31, 2020 <i>HK\$'000</i>	As at December 31, 2019 <i>HK\$'000</i>
Bank borrowings, net of debt finance costs	17,748,439	16,604,526
Less: bank balances and cash	2,952,454	3,270,296
Net debt	14,795,985	13,334,230
Total equity	9,418,702	10,460,134
Total capital ⁽¹⁾	24,214,687	23,794,364
Gearing ratio	61.1%	56.0%

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

Group Cash Flows

Net Cash (Used in)/Generated from Operating Activities

Primarily as a result of COVID-19-related closures and restrictions, we recorded net cash used in operating activities of HK\$1,095.1 million for the three months ended March 31, 2020 compared to net cash generated from operating activities of HK\$1,227.1 million for the three months ended March 31, 2019.

Net Cash Used in Investing Activities

Net cash used in investing activities was HK\$327.7 million for the three months ended March 31, 2020 compared to HK\$535.5 million for the three months ended March 31, 2019. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM Cotai and renovation work carried out at MGM Macau as well as purchase of property and equipment in total amounting to HK\$327.7 million and HK\$324.2 million for the three months ended March 31, 2020 and 2019, respectively. Other significant payments for the three months ended March 31, 2019 included HK\$213.6 million of Subconcession premium related to the extension of the Subconcession.

Net Cash (Used in)/Generated from Financing Activities

Net cash generated from financing activities was HK\$1,106.1 million for the three months ended March 31, 2020 compared to net cash used in financing activities of HK\$1,295.4 million for the three months ended March 31, 2019. The net cash generated from financing activities for the three months ended March 31, 2020 was primarily due to:

- HK\$1,200 million of net proceeds of the Revolving Credit Facility; partially offset by
- HK\$77.7 million of interest payments.

Net cash used in financing activities for the three months ended March 31, 2019 was primarily due to HK\$1,100.0 million of repayments of MGM China Credit Facility and HK\$193.3 million of interest payment.

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in MOP and gaming taxes are paid in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets denominated in US\$ and Singapore Dollars and liabilities denominated in US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary.

Other Liquidity Matters

Due to the continued impact of the COVID-19 pandemic, we entered into a further amendment to our credit agreement, effective April 9, 2020 that provided for a waiver of the maximum leverage ratio extending through the second quarter of 2021, and a waiver of the minimum interest coverage ratio beginning in the second quarter of 2020 through the second quarter of 2021. On May 26, 2020, the Company entered into the Second Revolving Credit Facility in an aggregate amount of HK\$2.34 billion (approximately US\$301.9 million) with a final maturity date on May 15, 2024. The Company has the option to increase the amount of facility to up to HK\$3.9 billion (approximately US\$503.1 million) subject to certain conditions. The Second Revolving Credit Facility is available for drawdown 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) (approximately US\$1.3 billion) has been fully drawn. The financial covenants under the Second Revolving Credit Facility are not effective until September 30, 2021. The proceeds of the Second Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group.

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, the Company estimates monthly cash outflows of approximately HK\$505.7 million (approximately US\$65.2 million), including run-rate operating costs of approximately HK\$318.8 million (approximately US\$41.1 million), development and maintenance capital expenditures of approximately HK\$107.2 million (approximately US\$13.8 million) and interest expense of approximately HK\$79.7 million (approximately US\$10.3 million). Estimated capital expenditures include future development projects to strengthen our position in the premium mass segment, including the development of the MGM Cotai South Tower suites. We have undertaken a series of actions to minimize our expenses, including reducing or deferring of capital expenditures that we had planned to begin during the second quarter of 2020, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. After giving effect to the application of the proceeds of this offering as described in "Use of Proceeds," and assuming an offering size of US\$500.0 million, we believe that the Company's liquidity could support over 22 months of operations with zero revenue.

Employees and Remuneration Policy

As at March 31, 2020, MGM Grand Paradise employed 11,040 (December 31, 2019: 11,092) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM Macau, MGM Cotai and shared services team members.

RELATED PARTY TRANSACTIONS

Master Service Agreement and Related Arrangements

For the three months ended March 31, 2020 and the years ended December 31, 2019, 2018 and 2017, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$9.3 million (approximately US\$1.2 million), HK\$90.6 million (approximately US\$11.7 million), HK\$91.2 million and HK\$64.6 million, respectively, which were within the annual caps for the years ended December 31, 2020, 2019, 2018 and 2017 of HK\$250,000,000, HK\$450,000,000, HK\$400,000,000 and HK\$350,000,000, respectively. The aggregate total consideration payable by the Shun Tak Group to the Group for the three months ended March 31, 2020 and the years ended December 31, 2019, 2018 and 2017 was HK\$7 thousand (approximately US\$0.9 thousand), HK\$498 thousand (approximately US\$64 thousand), HK\$634 thousand and HK\$113 thousand, respectively, which fell within the annual caps for the years ended December 31, 2020, 2019, 2018 and 2017 of HK\$2,500,000, HK\$4,500,000, HK\$4,000,000 and HK\$3,500,000, respectively.

Branding Agreement

Pursuant to the Branding Agreement, the license fees for MGM Macau payable by the Group for the three months ended March 31, 2020 and the years ended December 31, 2019, 2018 and 2017 amounted to HK\$19.8 million (approximately US\$2.5 million), HK\$216.1 million (approximately US\$27.6 million), HK\$236.5 million and HK\$268.7 million, respectively, which were within the annual caps for the years ended December 31, 2020, 2019, 2018 and 2017 of US\$128,994,509, US\$107,495,424, US\$89,579,520 and US\$74,649,600, respectively. The license fees for MGM Cotai payable by the Group for the three months ended March 31, 2020 and the years ended December 31, 2019 and 2018 amounted to HK\$17.2 million (approximately US\$2.2 million), HK\$181.7 million (approximately US\$23.2 million) and HK\$100.2 million, which were within the annual caps for the years ended December 31, 2020, 2019 and 2018 of US\$28,800,000, US\$24,000,000 and US\$20,000,000, respectively.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 F-3 to F-24, which comprises the condensed consolidated statement of financial position as of March 31, 2020 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 three-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

June 9, 2020

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	<u>NOTES</u>	Three months ended March 31 <u>2020</u> HK\$'000 (unaudited)	<u>2019</u> HK\$'000 (unaudited)
OPERATING REVENUE			
Casino revenue	4	1,865,383	5,201,417
Other revenue	4	247,678	559,331
		<u>2,113,061</u>	<u>5,760,748</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(1,015,528)	(2,706,271)
Inventories consumed		(84,872)	(165,265)
Staff costs		(903,677)	(903,707)
Other expenses and losses	5	(330,879)	(536,000)
Depreciation and amortization		(631,045)	(621,396)
		<u>(2,966,001)</u>	<u>(4,932,639)</u>
Operating (loss)/profit		(852,940)	828,109
Interest income		5,454	4,310
Finance costs	6	(259,589)	(178,965)
Net foreign currency gain/(loss)		53,417	(387)
(Loss)/profit before tax		(1,053,658)	653,067
Income tax expense	7	(2,688)	(2,722)
(Loss)/profit for the period attributable to owners of the Company	8	<u>(1,056,346)</u>	<u>650,345</u>
Other comprehensive (expense)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,497)	1,560
Total comprehensive (loss)/income for the period attributable to owners of the Company		<u>(1,057,843)</u>	<u>651,905</u>
(Loss)/earnings per Share – Basic	10	<u>(HK27.8 cents)</u>	<u>HK17.1 cents</u>
(Loss)/earnings per Share – Diluted	10	<u>(HK27.8 cents)</u>	<u>HK17.1 cents</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2020

	<u>NOTES</u>	At March 31 <u>2020</u> HK\$'000 (unaudited)	At December 31 <u>2019</u> HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	11	26,059,746	26,603,943
Construction in progress	11	110,906	104,396
Right-of-use assets	12	1,362,626	1,382,457
Sub-concession premium	13	213,592	244,845
Other assets		18,335	32,137
Prepayments, deposits and other receivables		<u>37,629</u>	<u>37,385</u>
Total non-current assets		<u>27,802,834</u>	<u>28,405,163</u>
Current assets			
Inventories		182,999	163,723
Trade receivables	14	368,957	531,943
Prepayments, deposits and other receivables		202,297	133,727
Amounts due from related companies	22	237	1,370
Bank balances and cash		<u>2,952,454</u>	<u>3,270,296</u>
Total current assets		<u>3,706,944</u>	<u>4,101,059</u>
TOTAL ASSETS		<u><u>31,509,778</u></u>	<u><u>32,506,222</u></u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2020**

	NOTES	At March 31 <u>2020</u> HK\$'000 (unaudited)	At December 31 <u>2019</u> HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	15	3,800,249	3,800,000
Share premium and reserves		<u>5,618,453</u>	<u>6,660,134</u>
TOTAL EQUITY		<u>9,418,702</u>	<u>10,460,134</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	17,748,439	16,604,526
Lease liabilities		186,036	191,120
Payables and accrued charges	17	8,432	13,100
Construction retention payable		<u>748</u>	<u>813</u>
Total non-current liabilities		<u>17,943,655</u>	<u>16,809,559</u>
Current liabilities			
Lease liabilities		43,786	45,349
Payables and accrued charges	17	3,941,027	4,825,255
Construction retention payable		146,304	307,564
Amounts due to related companies	22	13,562	48,085
Income tax payable		<u>2,742</u>	<u>10,276</u>
Total current liabilities		<u>4,147,421</u>	<u>5,236,529</u>
TOTAL LIABILITIES		<u>22,091,076</u>	<u>22,046,088</u>
TOTAL EQUITY AND LIABILITIES		<u>31,509,778</u>	<u>32,506,222</u>

The condensed consolidated financial statements on pages F-3 to F-24 were approved and authorized for issue by the Board of Directors on June 9, 2020 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2020 (unaudited)	3,800,000	-	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134
Loss for the period	-	-	-	-	-	-	-	-	(1,056,346)	(1,056,346)	(1,056,346)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(1,497)	-	(1,497)	(1,497)
Total comprehensive loss	-	-	-	-	-	-	-	(1,497)	(1,056,346)	(1,057,843)	(1,057,843)
Exercise of share options	249	-	3,380	-	(844)	-	-	-	-	2,536	2,785
Share repurchase	-	(2,052)	-	-	-	-	-	-	-	(2,052)	(2,052)
Forfeiture of share options	-	-	-	-	(5,712)	-	-	-	5,712	-	-
Recognition of share-based payments	-	-	-	-	15,678	-	-	-	-	15,678	15,678
At March 31, 2020 (unaudited)	3,800,249	(2,052)	10,407,753	14,380	479,264	293,725	(13,133,305)	(4,144)	7,562,832	5,618,453	9,418,702
At January 1, 2019 (unaudited)	3,800,000	-	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the period	-	-	-	-	-	-	-	-	650,345	650,345	650,345
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,560	-	1,560	1,560
Total comprehensive income	-	-	-	-	-	-	-	1,560	650,345	651,905	651,905
Exercise of share options	193	-	3,105	-	(828)	-	-	-	-	2,277	2,470
Share repurchase and cancellation											
- repurchases of Shares	(193)	-	(2,783)	-	-	-	-	-	-	(2,783)	(2,976)
- transfer	-	-	-	193	-	-	-	-	(193)	-	-
Forfeiture of share options	-	-	-	-	(1,545)	-	-	-	1,545	-	-
Recognition of share-based payments	-	-	-	-	18,335	-	-	-	-	18,335	18,335
At March 31, 2019 (unaudited)	3,800,000	-	10,403,699	14,069	422,467	293,725	(13,133,305)	(1,210)	7,816,068	5,815,513	9,615,513

MGM GRAND PARADISE LIMITED

美高梅金殿超濠股份有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	NOTES	Three months ended March 31 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	18	(1,095,061)	1,227,064
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(327,684)	(324,228)
Payment of Sub-concession premium	13	-	(213,592)
Proceeds from disposal of property and equipment		-	538
Proceeds from insurance claims		-	1,816
NET CASH USED IN INVESTING ACTIVITIES		(327,684)	(535,466)
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities		2,000,000	-
Repayment of credit facilities		(800,000)	(1,100,000)
Payment of debt finance costs		(10,559)	-
Payment of lease liabilities		(6,482)	(1,680)
Interest paid		(77,694)	(193,279)
Proceeds from exercise of share options		2,860	2,562
Payments on repurchase of Shares		(2,052)	(2,976)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		1,106,073	(1,295,373)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(316,672)	(603,775)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,270,296	3,992,107
Effect of foreign exchange rate changes, net		(1,170)	917
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		2,952,454	3,389,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

1. GENERAL

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

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

Impact of COVID-19

In early 2020, the rapid spread of a respiratory illness caused by COVID-19 led to certain actions taken by the Chinese Government, the Macau Government and many countries around the world to attempt to mitigate the spread of the virus. Among the actions taken were the implementation of travel restrictions, such as the temporary suspension of China's visa scheme that permits mainland Chinese residents to travel to Macau, the temporary suspension of all ferry services from Hong Kong to Macau, and the suspension of casino operations in Macau for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM MACAU and MGM COTAI were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM MACAU and MGM COTAI resumed on February 20, 2020, certain health safeguards, such as limiting the number of seats at each table game, as well as slot machine spacing, temperature checks, mask protection and other health declarations remain in effect as of the date hereof. The Group is currently unable to predict when these measures will be lifted. A number of restaurants and bars are currently closed or opened with shorter operating hours and the theater remains closed as of the date of these financial statements and the Group is currently unable to predict when they will re-open. Although China has gradually relaxed domestic travel restrictions in recent weeks and the shuttle bus service linking Macau and Hong Kong resumed limited operations in early May 2020, as of the date of these financial statements, several travel and entry restrictions in Macau, Hong Kong, and certain parts of mainland China remain in place (including the temporary suspension of the visa scheme, the temporary suspension of ferry services, and bans on entry or enhanced quarantine requirements), significantly impacting visitation to MGM MACAU and MGM COTAI, which has had a negative impact on the Group's results for the three months ended March 31, 2020 and which the Group expects to continue to have a negative impact on its results for the quarter ended June 30, 2020 and potentially thereafter. Given the uncertain nature of these circumstances, the impact on the Group's results of operations, cash flows and financial condition cannot be reasonably estimated at this time. To mitigate the continued impact of the COVID-19 pandemic, the Company entered into a further amendment of the financial covenants under its Revolving Credit Facility on April 9, 2020. See note 16 for the details of the amendments.

On May 26, 2020, the Company entered into the Second Revolving Credit Facility with an availability of HK\$2.34 billion and a final maturity date of May 15, 2024. The Company has the option to increase the amount of the facility to up to HK\$3.9 billion subject to certain conditions. See note 16 for the details.

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 International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

As at March 31, 2020, the Group had net current liabilities of approximately HK\$440.5 million (December 31, 2019: HK\$1,135.5 million) and due to the impact of COVID-19, the Group has experienced significant declines in results given the continued impact of restrictions on travel and operations during the three months ended March 31, 2020. As a result, the Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and in particular the impact caused by COVID-19. 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. Despite the fact that cash to be generated from operations is severely affected due to COVID-19, the Group believes it has sufficient liquidity based upon the credit facilities (see note 16) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2020 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2019.

Application of amendments to IFRSs

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

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

The application of the above amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements 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 Group's Chief Executive Officer (being the chief operating decision-maker) when allocating resources and assessing performance of the Group.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

3. SEGMENT INFORMATION - continued

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

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	(122,679)	1,618,964
Share-based payments	(15,678)	(18,335)
Corporate expenses	(84,105)	(130,933)
Pre-opening costs ⁽¹⁾	-	(20,833)
Gain on disposal/write-off of property and equipment and construction in progress	567	642
Depreciation and amortization	(631,045)	(621,396)
Operating (loss)/profit	(852,940)	828,109
Interest income	5,454	4,310
Finance costs	(259,589)	(178,965)
Net foreign currency gain/(loss)	53,417	(387)
(Loss)/profit before tax	(1,053,658)	653,067
Income tax expense	(2,688)	(2,722)
(Loss)/profit for the period attributable to owners of the Company	<u>(1,056,346)</u>	<u>650,345</u>

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

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

4. CASINO AND OTHER REVENUE

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

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	843,463	2,686,523
Main floor gross table games win	1,457,872	3,488,340
Slot machine gross win	224,712	537,011
Gross casino revenue	2,526,047	6,711,874
Commissions, complimentary and other incentives	(660,664)	(1,510,457)
	<u>1,865,383</u>	<u>5,201,417</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

4. CASINO AND OTHER REVENUE - continued

Other revenue comprises:

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	121,273	268,428
Food and beverage	99,325	240,979
Retail and others	27,080	49,924
	<u>247,678</u>	<u>559,331</u>

5. OTHER EXPENSES AND LOSSES

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	66,570	135,290
License fees	36,979	100,150
Other support services	42,957	80,165
Utilities and fuel	45,698	56,481
Repairs and maintenance	65,640	49,765
Loss allowance on trade receivables, net	25,714	34,883
Gain on disposal/write-off of property and equipment and construction in progress	(567)	(642)
Other	47,888	79,908
	<u>330,879</u>	<u>536,000</u>

6. FINANCE COSTS

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on secured credit facilities	-	190,859
Interest on unsecured senior notes	164,199	-
Interest on unsecured credit facilities	72,863	-
Amortization/(reversal) of debt finance costs, net	13,835	(2,135)
Interest on lease liabilities	3,453	3,475
Bank fees and charges	5,239	1,863
Total borrowing costs	259,589	194,062
Less: capitalized interest allocated to construction in progress (note 11)	-	(15,097)
	<u>259,589</u>	<u>178,965</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

7. INCOME TAX EXPENSE

	Three months ended March 31 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	(2,403)	(2,403)
Mainland China Income Tax	(285)	(319)
Income tax expense	<u>(2,688)</u>	<u>(2,722)</u>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. Pursuant to the approval notice 88/2020 issued by the Macau Government dated March 30, 2020, this exemption was renewed for the period from April 1, 2020 to June 26, 2022. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods.

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

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

8. (LOSS)/PROFIT FOR THE PERIOD

	Three months ended March 31 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments	23,049	25,668
Retirement benefits scheme contributions for other staff	26,222	20,430
Share-based payments for other staff	11,000	14,071
Salaries and other benefits for other staff	843,406	843,538
	<u>903,677</u>	<u>903,707</u>
Amortization in respect of:		
- Sub-concession premium	31,253	31,290
- other assets	13,779	25,722
Depreciation in respect of:		
- Property and equipment	566,307	549,562
- Right-of-use assets	19,706	14,822
	<u>631,045</u>	<u>621,396</u>
Gain on disposal/write-off of property and equipment and construction in progress	<u>(567)</u>	<u>(642)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

9. DIVIDENDS

On March 6, 2019, a final dividend of HK\$0.034 per Share for the year ended December 31, 2018, amounting to approximately HK\$129.2 million was recommended by the Directors of the Company and approved by the Shareholders of the Company on May 24, 2019. The dividend was paid to Shareholders on June 20, 2019.

On March 26, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million was approved by the Shareholders of the Company. The dividend will be paid to Shareholders on June 19, 2020.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss/earnings per Share for the three months ended March 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and the weighted average number of Shares outstanding (excluding treasury shares) during the period.

The calculation of diluted loss/earnings per Share for the three months ended March 31, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the period plus the potential Shares arising from exercise of share options.

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

	Three months ended March 31 <u>2020</u> (unaudited)	<u>2019</u> (unaudited)
(Loss)/profit		
(Loss)/profit for the period attributable to owners of the Company for the purposes of basic and diluted loss/earnings per Share (HK\$'000)	<u>(1,056,346)</u>	<u>650,345</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss/earnings per Share ('000)	3,800,209	3,800,073
Number of dilutive potential Shares arising from exercise of share options ('000)	<u>49</u>	<u>5,487</u>
Weighted average number of Shares for the purpose of diluted loss/earnings per Share ('000)	<u>3,800,258</u>	<u>3,805,560</u>
(Loss)/earnings per Share – Basic	<u>(HK27.8 cents)</u>	<u>HK17.1 cents</u>
(Loss)/earnings per Share – Diluted	<u>(HK27.8 cents)</u>	<u>HK17.1 cents</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

11. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	At <u>March 31, 2020</u> HK\$'000 (unaudited)	At <u>December 31, 2019</u> HK\$'000 (audited)
Carrying amount at January 1	26,708,339	29,003,445
Additions	31,421	519,128
Transfers to other assets	-	(12,076)
Adjustment upon finalization of costs	-	(515,765)
Disposal/write-off	(2,427)	(17,603)
Depreciation	(566,307)	(2,269,022)
Foreign exchange difference	(374)	232
Carrying amount at March 31/December 31	<u>26,170,652</u>	<u>26,708,339</u>
Property and equipment	26,059,746	26,603,943
Construction in progress	<u>110,906</u>	<u>104,396</u>
	<u>26,170,652</u>	<u>26,708,339</u>

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (three months ended March 31, 2020: nil) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% per annum to expenditure on qualifying assets during the year ended December 31, 2019.

12. 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 have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5.5 years.

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

	At <u>March 31, 2020</u> HK\$'000 (unaudited)	At <u>December 31, 2019</u> HK\$'000 (audited)
Leasehold land	1,294,138	1,303,378
Buildings	34,686	39,765
Equipment and other	33,802	39,314
	<u>1,362,626</u>	<u>1,382,457</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

13. SUB-CONCESSION PREMIUM

	At <u>March 31, 2020</u> HK\$'000 (unaudited)	At <u>December 31, 2019</u> HK\$'000 (audited)
Carrying amount at January 1	244,845	158,153
Additions	-	213,592
Amortization	<u>(31,253)</u>	<u>(126,900)</u>
Carrying amount at March 31/December 31	<u>213,592</u>	<u>244,845</u>

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 19). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

14. TRADE RECEIVABLES

	At <u>March 31, 2020</u> HK\$'000 (unaudited)	At <u>December 31, 2019</u> HK\$'000 (audited)
Trade receivables	516,705	654,241
Less: Loss allowance	<u>(147,748)</u>	<u>(122,298)</u>
	<u>368,957</u>	<u>531,943</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

15. SHARE CAPITAL

	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Issued and fully paid		
At January 1, 2019 (unaudited)	3,800,000,001	3,800,000,001
Share options exercised	192,900	192,900
Share repurchase and cancellation	(192,900)	(192,900)
At March 31, 2019 (unaudited)	<u>3,800,000,001</u>	<u>3,800,000,001</u>
At January 1, 2020 (unaudited)	3,800,000,001	3,800,000,001
Share options exercised	249,200	249,200
At March 31, 2020 (unaudited)	<u>3,800,249,201</u>	<u>3,800,249,201</u>

- (i) During the three months ended March 31, 2019, 192,900 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$3.0 million and cancelled.
- (ii) During the three months ended March 31, 2020, 249,200 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$2.1 million. The 249,200 Shares were cancelled as at April 2, 2020.

16. BORROWINGS

At March 31, 2020 the Group's borrowings included unsecured senior notes and Revolving Credit Facility.

	<u>At</u> <u>March 31, 2020</u> HK\$'000 (unaudited)	<u>At</u> <u>December 31, 2019</u> HK\$'000 (audited)
Unsecured senior notes repayable:		
Over four years but not exceeding five years	5,813,318	5,843,535
Over five years	5,813,318	5,843,535
	<u>11,626,636</u>	<u>11,687,070</u>
Less: Debt finance costs	(150,417)	(157,712)
	<u>11,476,219</u>	<u>11,529,358</u>
Revolving Credit Facility repayable:		
Over four years but not exceeding five years	6,400,000	5,200,000
	<u>6,400,000</u>	<u>5,200,000</u>
Less: Debt finance costs	(127,780)	(124,832)
	<u>6,272,220</u>	<u>5,075,168</u>
Current	-	-
Non-current	17,748,439	16,604,526
	<u>17,748,439</u>	<u>16,604,526</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

16. BORROWINGS - continued

Unsecured Senior Notes

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

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

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee.

The 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 person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

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”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the existing senior secured credit facilities of the Group and are used for ongoing working capital needs and general corporate purposes of the Group.

Principal and Interest

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company’s leverage ratio. As at March 31, 2020, HK\$6.4 billion (December 31, 2019: HK\$5.2 billion) of the Revolving Credit Facility was drawn and HK\$3.35 billion (December 31, 2019: HK\$4.55 billion) was undrawn and available for utilization up to May 2024. Each drawdown under the revolving credit facility is to be repaid in full no later than May 15, 2024. As at March 31, 2020, the Group paid interest at HIBOR plus 2.25% per annum (December 31, 2019: HIBOR plus 2.25% per annum).

General Covenants

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

16. BORROWINGS - continued

Revolving Credit Facility - continued*Financial Covenants*

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

Due to the impact of the COVID-19 pandemic, discussed in note 1, the Company entered into an amendment of the financial covenants under the Revolving Credit Facility on February 21, 2020, to reflect an amendment of the permitted leverage ratio and permitted interest coverage ratio as follows:

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

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

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

Compliance with Covenants

The Company has complied with the general and financial covenants under the Revolving Credit Facility for the three months ended March 31, 2020 and the year ended December 31, 2019.

Mandatory Prepayments

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

16. BORROWINGS - continued

Revolving Credit Facility - continued

Events of Default

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

Security and Guarantees

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

Second Revolving Credit Facility

Overview

On May 26, 2020, the Company entered into the agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a second 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 to up to HK\$3.9 billion subject to certain conditions (the “Second Revolving Credit Facility”). 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.

Principal and Interest

The Second Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company’s leverage ratio. Each drawdown under the Second Revolving Credit Facility is to be repaid in full no later than May 15, 2024.

General Covenants

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

Financial Covenants

The Company must ensure that the leverage ratio does not, on each accounting date occurring on and after September 30, 2021, exceed 4.50 to 1.00.

In addition, the Company must ensure that, on any accounting date occurring on and after September 30, 2021, the interest coverage ratio is not less than 2.50 to 1.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

16. BORROWINGS - continued

Second Revolving Credit Facility - continued*Mandatory Prepayments*

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

Events of Default

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

Security and Guarantees

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

17. PAYABLES AND ACCRUED CHARGES

	At March 31, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Outstanding chips liabilities ⁽ⁱ⁾	1,776,036	1,682,714
Customer advances and other ⁽ⁱ⁾	573,647	619,946
Accrued staff costs	560,110	664,026
Other payables and accrued charges	440,550	377,809
Gaming taxes payables	215,252	838,340
Loyalty programs liabilities ⁽ⁱ⁾	143,387	145,875
Other casino liabilities	119,832	215,757
Construction payables and accruals	94,166	224,822
Trade payables	26,479	69,066
	<u>3,949,459</u>	<u>4,838,355</u>
Current	3,941,027	4,825,255
Non-current	<u>8,432</u>	<u>13,100</u>
	<u>3,949,459</u>	<u>4,838,355</u>

- (i) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

18. NOTE TO CONDENSED STATEMENT OF CASH FLOWS

Net cash (used in)/generated from operating activities is as follows:

	Three months ended March 31 <u>2020</u> HK\$'000 (unaudited)	<u>2019</u> HK\$'000 (unaudited)
Operating cash flows before movements in working capital	(193,671)	1,499,831
Decrease in payables and accrued charges	(916,224)	(129,825)
Other changes in working capital	<u>19,287</u>	<u>(136,541)</u>
Cash (used in)/generated from operations	(1,090,608)	1,233,465
Income tax paid	(10,216)	(11,059)
Income tax refunded	-	170
Interest received	<u>5,763</u>	<u>4,488</u>
Net cash (used in)/generated from operating activities	<u>(1,095,061)</u>	<u>1,227,064</u>

19. CONTINGENT LIABILITIES

a) Guarantees

As at March 31, 2020, the Group has given bank guarantees totalling HK\$1,095.2 million (December 31, 2019: HK\$1,095.2 million) to certain parties, of which HK\$1,091.4 million (December 31, 2019: HK\$1,091.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (December 31, 2019: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (December 31, 2019: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

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

20. 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 <u>March 31, 2020</u> HK\$'000 (unaudited)	At <u>December 31, 2019</u> HK\$'000 (audited)
Contracted but not accounted for	<u>91,420</u>	<u>110,651</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

21. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.
- iv) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at March 31, 2020, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP303.0 million (equivalent to approximately HK\$294.2 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

22. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 19, 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\$1.0 million (December 31, 2019: HK\$12.6 million), and the ultimate holding company of the Company amounting to HK\$12.6 million (December 31, 2019: HK\$35.5 million). The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(iii) As at March 31, 2020, the Group had lease liabilities of HK\$5.9 million (December 31, 2019: HK\$7.7 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

22. RELATED PARTY TRANSACTIONS - continued

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

<u>Related parties</u>	<u>Type of transaction</u>	Three months ended March 31	
		<u>2020</u> HK\$'000 (unaudited)	<u>2019</u> HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises	422	422
	Travelling, accommodation and transportation, net of discounts	6,377	22,545
	Interest expense on lease liabilities	59	68
Ultimate holding company	Marketing referral fees	2,227	4,238
	Marketing referral income	-	(17)
Company jointly-owned by Shareholders	License fee	36,979	100,150

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. In the event that the Group opened additional properties during the term of the Branding Agreement, the amount of the annual cap would increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase would also apply to subsequent calendar years, and would increase at the rate of 20% per year. For the year ending December 31, 2020, the annual caps of MGM MACAU and MGM COTAI were US\$129.0 million (equivalent to approximately HK\$1,002.5 million) and US\$28.8 million (equivalent to approximately HK\$223.8 million), respectively. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI were US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million). The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and will expire on June 6, 2022. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$82,300,000 (equivalent to approximately HK\$639.6 million) for the year ending December 31, 2020. During the three months ended March 31, 2020, a total license fee of HK\$37.0 million (three months ended March 31, 2019: HK\$100.2 million) was recognized in profit or loss.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2020

22. RELATED PARTY TRANSACTIONS – continued

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	41,174	58,223
Post-employment benefits	781	770
Share-based payments	<u>8,205</u>	<u>9,815</u>
	<u>50,160</u>	<u>68,808</u>

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 F-26 to F-42, which comprises the condensed consolidated statement of financial position as of March 31, 2019 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 three-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" ("HKSRE 2410") 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.

Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three-month period ended March 31, 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

June 9, 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2019

	<u>NOTES</u>	Three months ended March 31 <u>2019</u> HK\$'000 (unaudited)	<u>2018</u> HK\$'000 (unaudited)
OPERATING REVENUE			
Casino revenue	4	5,201,417	4,301,127
Other revenue	4	<u>559,331</u>	<u>363,369</u>
		<u>5,760,748</u>	<u>4,664,496</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(2,706,271)	(2,275,225)
Inventories consumed		(165,265)	(147,738)
Staff costs		(903,707)	(974,598)
Other expenses and losses	5	(536,000)	(528,428)
Depreciation and amortization		<u>(621,396)</u>	<u>(365,849)</u>
		<u>(4,932,639)</u>	<u>(4,291,838)</u>
Operating profit		828,109	372,658
Interest income		4,310	2,683
Finance costs	6	(178,965)	(91,209)
Net foreign currency (loss)/gain		<u>(387)</u>	<u>194</u>
Profit before tax		653,067	284,326
Income tax (expense)/benefit	7	<u>(2,722)</u>	<u>305,006</u>
Profit for the period attributable to owners of the Company	8	<u>650,345</u>	<u>589,332</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>1,560</u>	<u>2,902</u>
Total comprehensive income for the period attributable to owners of the Company		<u>651,905</u>	<u>592,234</u>
Earnings per Share – Basic	10	<u>HK17.1 cents</u>	<u>HK15.5 cents</u>
Earnings per Share – Diluted	10	<u>HK17.1 cents</u>	<u>HK15.4 cents</u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2019

	<u>NOTES</u>	At March 31 <u>2019</u> HK\$'000 (unaudited)	At December 31 <u>2018</u> HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	11	28,503,291	27,221,918
Construction in progress	11	115,012	1,781,527
Right-of-use assets	12	1,395,320	-
Sub-concession premium	13	340,455	158,153
Land use right premium	2	-	1,121,541
Other assets		110,832	128,656
Prepayments, deposits and other receivables		48,356	62,816
Total non-current assets		<u>30,513,266</u>	<u>30,474,611</u>
Current assets			
Inventories		161,996	159,696
Trade receivables	14	336,762	322,637
Prepayments, deposits and other receivables		207,291	112,058
Land use right premium	2	-	69,406
Amounts due from related companies	21	1,872	2,060
Bank balances and cash		<u>3,389,249</u>	<u>3,992,107</u>
Total current assets		<u>4,097,170</u>	<u>4,657,964</u>
TOTAL ASSETS		<u><u>34,610,436</u></u>	<u><u>35,132,575</u></u>

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2019**

	<u>NOTES</u>	At March 31 <u>2019</u> HK\$'000 (unaudited)	At December 31 <u>2018</u> HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	15	3,800,000	3,800,000
Share premium and reserves		<u>5,815,513</u>	<u>5,145,779</u>
TOTAL EQUITY		<u>9,615,513</u>	<u>8,945,779</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	17,751,071	18,093,205
Lease liabilities	2	186,587	-
Payables and accrued charges	17	15,303	17,492
Construction retention payable		<u>7,310</u>	<u>18,065</u>
Total non-current liabilities		<u>17,960,271</u>	<u>18,128,762</u>
Current liabilities			
Borrowings	16	20,000	780,000
Lease liabilities	2	31,554	-
Payables and accrued charges	17	6,565,548	6,856,506
Construction retention payable		377,668	387,778
Amounts due to related companies	21	36,990	22,531
Income tax payable		<u>2,892</u>	<u>11,219</u>
Total current liabilities		<u>7,034,652</u>	<u>8,058,034</u>
TOTAL LIABILITIES		<u>24,994,923</u>	<u>26,186,796</u>
TOTAL EQUITY AND LIABILITIES		<u>34,610,436</u>	<u>35,132,575</u>

The condensed consolidated financial statements on pages F-26 to F-42 were approved and authorized for issue by the Board of Directors on June 9, 2020 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019**

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2019 (unaudited)	3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the period	-	-	-	-	-	-	-	650,345	650,345	650,345
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,560	-	1,560	1,560
Total comprehensive income	-	-	-	-	-	-	1,560	650,345	651,905	651,905
Exercise of share options	193	3,105	-	(828)	-	-	-	-	2,277	2,470
Share repurchase and cancellation										
- repurchases of Shares	(193)	(2,783)	-	-	-	-	-	-	(2,783)	(2,976)
- transfer	-	-	193	-	-	-	-	(193)	-	-
Forfeiture of share options	-	-	-	(1,545)	-	-	-	1,545	-	-
Recognition of share-based payments	-	-	-	18,335	-	-	-	-	18,335	18,335
At March 31, 2019 (unaudited)	3,800,000	10,403,699	14,069	422,467	293,725	(13,133,305)	(1,210)	7,816,068	5,815,513	9,615,513
At January 1, 2018 (unaudited)	3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,709,179	4,636,908	8,436,908
Profit for the period	-	-	-	-	-	-	-	589,332	589,332	589,332
Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,902	-	2,902	2,902
Total comprehensive income	-	-	-	-	-	-	2,902	589,332	592,234	592,234
Exercise of share options	1,504	28,887	-	(9,139)	-	-	-	-	19,748	21,252
Share repurchase and cancellation										
- repurchases of Shares	(1,504)	(32,497)	-	-	-	-	-	-	(32,497)	(34,001)
- transfer	-	-	1,504	-	-	-	-	(1,504)	-	-
Forfeiture of share options	-	-	-	(585)	-	-	-	585	-	-
Recognition of share-based payments	-	-	-	19,943	-	-	-	-	19,943	19,943
At March 31, 2018 (unaudited)	3,800,000	10,405,918	12,698	356,102	293,725	(13,133,305)	3,606	7,297,592	5,236,336	9,036,336

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019**

	NOTES	Three months ended March 31 <u>2019</u> HK\$'000 (unaudited)	<u>2018</u> HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>1,227,064</u>	<u>2,683,046</u>
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(324,228)	(977,769)
Payment of Sub-concession premium	13	(213,592)	-
Proceeds from disposal of property and equipment		538	41
Payments of developers' fee capitalized to construction in progress		-	(110,529)
Purchase of other assets		-	(20,415)
Proceeds from insurance claims		<u>1,816</u>	<u>11,262</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(535,466)</u>	<u>(1,097,410)</u>
FINANCING ACTIVITIES			
Repayment of credit facilities		(1,100,000)	(1,004,500)
Payment of lease liabilities		(1,680)	-
Interest paid		(193,279)	(159,831)
Proceeds from exercise of share options		2,562	22,917
Payments on repurchase of Shares		<u>(2,976)</u>	<u>(34,001)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,295,373)</u>	<u>(1,175,415)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(603,775)	410,221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,992,107	5,283,387
Effect of foreign exchange rate changes, net		<u>917</u>	<u>2,757</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		<u>3,389,249</u>	<u>5,696,365</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

1. GENERAL

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

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

Details of the COVID-19 impact have been included in the Group's condensed consolidated financial statements for the three months ended March 31, 2020.

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 International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2019 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2018, except for the application of new and amendments to International Financial Reporting Standards ("IFRSs") which are relevant to the Group as at January 1, 2019, the most significant of which is IFRS 16 *Leases*. Details of accounting policies, transition and summary of effects arising from initial application of IFRS 16 have been included in the consolidated financial statements for the year ended December 31, 2019.

3. SEGMENT INFORMATION

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

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

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment and construction in progress, 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 - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

3. SEGMENT INFORMATION - continued

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

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	1,618,964	1,276,358
Share-based payments	(18,335)	(19,943)
Corporate expenses	(130,933)	(116,979)
Pre-opening costs ⁽¹⁾	(20,833)	(395,353)
Gain/(loss) on disposal/write-off of property and equipment and construction in progress	642	(5,576)
Depreciation and amortization	(621,396)	(365,849)
Operating profit	828,109	372,658
Interest income	4,310	2,683
Finance costs	(178,965)	(91,209)
Net foreign currency (loss)/gain	(387)	194
Profit before tax	653,067	284,326
Income tax (expense)/benefit	(2,722)	305,006
Profit for the period attributable to owners of the Company	<u>650,345</u>	<u>589,332</u>

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

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

4. CASINO AND OTHER REVENUE

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

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	2,686,523	2,616,243
Main floor gross table games win	3,488,340	2,585,719
Slot machine gross win	537,011	478,760
Gross casino revenue	6,711,874	5,680,722
Commissions, compliments and other incentives	(1,510,457)	(1,379,595)
	<u>5,201,417</u>	<u>4,301,127</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

4. CASINO AND OTHER REVENUE - continued

Other revenue comprises:

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	268,428	164,246
Food and beverage	240,979	162,513
Retail and others	49,924	36,610
	<u>559,331</u>	<u>363,369</u>

5. OTHER EXPENSES AND LOSSES

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Advertising and promotion	135,290	188,269
License fees	100,150	81,629
Other support services	80,165	85,310
Utilities and fuel	56,481	38,115
Repairs and maintenance	49,765	42,414
Loss allowance on trade receivables, net	34,883	19,769
(Gain)/loss on disposal/write-off of property and equipment and construction in progress	(642)	5,576
Other	79,908	67,346
	<u>536,000</u>	<u>528,428</u>

6. FINANCE COSTS

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on secured credit facilities	190,859	157,789
(Reversal)/amortization of debt finance costs, net	(2,135)	41,236
Interest on lease liabilities	3,475	-
Bank fees and charges	1,863	2,079
Total borrowing costs	194,062	201,104
Less: capitalized interest allocated to construction in progress (note 11)	(15,097)	(109,895)
	<u>178,965</u>	<u>91,209</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

7. INCOME TAX (EXPENSE)/BENEFIT

	Three months ended March 31 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	(2,403)	(12,015)
Mainland China Income Tax	(319)	(94)
Hong Kong Profits Tax	-	(32)
	<u>(2,722)</u>	<u>(12,141)</u>
Deferred tax:		
Reversal of deferred tax liability previously recognized	-	317,147
Income tax (expense)/benefit	<u>(2,722)</u>	<u>305,006</u>

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

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise paid dividend withholding tax for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profits. In 2017, MGM Grand Paradise made an application to the Macau Government for another extension of the tax concession arrangement for an additional five years. As at December 31, 2017, this application was still being processed and subject to approval by the Macau Government. The Company had reviewed its position and considered that cash dividends would be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for the year ended December 31, 2017 was recognized.

Pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. Consequently, the deferred tax liability of HK\$317.1 million previously recognized was reversed during the three months ended March 31, 2018.

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 20% to 25%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

8. PROFIT FOR THE PERIOD

	Three months ended March 31 <u>2019</u> HK\$'000 (unaudited)	<u>2018</u> HK\$'000 (unaudited)
Profit for the period has been arrived at after (crediting)/charging:		
Directors' and chief executive's emoluments	25,668	24,199
Retirement benefits scheme contributions for other staff	20,430	16,983
Share-based payments for other staff	14,071	15,625
Salaries and other benefits for other staff	843,538	917,791
	<u>903,707</u>	<u>974,598</u>
Amortization in respect of:		
- Sub-concession premium	31,290	31,290
- land use right premium	-	11,067
- other assets	25,722	13,456
Depreciation in respect of:		
- Property and equipment	549,562	310,036
- Right-of-use assets	14,822	-
	<u>621,396</u>	<u>365,849</u>
(Gain)/loss on disposal/write-off of property and equipment and construction in progress	(642)	5,576
Operating lease expenses under IAS 17	<u>-</u>	<u>13,981</u>

9. DIVIDENDS

Details of dividend declared have been included in the consolidated financial statements for the year ended December 31, 2019 and the condensed consolidated financial statements for the three months ended March 31, 2020.

10. EARNINGS PER SHARE

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

10. EARNINGS PER SHARE - continued

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

	Three months ended March 31 2019 (unaudited)	2018 (unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	650,345	589,332
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,073	3,800,529
Number of dilutive potential Shares arising from exercise of share options ('000)	5,487	19,621
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,805,560	3,820,150
Earnings per Share – Basic	HK17.1 cents	HK15.5 cents
Earnings per Share – Diluted	HK17.1 cents	HK15.4 cents

11. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	At March 31, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Carrying amount at January 1	29,003,445	29,120,304
Additions	174,957	1,947,611
Transfers to other assets	(10,346)	(178,214)
Disposal/write-off	(892)	(7,499)
Depreciation	(549,562)	(1,877,500)
Foreign exchange difference	701	(1,257)
Carrying amount at March 31/December 31	28,618,303	29,003,445
Property and equipment	28,503,291	27,221,918
Construction in progress	115,012	1,781,527
	28,618,303	29,003,445

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

During the three months ended March 31, 2019 and year ended December 31, 2018, HK\$1,750.6 million and HK\$25,585.7 million was transferred from construction in progress to property and equipment pertaining to the assets in use of MGM COTAI. As at March 31, 2019, the finalization of the obligations related to the close out of the construction contracts was in progress. Subsequent to March 31, 2019, a downward adjustment upon finalization of costs amounting to HK\$515.8 million was made for the year ended December 31, 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

12. 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 have an initial term of 25 years with a right to renew at the Group's option for further consecutive periods of 10 years, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

Buildings, equipment and others generally have lease terms between 1 to 5.5 years.

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

	At <u>March 31, 2019</u> HK\$'000 (unaudited)
Leasehold land	1,331,097
Buildings	28,403
Equipment and other	35,820
	<u>1,395,320</u>

13. SUB-CONCESSION PREMIUM

	At <u>March 31, 2019</u> HK\$'000 (unaudited)	At <u>December 31, 2018</u> HK\$'000 (audited)
Carrying amount at January 1	158,153	285,053
Additions	213,592	-
Amortization	<u>(31,290)</u>	<u>(126,900)</u>
Carrying amount at March 31/December 31	<u>340,455</u>	<u>158,153</u>

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 18). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

14. TRADE RECEIVABLES

	At <u>March 31, 2019</u> HK\$'000 (unaudited)	At <u>December 31, 2018</u> HK\$'000 (audited)
Trade receivables	471,036	419,066
Less: Loss allowance	<u>(134,274)</u>	<u>(96,429)</u>
	<u>336,762</u>	<u>322,637</u>

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

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

15. SHARE CAPITAL

	<u>Number of Shares</u>	<u>Share Capital</u> HK\$
Issued and fully paid		
At January 1, 2018 (unaudited)	3,800,000,001	3,800,000,001
Share options exercised	1,503,900	1,503,900
Share repurchase and cancellation	<u>(1,503,900)</u>	<u>(1,503,900)</u>
At March 31, 2018 (unaudited)	<u>3,800,000,001</u>	<u>3,800,000,001</u>
At January 1, 2019 (unaudited)	3,800,000,001	3,800,000,001
Share options exercised	192,900	192,900
Share repurchase and cancellation	<u>(192,900)</u>	<u>(192,900)</u>
At March 31, 2019 (unaudited)	<u>3,800,000,001</u>	<u>3,800,000,001</u>

- (i) During the three months ended March 31, 2019, 192,900 Shares (three months ended March 31, 2018: 1,503,900) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$3.0 million (three months ended March 31, 2018: HK\$34 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

16. BORROWINGS

	At March 31, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
The secured credit facilities are repayable:		
Within one year	3,120,000	3,120,000
Over one year but not exceeding two years	3,120,000	3,120,000
Over two years but not exceeding five years	11,720,000	12,820,000
	17,960,000	19,060,000
Less: debt finance costs	(188,929)	(186,795)
	17,771,071	18,873,205
Current	20,000	780,000
Non-current	17,751,071	18,093,205
	17,771,071	18,873,205

As at March 31, 2019 and December 31, 2018, the Group intends and has the ability to make the repayments of the term loan by drawing down on its revolving credit facility. Bank borrowings due to be repaid within the next twelve months under the MGM China Credit Facility as at March 31, 2019 and December 31, 2018 were classified as non-current, with the exception of HK\$20 million and HK\$780 million of the term loan in excess of the available borrowings under the revolving credit facility, and these amounts were classified as current liability as at March 31, 2019 and December 31, 2018.

Details of the borrowings of the Group and subsequent changes have been included in the Group's consolidated financial statements for the year ended December 31, 2019 and its condensed consolidated financial statements for the three months ended March 31, 2020.

17. PAYABLES AND ACCRUED CHARGES

	At March 31, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Outstanding chips liabilities ⁽ⁱ⁾	1,743,257	1,694,055
Customer advances and other ⁽ⁱ⁾	1,597,413	1,607,727
Construction payables and accruals	1,102,693	1,214,164
Gaming taxes payables	906,628	931,609
Accrued staff costs	498,013	574,746
Other casino liabilities	300,266	387,719
Other payables and accrued charges	274,883	300,942
Loyalty programs liabilities ⁽ⁱ⁾	135,409	131,636
Trade payables	22,289	31,400
	6,580,851	6,873,998
Current	6,565,548	6,856,506
Non-current	15,303	17,492
	6,580,851	6,873,998

⁽ⁱ⁾ 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

18. CONTINGENT LIABILITIES

a) Guarantees

As at March 31, 2019, the Group has given bank guarantees totalling HK\$299.1 million (December 31, 2018: HK\$299.1 million) to certain parties, of which HK\$295.3 million (December 31, 2018: HK\$295.3 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (December 31, 2018: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (December 31, 2018: HK\$3.2 million) was issued in favor of certain vendors.

Pursuant to the execution of the Subconcession Extension Contract, in May 2019, MGM Grand Paradise submitted a bank guarantee in an amount of not less than MOP820 million (equivalent to approximately HK\$796.12 million) to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Subconcession Extension Contract in June 26, 2022. Such guarantee is permitted pursuant to the Sixth Supplemental Agreement to the MGM China Credit Facility, which was entered into on April 15, 2019 and became effective on April 16, 2019.

b) Litigation

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

19. 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 March 31, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Contracted but not accounted for	113,733	144,442

20. OTHER COMMITMENTS

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending upon the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 4% of the gross gaming revenue as public development and social related contributions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

20. OTHER COMMITMENTS - continued

Sub-Concession - continued

- 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 March 31, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP453.2 million (equivalent to approximately HK\$440.0 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-Concession Extension Contract.

21. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 18, 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\$0.7 million (December 31, 2018: HK\$0.2 million), and the ultimate holding company of the Company amounting to HK\$36.3 million (December 31, 2018: HK\$22.3 million). The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(iii) As at March 31, 2019, the Group had lease liabilities of HK\$5.7 million relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.
- (b) The Group had the following significant transactions with related companies during the period:

<u>Related parties</u>	<u>Type of transaction</u>	Three months ended March 31	
		<u>2019</u> HK\$'000 (unaudited)	<u>2018</u> HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises*	422	975
	Travelling, accommodation and transportation, net of discounts*	22,545	21,157
	Interest expense on lease liabilities	68	-
Ultimate holding company	Marketing referral fees	4,238	3,877
	Marketing referral income	(17)	(173)
Company jointly-owned by Shareholders	Developers' fees capitalized	-	13,915
	License fee	100,150	81,629

* At December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million which fall due within the following three years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE THREE MONTHS ENDED MARCH 31, 2019

21. RELATED PARTY TRANSACTIONS - continued

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

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the “Additional Property Cap Increase”). The Additional Property Cap Increase will also apply to subsequent calendar years, and will increase at the rate of 20% per year. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI were US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million), respectively. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI were US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million). During the three months ended March 31, 2019, a total license fee of HK\$100.2 million (three months ended March 31, 2018: HK\$81.6 million) was recognized in profit or loss.

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

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Three months ended March 31	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	58,223	70,680
Post-employment benefits	770	811
Share-based payments	<u>9,815</u>	<u>12,198</u>
	<u>68,808</u>	<u>83,689</u>

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